TYBFM SEM VI-
SAMPLE MCQ

VENTURE CAPITAL & PRIVATE CAPITAL

1. __________ sit between public equity and outright ownership (for instance, as a result FDI) in terms of the investment horizon and the degree of corporate control.
   a. Venture Capital
   b. Private Equity
   c. Growth Capital
   d. LBO

2. __________ possess professional expertise and play a promotional role in organizing a perfect match between the supply and demand for capital in the market.
   a. Issuers
   b. Investors
   c. Intermediaries
   d. Venture Capitalist

3. __________ structure is generally used where domestic investors are also expected to participate in the fund.
   a. Offshore
   b. Co – investment
   c. Unified
   d. Mezzanine

4. PF Fund generally disposes of the investments within relative time frame of __________ years from investment.
   a. 1 to 2
   b. 1 to 10
   c. For less than a year
   d. 3 to 5

5. __________ is a broad term that refers to any type of non-public ownership equity securities equity securities that are not listed on a public exchange.
   a. Venture Capital
   b. Private Equity
   c. Growth Capital
6. A ______ is a specialized firm that finances young, start-up companies.

a. Venture capital firm  
b. finance company  
c. small-Business finance company  
d. capital-creation company

7. Venture capital firms are usually organized as ______

a. closed-end mutual funds  
b. limited partnerships  
c. corporations  
d. nonprofit businesses

8. Which of the following is not a fee based Financial Service

a. Credit rating agencies  
b. venture capital  
c. consumer credit  
d. factoring

9. ______ Capital is needed for product development and initial marketing

a. Seed capital  
b. Startup capital  
c. Second round financing  
d. Third round financing

10. _____Provided at a stage when product has been launched in the market but has not on enough profit to meet future capital needs.

a. First round financing  
b. second round financing  
c. startup capital  
d. seed capital
11. FEMA Regulations are passed in the year__________.
   a) 1969
   b) 1992
   c) 2000
   d) 2002

12. Third phase of Private equity is called as _______________
   a. Divestment Period
   b. Investment Period
   c. Negotiation Period
   d. Expansion Period

13. ______________ is the risk that investor is not able to pay their capital commitments to a private equity fund.
   a. Interest rate risk
   b. Exchange Rate Risk
   c. Liquidity Risk
   d. Funding Risk

14. __________ is a hybrid of debt & equity financing.
   a. LBO
   b. Dis-stressed buyout
   c. Mezzanine
   d. Speciality Financing

15. Lenders who are involved in mezzanine finance are ________ term investors.
   a. Long
   b. Short
   c. Medium
   d. Quick
16._________ is the most common structure of VC/PE funds in India.
   a. Company
   b. LLP
   c. Body corporate
   d. Trust

17. There are _______ popular methods for valuation of private equity.
   a. Two
   b. Three
   c. One
   d. Five

18._________ is defined as the risk of exchange rate variation affecting the realized value because of contractual cash flows.
   a. Transaction risk
   b. Political Risk
   c. Financial Risk
   d. Regulatory Risk

19. Growth equity investment is traditionally done in company’s which have not take prior_______ investment.
   a. Institutional
   b. Bonds
   c. Debentures
   d. Equity

20. An IPO provides a sponsor with ____ future liquidity.
   a. Increased
   b. Decreased
   c. High risk
   d. Low risk

21. A sale of the portfolio company to another private equity firm is also known as _______ sale.
   a. Primary
   b. IPO
   c. Secondary sale
   d. Open market
22. Private equity funds typically have fixed life spans of about _____ years.
   a. 5-6 years
   b. 8-10 years
   c. 7-9 years
   d. 8-9 years

23. __________ is the most preferred exit option among PE firms.
   a. Trade sale
   b. Strategic Sale
   c. Liquidation
   d. IPO

24. SPV stands for __________.
   a. Specific Portfolio Valuation
   b. Specific Purpose Vehicle
   c. Special Purpose Vehicle
   d. Stock Passive Valuation

25. A __________ refers to the buying and selling of an investor’s ownership in a privately held, frequently venture – backed or private equity – backed, company.
   a. Secondary Sale
   b. Buy Back
   c. IPO
   d. Mergers and Acquisitions
RISK MANAGEMENT

1) Risk identification is defined as--------- that could possibility prevent the program
   A. Investment risk
   B. Audit
   C. Credit audit
   D. Method of determining risk

2) ______________ implies a situation where the future events are not yet known.
   A. Certainty
   B. Quantity
   C. Equality
   D. Uncertainty

3) Return is defined as _________ of actual returns from an investment with respect to expected returns.
   A. Productivity
   B. Volatility
   C. Unproductively
   D. Reality

4) Return refers to------
   A. Gain expected by investors from investment
   B. Consumption
   C. Credit audit
   D. Risk audit

5) More volatile returns are higher is-------- associated with investment.
   A. Credit
   B. Risk
   C. Money lending
   D. Money borrowing

6) ______________ is the risk that arises from volatility of interest rates in economy.
   A. Interest rate risk
   B. Repo rate risk
   C. Bank rate risk
   D. Reserve repo rate risk

7) ______________ risk arises if there is maturity mismatch between liabilities and offsetting assets.
   A. Structure in production
   B. Structure in distribution
C. Term structure
D. Structure in warehouse.

8) Lack of counterparty results into ____________ risks.
   A. Liquidity
   B. Validity
   C. Equality
   D. Productivity

9) An increase in the number of------- adds stress to the project and influencers the project complexity level.
   A. Shareholder
   B. Borrower
   C. Stakeholder
   D. Loan holder

10) Government refers------
    A. Taxation
    B. Consumption
    C. Revenue
    D. Cost

11) ------- analysis refers to change in output with change in one or more input variables.
    A. Sensitivity analysis
    B. Risk analysis
    C. Credit analysis
    D. Debt analysis

12) Liberal economic reforms were introduced in the year ______________
    A. 1991
    B. 1992
    C. 1993
    D. 1994

13) What is current account convertibility?
    A. Conversion of currency only for trade purpose
    B. Conversion of currency at RBI determined price
    C. Conversion of currency at market determined price for trade purposes only
    D. Conversion of currency at IMF determined price

14) __________ are contract between buyer and seller in which the underlying asset is the currency.
    A. Currency policy
    B. Currency Contract
C. Currency derivatives  
D. Currency spot

15) _________________is a type of foreign risk exposure.
   A. Technical Exposure  
   B. Transaction Exposure  
   C. Transfer Exposure  
   D. Transnational Exposure

16) _______________convertibility is these with which a country’s currency can be converted into gold or another currency.
   A. Current Account  
   B. Capital Account  
   C. Nostro Account  
   D. Vostro Account

17) Importers and exporters can _________________ currency risk by selling or buying futures.
   A. Speculate  
   B. Arbitrage  
   C. Hedge  
   D. Match

18) Exchange rate swaps are also known as ____________ .
   A. Currency swaps  
   B. Interest swaps  
   C. Contract swaps  
   D. Forex swaps

19) A _______________ options gives the holder the right but not the obligation to sell the underlying currency.
   A. Call  
   B. Put  
   C. Currency  
   D. Future

20) _________________ involves the pairing of foreign currency inflows and outflows in terms of timing and value.
   A. Matching  
   B. Leading  
   C. Lagging  
   D. Netting
21) Yield curve refers----
   A. Plots the interest rate
   B. Less it
   C. More
   D. Credit

22) The higher the-------- the rate, the lower the convexity of a bond
   A. Debit
   B. Coupon
   C. Credit
   D. Deposit

23) ------- give its holder right to enter into a swap as a floating rate payer
   A. A put swap options
   B. Futures
   C. Derivatives
   D. Forwards

24) Global bond is bound which issue in-------- at the same time
   A. Domestic
   B. National
   C. Liquidity
   D. Several countries

25) Newly issued Bond usually sells at the-------- the value
   A. Par
   B. Budget
   C. Discount
   D. Premium
MUTUAL FUND MANAGEMENT

1) The First player of the Mutual fund industry was ______________.
   A) ICICI MF
   B) UTI MF
   C) SBI MF
   D) LIC MF

2) Mutual fund was set up in the Year _______________.
   A) 1963
   B) 1986
   C) 1956
   D) 1947

3) The value of one unit of investment in Mutual fund is called the _______________.
   A) Net Asset Value
   B) Issue value
   C) Market value
   D) Gross Asset value

4) ________________ regulates the Mutual fund industry in India.
   A) Reserve Bank of India
   B) Association of Mutual Funds of India
   C) Securities Exchange Board of India
   D) State Bank of India

5) A ________________ is a trust that pools the savings of a number of investors who share common financial goals.
   A) Shares
   B) Mutual Funds
   C) Government Securities
   D) Derivatives

6) ____________ are funds that invest in company debentures, government bonds and other fixed-income assets.
   A) Equity Funds
   B) Money Market Funds
   C) Balanced or Hybrid Funds
   D) Debt Funds
7) Gold ETFs are popular because of
   A) Transparency and Real time gold prices
   B) Non - Liquid
   C) Security Transaction tax
   D) Entry and Exit load

8) Which of the following risks do not affect a debt fund
   A) Default by the issuer on payment of interest or principal
   B) Price fluctuations of the debt securities
   C) Share price movements
   D) d) Interest volatility

9) ______________ are investment instrument, where an asset management company invest the money gather into both debt and equity.
   A) Equity Funds
   B) Debt Funds
   C) Money Market Funds
   D) Balanced or Hybrid Funds

10) The process of offering a mutual fund scheme to the public for the first time for subscription is known as __________.
    A) Initial Public Offer
    B) New Fund Offer
    C) New Public offer
    D) Further Public offer

11) ______________ invest in commodities, such as gold, silver, other precious metals.
    A) Index ETF
    B) Commodity ETF
    C) Bond ETF
    D) Debt ETF

12) _____________ is the benefit of investing in growth funds.
    A) Potential for high returns
    B) High market risks
    C) Long term commitment
    D) Possible value depreciation

13) The maximum load that a fund can charge is determined by
    A) AMC
    B) SEBI
    C) AMFI
    D) Distribution agents based on the demand of the fund
14) A diversified equity fund is one which

A) Invests in one sector
B) Invests in a theme
C) Invests in stocks across various sectors
D) Invests in minimum 30 stocks

15) Mutual fund is constituted under .............

A) Partnership Act, 1932
B) Companies Act, 1956
C) Indian Trust Act, 1882
D) Contract Act 1872

16) Phase 1 of Mutual funds in India extended from .............

A) 1964- 1987
B) 1961- 1987
C) 1964- 1988
D) 1961- 1988

17) ............. helps in financial transactions of mutual funds.

A) Distributors
B) Trustees
C) Custodians
D) Banks

18) AMC is required to be approved by .............

A) RBI
B) IBDI
C) SEBI
D) IRDA

19) A mutual fund has a beginning balance of 100 million earns interest of 10 million, receives dividends of 15 million, and has expenses of 5 million. If 10 million shares are outstanding, what is the NAV?

A) 10.50
B) 11.00
C) 12.00
D) 12.50

20) If a scheme has 45Cr units issued and have an FV of Rs. 10 and NAV is at 11.33, unit Capital (Rs.Cr) would be equal to

A) 500.85
B) 50.85
C) 950.85
D) 450

21) ………… approve the contents of the Offer document
   A) AMC
   B) Trustee
   C) Custodian
   D) Sponsor

22) …………. measures the dispersion in return.
   A) Beta
   B) R-squared
   C) Standard deviation
   D) Alpha

23) In …………………… Investors buy shares of Companies who have announced bonus issues, and subsequently sell the original holding at a loss once the stock becomes ex-bonus.
   A) Dividend stripping
   B) Bonus stripping
   C) Capital stripping
   D) Asset stripping

24) The accounting year for mutual funds ends on ……… of each year.
   A) 31st December
   B) 31st March
   C) 30th September
   D) 1st April

25) ………………….. Ratio determines how the return of the scheme has compensated and investor for the risk he has taken.
   A) Treynor
   B) Sharpe
   C) Sortino
   D) Information
STRATEGIC CORPORATE FINANCE

1 Strategic financial management focuses on
   a) Wealth creation
   b) Capital Appreciation
   c) Wealth Creation & Capital Appreciation
   d) Share Appreciation

2 Strategic Investment Management covers
   a) Valuation of Shares
   b) Corporate Restructuring
   c) Valuation of goodwill
   d) Cost of Equity

3 Strategic cost management involves not use of cost data for
   a) Development of superior strategies
   b) Gaining competitive advantage
   c) Increasing profitability
   d) Losing competitive

4 Quality cost not includes
   a) Prevention cost
   b) Appraisal cost
   c) Internal failure cost
   d) Standard cost

5 Appraisal cost includes
   a) Inspection tools
   b) Rework
   c) Scrap
   d) Repairs

6 Preference shares, in case the holders of these have a right to convert their preference shares into equity shares at their option according to the terms of issue, such shares are called :
   a) Cumulative Preference Share
   b) Non-cumulative Preference Share
   c) Convertible Preference Share
   d) Non-convertible Preference Share
Which of the following is not one of the three fundamental methods of firm valuation?

a) Discounted Cash flow  
b) Income or earnings - where the firm is valued on some multiple of accounting income or earnings.  
c) Balance sheet - where the firm is valued in terms of its assets.  
d) Market Share

Shareholders wealth increases with the increase in ___

a) EPS  
b) Market value of the firm  
c) Dividend & market value of the firm  
d) Market price of the equity share

Capital budgeting is related to ____________.

a) long terms assets.  
b) short term assets.  
c) long terms and short terms assets.  
d) fixed Liability

According to traditional approach, the average cost of capital ____________.

a) Remains constant up to a degree of leverage and rises sharply thereafter with every increase in leverage  
b) Rises constantly with increase in leverage  
c) Decrease up to certain point, remains unchanged for moderate increase in leverage and rises beyond a certain point  
d) Decrease at an increasing rate with increase in

The constant growth model of equity valuation assumes that ____________.

a) the dividends paid by the company remain constant.  
b) the dividends paid by the company grow at a constant rate of growth.  
c) the cost of equity may be less than or equal to the growth rate.  
d) the growth rate is less than the cost of equity

While calculating the weighted average cost of capital, market value weights are preferred because_________________.

a) Book value weights are historical in nature.  
b) This is in conformity with the definition of cost of capital as the investors minimum required rate of return.  
c) Book value weights fluctuate violently.  
d) Market value weights are fairly consistent over a period of time.
13 While calculating weighted average cost of capital _____________.
   a) Preference shares are given more weight age.
   b) Cost of issue is considered
   c) Tax factor is ignored
   d) Risk factors is ignored

14 Long-run objective of financial management is to_______________.
   a) maximize earnings per share.
   b) maximize the value of the firms common stock.
   c) maximize return on investment
   d) maximize market share

15 The person whose risk is insured is called as
   a) Insured
   b) merchandiser
   c) marketer
   d) Agents

16 What do you mean by raising finance?
   a) To get capital for business
   b) To use capital
   c) To distribute profit
   d) to declare dividend

17 Which of the following factors influence(s) the capital structure of a business entity?
   a) Bargaining power with the suppliers
   b) Demand for the product of the company
   c) Technology adopted
   d) Adequate of the assets to meet any sudden spurt in demand

18 Business plan is a source of
   a) Information
   b) authority
   c) Capital
   d) Correction

19 Mission gives
   a) Direction to the business
   b) shape to the business
   c) strength to the business
   d) objective to the business
20 PPP is important due to
   a) Generation of revenue
   b) reduces risk
   c) customer satisfaction
   d) Generation of revenue, reduces risk, customer satisfaction, Wealth maximisation

21 India require large investment in
   a) Road ,Port and Power
   b) School ,college and university
   c) Rent, transfer, transmission.
   d) Share, Debenture and bond

22 Under net asset method, value of a share depends on ___________.
   a) net assets available to equity shareholders
   b) net assets available to debentures holders
   c) net assets available to preference shareholder
   d) net assets available to creditors

23 A firm’s goodwill is affected by
   a) Location of the firm
   b) The reputation of the Firm
   c) Better Customer Service
   d) Poor Customer services

24 When there is a change in the current partners’ association that results in ending the existing agreement and initiate a formation of a new agreement is known as
   a) Revaluation of Partnership
   b) Reconstitution of Partnership
   c) Realization of Partnership
   d) Dissolution of partnership

25 If Existing capital Rs 20,00,000 and company required Rs 10,00,000 for expansion, Cost of capital 10%, 10% Debenture Rs 10,00,000. Calculate EBIT and EBT.
   a) 4,00,000 and 2,00,000
   b) 3,00,000 and 2,00,000
   c) 2,00,000 and 2,00,000
   d) 1,00,000 and 1,00,000
CORPORATE RESTRUCTURING

1. The _____ is the process of making changes in the composition of a firm's one or more business portfolio in order to have a more profitable enterprise.
   a) Corporate Reconstruction
   b) Communication
   c) Ownership
   d) Capital structure

2. The _______ means changing the structure of an organization such as reducing the hierarchical levels.
   a) Financial Restructuring
   b) Organizational Restructuring
   c) Corporate Restructuring
   d) Internal Reconstruction

3. _____ is an arrangement whereby the assets of two or more companies come under the control of one company.
   a) Merger
   b) Buyout
   c) Joint Venture
   d) Demerger

4. _______ merger involves firms engaged in unrealised types of activities.
   a) Vertical
   b) Horizontal
   c) Conglomerate
   d) Demerger

5. In _____ company distributes its shareholding in subsidiary to its shareholders thereby not changing the ownership pattern.
   a) Spin off
   b) Split off
6. When Existing company is dissolved to form few new companies, it is called as
   a) Spin off
   b) Split off
   c) Split up
   d) None of the above

7. The Indian ________ contains several provisions that deal with the taxation of
different categories of mergers and acquisitions.
   (a) Competition Act, 2002
   (b) Income Tax Act, 1961
   (c) Companies Act, 2013
   (d) MRTP, 1970

8. The risks of investors can be __________ through adequate transparency and
disclosures.
   (a) Enhance
   (b) Increased
   (c) minimized
   (d) maximized

9. ________ deals with Accounting for amalgamations.
   (a) Accounting Standard 14
   (b) Accounting Standard 11
   (c) Accounting Standard 13
   (d) Accounting Standard 12

10. A company in one country can be acquired by an entity (another company) from
    other countries is called ________.
    (a) Cross Border Merger
    (b) Intra Border Merger
(c) Poison pill Merger
(d) Reverse Merger

11. __________ is a disjoining or a separation of one or more units of a company to form a new company independent from the original one.
(a) Merger
(b) Takeover
(c) Demerger
(d) Acquisition

12. _____ is an important tool for successful merger.
(a) Communication
(b) Competition
(c) Rivery
(d) Mutual

13. _____ is the process of reshuffling or reorganizing the financial structure, which primarily comprises of equity capital and debt capital.
(a) Financial Restructuring
(b) Debt Restructuring
(c) Equity Restructuring
(d) Management Restructuring

14. _____ can be either from the assets side or the liabilities side of the balance sheet.
(a) Financial Restructuring
(b) Debt Restructuring
(c) Equity Restructuring
(d) Management Restructuring

15. _____ is more commonly used as a financial tool than compared to equity restructuring.
(a) Financial Restructuring
(b) Debt Restructuring
(c) Equity Restructuring
(d) Management Restructuring

16 Reducing the cost of capital for healthy companies is _____ type of debt capital.
   (a) Short term borrowing
   (b) Medium term borrowing
   (c) Long term borrowing
   (d) Short and medium borrowing

17 When one of the existing companies take over business of another company or companies, it is known as _______
   (a) Amalgamation
   (b) Absorption
   (c) Internal reconstruction
   (d) External reconstruction

18 While calculating purchase price, the following values of assets are considered
   (a) Book value
   (b) New values fixed
   (c) Average values
   (d) Market values

19 Shares received from the new company are recorded at -
   (a) Face value
   (b) Average price
   (c) Market value
   (d) None of the above

20 If the two companies have different accounting policies in respect of the same item,
then they make necessary changes to adopt accounting policies.

(a) Lifo method
(b) Fifo method
(c) Weighted method
(d) Uniform

21 While calculating purchase consideration values of assets is to be considered.

(a) Book value
(b) Revalued price
(c) Average price
(d) Capital

22 _______ buyout may generate more liquidity.

(a) Primary
(b) Secondary
(c) Tertiary
(d) Quaternary

23 Business with _______ growth but which generates high cash flows may be more appealing to private firms.

(a) Slow
(b) Fast
(c) Normal
(d) Neutral

24 _______ buyouts have been successful if the investment has reached an age where it is necessary or desirable to sell rather than hold the investment.

(a) Primary
(b) Secondary
(c) Tertiary
(d) Quaternary
A ____________ buyout can provide liquidity to existing shareholder.

(a) Management
(b) Primary
(c) Secondary
(d) Leverage