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STRATEGIC FINANCIAL MANAGEMENT MCQ Solved – Multiple Choice Question for Strategic Financial Management

- A project had an equity beta of 1.2 and was going to be financed by a combination of 30% debt and 70% equity (assume debt beta = 0). Hence, the required rate of return of the project is (assume Rf = 10% and Rm =18%)
    - 16.27%
    - 17.26%
    - **16.72%**
    - 12.76%

- Consider the following quotes. Spot (Euro/Pound) = 1.6543/1.6557; Spot (Pound/NZ$) = 0.2786/0.2800. Calculate the % spread on the Euro/Pound Rate.
    - **0.085%**
    - 0.0085%
    - 0.85%
    - 0.00085%

- A company has expected Net Operating Income – ₹2,40,000; 10% Debt – ₹7,20,000 and Equity Capitalisation rate – 20%. What is the weighted average cost of capital for the company?
    - **0.15385**
    - 0.13585
    - 0.18351
    - 0.15531

- The price of Swedish Krones is $ 0.14 today. If it appreciates by 10% today, how many Krones a dollar will buy tomorrow?
    - **6.49351**
    - 4.69351
    - 3.49513
    - 5.64913

- A firm has sales of ₹75,00,000, variable cost of ₹42,00,000 and fixed cost of ₹6,00,000. It has a debt of ₹45,00,000 at 9% interest and equity of ₹55,00,000. At what level of sales, the EBIT of the firm will be equal to zero?
    - ₹28,48,500
    - ₹28,84,500
    - **₹22,84,500**
    - ₹26,48,500

- E Limited has earnings before interest and taxes (EBIT) of ₹10 million at a cost of 7%., Cost of equity is 12.5%. Ignore taxes. What is the overall cost of capital?
    - **11.26%**
    - 11.62%
    - 16.12%
    - 12.61%

STRATEGIC FINANCIAL MANAGEMENT MCQ Solved

- The following various currency quotes are available from the State Bank of India: ₹/£ 81.31/81.33; £/$ 0.6491/0.6498; $/¥ 0.01098/0.01102. The rate at which yen (¥) can be purchased with rupees will be:
    - 1.5270

    - 1.5890
    - **0.5824**
    - 0.7824

- The dollar is currently trading at ₹40. If rupee depreciates by 10%, what will be the spot rate?
    - ₹0.0525
    - ₹0.0552
    - **₹0.0225**
    - ₹0.0522

- A company has ₹7 Crore available for investment. It has evaluated its options and has found that only four investment projects given below have positive NPV. All these investments are divisible and get proportional NPVs.

Project	Initial Investment (₹ Crore)	NPV (₹ Crore)	PI
W	6.00	1.80	1.30
X	3.00	0.60	1.20
Y	2.00	0.50	1.25
Z	2.50	1.50	1.60

Which investment projects should be selected?

- Which investment projects should be selected?
    - Project W in full and X in part
    - **Project Z in full and W in part**
    - Project W in full and Z in part
    - Project Z and Y in full and X in part

- An investor is bullish about X Ltd. which trades in the spot market at ₹1,150. He buys two call option contracts with three months (one contract is 100 shares) with a strike price of ₹1,195 at a premium of ₹35 per share. Three months later, the share is selling

at ₹1,240. Net profit/loss of the investor on the position will be

- ₹1,000
- ₹16,000
- ₹11,000
- **₹2,000**

- Duhita Ltd. intends to buy an equipment. Quotes are obtained for two different makes A and B as given below:

	Cost (₹ Million)	Estimate life (Years)
A	4.5	10
B	6.00	15

CHOOSE ONE FROM FOLLOWING

- Ignoring the operations and maintenance costs, which will be almost the same for A and B, which one would be chapter? The company's cost of capital is 10%. [Given: PVIFA (10%, 10 yrs.) = 6.1446 and PVIFA (10%, 15 years) = 7.6061]
  - **A will be cheaper**
  - B will be cheaper
  - Cost will be the same
  - They are not comparable and therefore nothing can be said about which is cheaper

- BLC Ltd., a valued customer engaged in import business is in need to remit EURO 1 million to his European exporter. The spot rate of ₹/US$ is ₹65.47/65.57 and that of US$/EURO is $ 0.8053/0.8057. What rate will a banker quote to BLC Ltd. if the bank's margin is 0.50%?
  - **₹53.09**
  - ₹53.067
  - ₹53.01
  - ₹52.99

- Given for a project: Annual Cash inflow = ₹80,000, Useful life = 4 years Undiscounted Pay-Back period = 2.855 years What is the cost of the project?
    - ₹1,12,084
    - **₹2,28,400**
    - ₹9,13,600
    - None of the above

- A project had an equity beta of 1.4 and is to be financed by a combination of 25% Debt and 75% Equity. Assume Debt Beta as zero, Rf = 12% and Rm = 18%. Hence, the required rate of return of the project is
    - 16.72%
    - **18.30%**
    - 17.45%
    - 12.00%

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