

M.Com. Part II Semester IV

Taxation Paper VII

Q. Select the most appropriate alternative.

1. Operating leverage helps in analysis of:

- (a) Business Risk,
- (b) Financing Risk,
- (c) Production Risk,
- (d) Credit Risk

2. Which of the following is studied with the help of financial leverage?

- (a) Marketing Risk,
- (b) Interest Rate Risk,
- (c) Foreign Exchange Risk,
- (d) Financing risk

3. High degree of financial leverage means:

- (a) High debt proportion,
- (b) Lower debt proportion,
- (c) Equal debt and equity,
- (d) No debt

4. Marginal cost of capital is the cost

- a) Additional sales
- b) Additional funds
- c) Additional interest
- d) none of these Above

5. Net Profit Ratio Signifies:

- (a) Operational Profitability,
- (b) Liquidity Position,
- (c) Big-term Solvency,
- (d) Profit for Lenders.

6. Working Capital Turnover measures the relationship of Working Capital with:

- (a) Fixed Assets,
- (b) Sales,
- (c) Purchases,
- (d) Stock.

7. Which of the following sources of funds has an Implicit Cost of Capital?

- (a) Equity Share Capital,
- (b) Preference Share Capital,
- (c) Debentures,
- (d) Retained earnings.

8. Which of the following has the highest cost of capital?

- (a) Equity shares,
- (b) Loans,
- (c) Bonds,
- (d) Preference shares.

Ans key:-

1-a. 2-d. 3-a. 4-b. 5-a 6- a 7-d. 8-a.