

DPBS (PG) COLLEGE , ANOOPSHSR
B.COM. III
PAPER : FINANCIAL MANAGEMENT
PAPER CODE : C-305
TOPIC : MANEGEMENT OF WORKING CAPITAL
PRACTICE SET

- 1. To financial analysts, "working capital" means the same thing as _____.**
 - a. Total assets.
 - b. Fixed assets.
 - c. Current assets.
 - d. Current assets minus current liabilities.

- 2. Which of the following would be consistent with an aggressive approach to financing working capital?**
 - a. Financing short-term needs with short-term funds.
 - b. Financing permanent inventory buildup with long-term debt.
 - c. Financing seasonal needs with short-term funds.
 - d. Financing some long-term needs with short-term funds.

- 3. Which of the following would be consistent with a conservative approach to financing working capital?**
 - a. Financing short-term needs with short-term funds.
 - b. Financing short-term needs with long-term debt.
 - c. Financing seasonal needs with short-term funds.
 - d. Financing some long-term needs with short-term funds.

- 4. Which of the following would be consistent with a hedging (maturity matching) approach to financing working capital?**
 - a. Financing short-term needs with short-term funds.
 - b. Financing short-term needs with long-term debt.
 - c. Financing seasonal needs with long-term funds.
 - d. Financing some long-term needs with short-term funds.

- 5. Which of the following is a basic principle of finance as it relates to the management of working capital?**
 - a. Profitability varies inversely with risk.
 - b. Liquidity moves together with risk.
 - c. Profitability moves together with risk.
 - d. Profitability moves together with liquidity.

- 6. Which of the following illustrates the use of a hedging approach to financing assets?**
- a. Temporary current assets financed with long-term liabilities.
 - b. Permanent working capital financed with long-term liabilities.
 - c. Short-term assets financed with equity.
 - d. All assets financed with a mixture of 50% equity and 50% long-term debt.
- 7. In deciding the optimal level of current assets for the firm, management is confronted with _____.**
- a. Trade-off between profitability and risk.
 - b. Trade-off between liquidity and risk
 - c. Trade-off between equity and debt
 - d. Trade-off between short-term versus long-term borrowing
- 8. The amount of current assets required to meet a firm's long-term minimum needs is referred to as _____ working capital.**
- a. Permanent
 - b. Temporary
 - c. Net
 - d. Gross
- 9. Which of the following statements is correct for a conservative financing policy for a firm relative to a former aggressive policy?**
- a. The firm uses long-term financing to finance all fixed and current assets.
 - b. The firm will see an increase in its expected profits.
 - c. The firm will see an increase in its risk profile.
 - d. The firm will increase its dividends per share (DPS) this period.
- 10. To financial analysts, "net working capital" means the same thing as _____.**
- a. Total assets
 - b. Fixed assets
 - c. Current assets
 - d. Current assets minus current liabilities.