



Biju Patnaik Institute of Information Technology & Management Studies

Subject: Corporate Finance

Subject Code: MBPC1004

Stream: MBA

Semester: 2nd

Name of the Test: Quiz

Name: _____

Registration No: _____

- (1) Which of the following best explains operating leverage?
 - a) Change in EBIT due to change in sales
 - b) Change in EPS due to change in EBIT
 - c) Change in capital due to dividend payout
 - d) Change in cost of capital due to financing decision
- (2) A firm has sales of ₹10,00,000, variable cost ₹6,00,000, fixed cost ₹2,00,000. Calculate the Operating Leverage.
 - a) 1.25
 - b) 2.0
 - c) 3.0
 - d) 1.5
- (3) A company has the following financials: EBIT = ₹3,00,000, Interest expense = ₹60,000, Tax rate = 30%, Number of equity shares = 30,000. Calculate the Degree of Financial Leverage (DFL).
 - a) 1.43
 - b) 1.25
 - c) 1.75
 - d) 2.00
- (4) Weighted average cost of capital is also known as:
 - (a) Composite cost of capital
 - (b) Overall cost of capital
 - (c) Average cost of capital
 - (d) All of the above
- (5) What does the implicit cost of capital represent?
 - (a) Historical cost of funds
 - (b) Cost of capital visible in accounting records
 - (c) Discount rate equating present values of cash inflows and outflows
 - (d) Interest paid on borrowings
- (6) Which of the following best describes the capital structure of a firm?
 - (a) The total assets of the firm
 - (b) The mix of debt and equity used by a firm
 - (c) The amount of dividends paid to shareholders
 - (d) The retained earnings of a firm



- (7) Which of the following best defines Working Capital?
- (a) The total value of fixed assets owned by the firm
 - (b) The difference between a firm's current assets and current liabilities
 - (c) The amount of long-term funds invested in the business
 - (d) The equity portion of the capital employed
- (8) Which of the following is not classified as a current asset?
- (a) Accounts Receivable
 - (b) Marketable Securities
 - (c) Plant and Machinery
 - (d) Inventory
- (9) Which current asset is considered most liquid after cash?
- (a) Inventory
 - (b) Bills receivable
 - (c) Accounts receivable
 - (d) Prepaid expenses
- (10) Which of the following is a goal of receivables management?
- (a) Maximize credit sales at all costs
 - (b) Minimize the number of customers
 - (c) Ensure timely collection and minimize bad debts
 - (d) Eliminate credit sales completely