Assignment-2

The due date for submitting this assignment has passed. Due on 2019-08-21, 23:59 IST. As per our records you have not submitted this assignment.

1) While taking into consideration the trade-off between profitability and risk, a firm with higher net working capital will have:

- Low Risk and Low Profitability
- Low Risk and High Profitability
- High Risk and Low Profitability
- High Risk and High Profitability

No, the answer is incorrect.
Score: 0
Accepted Answers:
- Low Risk and Low Profitability

2) While taking into consideration the trade-off between profitability and risk, a firm with low net working capital will have:

- Low Risk and Low Profitability
- Low Risk and High Profitability
- High Risk and Low Profitability
- High Risk and High Profitability

No, the answer is incorrect.
Score: 0
Accepted Answers:
- High Risk and High Profitability
3) In terms of cost, which of the following is the cheapest sources of finance to fund the current assets:

- Short term sources of finance
- Long term sources of finance
- Spontaneous sources of Finance
- All of the above

No, the answer is incorrect.
Score: 0
Accepted Answers:
Spontaneous sources of Finance

4) Spontaneous sources of funds include:

- Trade credits and Accruals
- Trade credits and Bank Finance
- Trade credits and Accruals and Bank Finance
- None of the above

No, the answer is incorrect.
Score: 0
Accepted Answers:
Trade credits and Accruals

5) Trade credits does not include:

- Accounts Payable
- Outstanding Wages
- Bank Finance
- Outstanding Overheads

No, the answer is incorrect.
Score: 0
Accepted Answers:
Bank Finance

6) To minimise the cost of funds to finance the current assets, different sources of finance should be used in the following order:

- Spontaneous finance, Short term finance and Long term finance
- Spontaneous finance, Long term finance and short term finance
- Long term finance, short term finance and spontaneous finance
- Different sources may be used in any order

No, the answer is incorrect.
Score: 0
Accepted Answers:
Spontaneous finance, Short term finance and Long term finance

7) Which of the following is not the source of short term finance used to fund the working capital needs:

- Bank finance
- Commercial paper
- Debentures
- Factoring

No, the answer is incorrect.
Score: 0
Accepted Answers:
Debentures

8) Why long term sources of finance are not advisable to be used for fulfilling working capital needs?  
   - These sources are very expensive in terms of cost and current assets are least productive
   - These sources are not separable as they are required for financing fixed assets
   - Long term sources mismatch with short term assets due to different maturity period of both
   - Long term funds are prohibited to be used for working capital needs as per the instructions of financial institutions

No, the answer is incorrect.
Score: 0
Accepted Answers:
These sources are very expensive in terms of cost and current assets are least productive

9) Why Spontaneous Sources of finance are called as ‘Spontaneous’?
   - These sources are self-adjusting sources of finance
   - These sources are almost free of cost sources
   - These sources don’t need special arrangements
   - All of the above

No, the answer is incorrect.
Score: 0
Accepted Answers:
All of the above

10) The concept that measures working capital fund requirements, traces its changes and determines the optimum level of working capital requirement is referred to as
   - Operating cycle
   - Work-in-process cycle
   - Sales Cycle
   - None of the above

No, the answer is incorrect.
Score: 0
Accepted Answers:
Operating cycle

11) Which of the following equations explain the correct operating cycle?
   - \( OC = (R_t - D_t) + W_t + F_t + C_t \)
   - \( OC = (R_t - F_t) + W_t + C_t + D_t \)
   - \( OC = (R_t - C_t) + W_t + F_t + D_t \)
   - \( OC = (R_t - W_t) + C_t + F_t + D_t \)

No, the answer is incorrect.
Score: 0
Accepted Answers:
\( OC = (R_t - C_t) + W_t + F_t + D_t \)

12) Net operating cycle is defined as:
   - GOC - WIPCP
   - GOC – FGCP
   - GOC – PDP

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None of the above

No, the answer is incorrect.
Score: 0
Accepted Answers:
GOC – PDP