

QUESTION BANK

BBA

SEMESTER IV

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QUESTION BANK

HUMAN RESOURCE MANAGEMENT

BBA - 202

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BBA - IV

UNIT – I

I Multiple Choice Questions:

- 1 HRM aims to maximize employees' as well as organizations'
- A. Effectiveness
 - B. Economy
 - C. Efficiency
 - D. Performativity

ANSWER : A

- 2 The difference between HRM and Personnel Management is: -
- A. Insignificant
 - B. Marginal
 - C. Narrow
 - D. Wide

ANSWER : D

- 3 Who takes an active role on HRM?
- A. CEOs
 - B. Employees
 - C. HR Staff
 - D. Senior Manager

ANSWER : B

- 4 1970s represent the evolution of new discipline under the name of _____.
- A. Personnel management
 - B. HRM
 - C. Industrial sociology
 - D. Organizational sociology

ANSWER : B

- 5 HRM function does not involve: -
- A. Recruitment
 - B. Selection
 - C. Cost Control
 - D. Training

ANSWER : C

- 6 A statement about the values of employees to the firm that in turn shapes HR policy contents is called: -
- A. HR programs
 - B. HR strategy
 - C. HR philosophy
 - D. HR function

ANSWER : C

- 7 Which one is the first step in any human resource program?
- A. Selection
 - B. Planning
 - C. Training
 - D. Appraising

ANSWER : B

- 8 The _____ approach is based on the belief that employees have certain inalienable rights as human beings and it's the duty of the employer to protect these rights.
- A. Paternalistic
 - B. Behavioral HR
 - C. Humanitarian
 - D. None of the above

ANSWER : C

- 9 _____ employees make companies more competitive.
- A. Motivated
 - B. Empowered
 - C. Qualified
 - D. Skilled

ANSWER : B

- 10 Which of the following is/are the development function of HRM: -
- A. Training and Executive Development
 - B. Career Planning & Development
 - C. Performance and Potential Appraisal
 - D. Only a and b
 - E. All of the above

ANSWER : E

- 11 The major constituents of TQM are _____
- A. Customers
 - B. Employees
 - C. Stock-holders
 - D. All of the above

ANSWER : D

- 12 _____ is any process that provides greater authority the sharing of relevant information and the provision of control over factors affecting job performance.

- A. Collective Bargaining
- B. Empowerment
- C. Participation
- D. None of the above

ANSWER : B

- 13 Which of the following Procurement function of HRM?

- A. Job analysis
- B. HRP
- C. Placement
- D. All of the above
- E. None of the above

ANSWER : D

- 14 Several ways in which HR activities can be done or practiced may be termed as: -

- A. HR Practices
- B. HR Planning
- C. HR Department
- D. HR Roles

ANSWER : A

- 15 Employees given authority to make decisions and take actions become

- A. Satisfied
- B. Empowered
- C. Managers
- D. Committed

ANSWER : B

- 16 _____ is when an employee feels that the task assigned to him is worthwhile and he cares to do so.
- A. Impact
 - B. Competence
 - C. Meaningfulness
 - D. Choice
- ANSWER : C
- 17 The concept of Learning Organizations was introduced by:-
- A. Peter Senge
 - B. Peter F Drucker
 - C. Robert Owen
 - D. None of the above
- ANSWER : A
- 18 Which of the following is critical to the success of TQM?
- A. Training
 - B. Selection
 - C. Coordination
 - D. Cooperation
- ANSWER : A
- 19 What did the Hawthorne experiments discover?
- A. That people need to belong to a 'social group'
 - B. That people need heat and good lighting to work well
 - C. Money is a motivator
 - D. It makes no difference how you treat people at work in relation to their behaviour
- ANSWER : A
- 20 Which of the following comprise the compensation function of HRM?
- A. Job evaluation
 - B. Wage and salary Administration
 - C. Bonus
 - D. All of the above
- ANSWER : D
21. HR managers are generally the _____ managers:
- A. Line
 - B. Middle
 - C. Staff

D. Top
ANSWER : C

22 How often HR planning process is implemented within an organization?
A. Continuously
B. Annually
C. Bi-annually
D. Quarterly
ANSWER : A

23 What could be the best approach for an organization to sustain in a dynamic environment?
A. Be stagnant
B. Responsive to change
C. Reluctant to change
D. Merge with others
ANSWER : B

24 Effective HRM leads to:
A. Organizational success
B. Organizational failure
C. Organizational complexity
D. Organizational inefficiency
ANSWER : A

25 Which of the following is the main responsibility of an HR department?
A. Attracting candidates for job
B. Ensure staff development
C. Keep employees motivated
D. All of the given options
ANSWER : D

26 The three types of forecasts are
A. Economic, employee market, company's sales expansion
B. Long, Short, Medium
C. Production, economic, company's sales expansion
D. Production, labor, economic
ANSWER : A

27 A company's ' HR' department can create an advisory relationship through
A. Line authority

- B. Staff authority
- C. Hiring authority
- D. All of above

ANSWER : B

28 Assistance to top level management for strategic plans is provided by

- A. Transactional HR group
- B. Corporate HR group
- C. Embedded HR group
- D. Center of expertise

ANSWER : B

29 Assisting managers in HR functions of management, known as

- A. Line manager
- B. First line supervisor
- C. Staff manager
- D. All of above

ANSWER : C

30 If company defines authority and communication channels for employees, it is performing

- A. Staffing function
- B. Organizing function
- C. Leading function
- D. Controlling function

ANSWER : D

31 Which is a typical HR activity in an organization?

- A. Logistics
- B. Merchandise budgeting
- C. Market planning
- D. Compensation

ANSWER : D

32 Majority of the disputes in industries is (are) related to the problem of

- A. Wages
- B. Salaries
- C. Benefits
- D. All of the above

ANSWER : D

- 33 Companies can establish a competitive advantage by
- A. Hiring good employees and effectively managing human resources
 - B. Always implementing a hierarchical management scheme
 - C. Adopting a universalistic financial strategy
 - D. None of these

ANSWER: A

- 34 _____ strategy involves the actions taken by firms to better operate in a relevant industry or market
- A. Adaptation
 - B. Business
 - C. Functional
 - D. Competitive

ANSWER: D

- 35 When organisations are downsizing the number of employees in the hierarchy, this usually involves a _____ strategy
- A. Growth
 - B. Retrenchment
 - C. Stability
 - D. Business

ANSWER: D

36. Organizations today, and will perhaps more so tomorrow, increase their competitive footing and their profits by:
- A. Imparting Relevant Training and creating Healthy Work Culture.
 - B. Ensuring that they employ the latest technology.
 - C. Continually expanding their markets.
 - D. Ensuring that they have an interlocking board of directors.

ANSWER A

37. Which of the following management function is related to fixing authority and responsibility?
- A. Planning
 - B. Organizing
 - C. Directing
 - D. Controlling

ANSWER: B

38. Which of the following is not in logical sequence when we describe evolution of HRM:

- A. Scientific management
- B. Human relations movement
- C. Human resources approach
- D. The industrial revolution

ANSWER: D

39. Key to ensuring that HR is strategically relevant to the organization is:

- A. HR must have proper vertical fit.
- B. HR must have proper horizontal fit.
- C. HR must have proper external fit.
- D. HR must be change-worthy.

ANSWER: D

40. Staff role of the personnel department of manufacturing Co. can be described as:

- A. Responsible for Production Targets
- B. Have a role to support main line function
- C. Have to do production planning and control
- D. Limited to recruitment & selection of staff

ANSWER: B

41. Which of the following cannot be said strictly as Personal attributes of HR Manager?

- A. Intelligence
- B. Educational skills
- C. Executing skills
- D. Discriminating skills

ANSWER: D

42. Which of the following is not a direct impact of technology on HR :

- A. New skills, knowledge, experience and expertise required to gain the edge over rivals.
- B. Downsize operations, cut organizational layers and cut the extra fat to survive in a competitive world
- C. Collaborate and achieve teamwork
- D. Offering jobs to certain sections of local community

ANSWER: D

II SHORT ANSWER TYPE QUESTIONS:

- 1 Define Human Resource Management.
- 2 Write about the Evolution of HRM
- 3 Give the importance of HRM
- 4 Is separation a negative function? Comment.
- 5 HRM is a line manager's responsibility but a staff functions. Elucidate.
- 6 How does technology affect the HR function?
- 7 Write a short note on nature of HRM.
- 8 What are the objectives of HRM?
- 9 Elucidate the characteristics of Human Resource Management.
- 10 What is the significance of traditional HRM?
- 11 What are the different stages of growth in HRM?
- 12 State the difference between HRM and Personnel management?
- 13 State the significance of HR department in every organization.
- 14 What are the strategies to be followed by an organization to empower to their employees?
- 15 Outline the elements of HRM process.
- 16 Why should the HR managers monitor demographic trends (such as composition, race, age, sex, education etc.)?
- 17 What is Kaizen?
- 18 What are Quality Circles?
- 19 What is the importance of flexi time.
- 20 What is Six Sigma.
- 21 Write a short note on scope of HRM.
- 22 What is personnel management.
- 23 Explain the systems approach to HRM
- 24 Discuss the difference between HRM and SHRM.
- 25 How can HRM process contribute to improvements in productivity and quality of work life?
- 26 What is the nature of Human Resource Management?
- 27 Discuss the functions of human Resource Management with relevant examples?
- 28 What are the future Challenges before managers?
- 29 What do you understand by psychological contract?
- 30 Discuss the moonlighting phenomenon.
- 31 Is HRM all pervasive? Comment.
- 32 Is HRM the most important function of Management? Explain.
- 33 How managing diverse workforce is challenge to HRM? How one should manage it?
- 34 What is concept of Human capital in HRM?
- 35 How is strategic Management significant in HRM?

III LONG ANSWER TYPE QUESTIONS:

- 1 Write a commentary on the history of the development of HRM in India.
- 2 Explain the nature and functions of HR in an organization.
- 3 Explain the concept of HRM? Bring out the scope and importance of HRM.
- 4 State the meaning of HRM. How does it help an organization in promoting productivity and morale of employees?
- 5 How do you think the internet will change the way in which HR processes, such as hiring, compensating, evaluating and benefits are performed?
- 6 Discuss the relationship between technology and HR strategies and actions. What can HR managers do to grapple with economic challenges and technological advancements?
- 7 How does the personnel function change as a firm grows in size? Briefly explain each stage of its development.
- 8 Explain the process and significance of HRM.
- 9 Discuss the changing role of HRM in the 21st century.
- 10 “As a result of globalization and liberalization, HRM function has acquired strategic importance in modern organizations.” Comment.
- 11 What are the contemporary challenges for the HR professionals? Discuss how TQM facilitates employee empowerment.
- 12 “HRM seeks to achieve personal and social goals”. Explain. Outline the major functions of HRM
- 13 Explain the HRM models. Which according to you is the most comprehensive?
- 14 What do you understand by employee empowerment? Describe various approaches to empowerment.
- 15 Describe briefly different HRM models proposed both researchers both in India and abroad.
- 16 What is HRM? In what ways is it similar and dissimilar to personnel management?
- 17 What is the scope of HRM functions and activities? Indicate various traditional and strategic roles of HRM professionals in this context.
- 18 Discuss Role of Human Resource Professional in Strategic HRM
- 19 Explain in detail the components involved in HRM process with diagram?
- 20 What is the current status of HRM in India? What factors have contributed to a change in
- 21 Trace the evolution of Human Resource Management and discuss how the paradigm shifts in HRM transformed the roles and responsibilities of HR manager.
- 22 What is TQM. What are the objectives and goals of TQM .
- 23 Give the importance of TQM in HRM. Also, talk about the process of TQM
- 24 What is Six-Sigma. How is Six-Sigma implemented in an organization.
- 25 What are the HR strategies of new millennium? Elaborate.
- 26 Discuss any contemporary issues in human resources management.

- 27 Do organisations have clear moonlighting policies? What are the benefits of moonlighting policies?
- 28 What are the advantages and disadvantages of having more diverse workforce? Is India in a position to compete globally because of its diverse population?
- 29 What do you understand by Protean Career? Discuss the Historical and Cultural Context of the Protean Career.
- 30 Discuss psychological contract, its types and functions in detail.
- 31 What Challenges HR Managers face in view of Global Melt Down?
- 32 Why it is important in today's competitive scenario that companies make their human resources into competitive advantage? Explain how HRM function can contribute in making this happen.
- 33 How mentoring is done in an organization? Why it is important for an organization?
- 34 Why the knowledge of HRM is not only necessary for the HRM professionals in an organization but all managers? How it can be a competitive weapon for an organization?
- 35 How HRM function has historically evolved? Can we say that is the past ways of HRM no longer useful?

UNIT - II

I Multiple Choice Questions:

- 1 HR's strategic architecture can be shown as: -
- A. HR Function → HR System → Employee Behaviors
 - B. HR System → HR Function → Employee Behaviors
 - C. HR Function → Employee Behaviors → HR System
 - D. HR System → Employee Behaviors → HR Function
- ANSWER : A
- 2 Which activities are not associated with human resource planning?
- A. Forward planning
 - B. Scenario planning
 - C. Time keeping
 - D. Succession planning
- ANSWER : C
- 3 JA process is: -
- A. Mostly informal
 - B. Specialized
 - C. Highly formal
 - D. Mostly technical

ANSWER : C

- 4 Why is job analysis so infused with organizational politics? Is it:
- A. The process which could lead to contraction of employees in a department and therefore diminishing its power base.
 - B. A result of interdepartmental rivalry.
 - C. Because it is not an objective activity.
 - D. The process through which companies try to shed labour.

ANSWER : A

- 5 Reasonable balance between demand and supply of labor is necessary in: -
- A. Manpower planning
 - B. JD
 - C. Recruitment
 - D. JA

ANSWER : A

- 6 Which of the following is not involved in manpower planning?
- A. Analysis of requirements
 - B. Intuitive judgment
 - C. Forecast
 - D. Course of action

ANSWER : B

- 7 Forecast requirements, besides demand, essentially take into account
- A. Processes
 - B. Consumers
 - C. Supply of labor
 - D. Products

ANSWER : C

- 8 Statement describing the values, objectives and goal of HR department is called ____
- A. HR vision
 - B. HR strategy
 - C. HR mission
 - D. HR design

ANSWER : C

- 9 Method of data collection to back up a forecast of personnel needs ____
- A. IPS

- B. PEEP
 - C. PAIR
 - D. HRIS
- ANSWER : D

- 10 Minimum acceptable qualifications required for a job are termed as: -
- A. JS
 - B. JD
 - C. JA
 - D. Job Appraisal
- ANSWER : A

- 11 Job Enlargement means: -
- A. Horizontal expansion
 - B. Vertical expansion
 - C. Diagonal expansion
 - D. Circular
- ANSWER : A

- 12 That which adds more of the same type of duties requiring same skills is: -
- A. Job progression
 - B. Job enrichment
 - C. Job enlargement
 - D. Job relatedness
- ANSWER : C

- 13 Intelligence and memory of a person constitute_____ characteristics: -
- A. Psychological
 - B. Physical
 - C. Mental
 - D. Social
 - E. Personal
- ANSWER : C

- 14 The use of process criteria in job selection means that the individual is being assessed on _____.
- A. The number of tasks they can process simultaneously.
 - B. A methodological approach to task completion.
 - C. How many tasks can be processed in a set amount of time.

D. The right way to complete a task successfully.

ANSWER : D

15. Which of the following is a stated outcome of 'Job Analysis'?

A. Job description

B. Job specification

C. Job evaluation

D. All of the given options

ANSWER : D

16. Job analysis can be performed in all of the following ways except:

A. Observing hourly work

B. Reviewing interviews conducted with departing employees

C. Studying diaries or daily journals that manager kept over a three-month period

D. Giving workers checklists to indicate which tasks on the list are performed during job execution.

ANSWER : A

17. HRM has primary responsibility for all of these implementation variables except:

A. task design

B. People

C. Reward systems

D. Organization structure

ANSWER : D

18. Which of these is the process of getting detailed information about jobs?

A. Job design

B. Job description

C. Job analysis

D. Job skills

ANSWER : C

19. In which of these steps, the HR manager attempts to ascertain the supply of and demand for various types of human resources?

A. Forecasting

B. Program implementation

C. Evaluation

D. Goal setting

ANSWER : A

20. To anticipate the human resource needs of the organization based on some previous data or managerial judgment is known as;
- A. Demand forecasting
 - B. Supplies forecasting
 - C. Financial forecasting
 - D. Sales forecasting
- ANSWER : A

21. HRP addresses which of the following needs of the employees
- A. Social
 - B. Development
 - C. Economic
 - D. All of the above
- ANSWER : B

22. Manpower planning is more important if the organization's goals include
- A. Rapid expansion
 - B. Stable growth
 - C. Identifying the marketing mix
 - D. All of the above
- ANSWER : A

23. Certain jobs require planning activities projecting 1 or 2 even more years in future. These jobs are:
- A. Unskilled jobs
 - B. Semi skilled jobs
 - C. High skilled jobs
 - D. All of the above
- ANSWER : C

24. An HR Plan is influenced by
- A. Goals of the organization
 - B. Government policies
 - C. Types of employees and tasks they perform
 - D. All of the above
- ANSWER : D

25. A strategic plan must adopt to
- A. Social Structure
 - B. Economic Policies
 - C. Environmental Circumstances
 - D. All of the above

ANSWER : C

26. Which of the following is not a component of job design ?
- A. Job enrichment
 - B. Job rotation
 - C. Job re engineering
 - D. Job outsourcing

ANSWER : D

27. Moving employees from one job to another in a predetermined way is called
- A. Job rotation
 - B. Job re engineering
 - C. Work mapping
 - D. Job enrichment

ANSWER : A

28. The actual achievements compared with the objectives of the job is
- A. Job performance
 - B. Job evaluation
 - C. Job description
 - D. None of the above

ANSWER : A

29. HR plans of any organization does not include
- A. Personnel plans
 - B. Production plans
 - C. Compensation plans
 - D. Training and development plans

ANSWER : B

30. A personnel plan requires forecast of
- A. Personnel needs
 - B. Supply of inside candidates
 - C. Supply of outside candidates
 - D. All of above

ANSWER : D

31. Graphology Involves:

- A. Examining an individual's handwriting to assess his personality, emotional characteristics and honesty.
- B. Analyzing personality by interpretation of graphs done by an individual
- C. Testing of withstanding of stress by individuals
- D. a&b

ANSWER: D

32. The of the following steps is not in logical sequence of process of job analysis are:

- A. Preparation of job specification
- B. Organizational analysis
- C. Selection of representative positions to be analyzed
- D. Collection of job analysis data

ANSWER: A

33. What is the primary reason that organizations should include HRM in strategic planning?

- A. HRM needs to be involved so that they can implement the strategy in all of its functions.
- B. So that HRM can properly investigate organizational strengths, weaknesses, opportunities, and threats.
- C. HRM needs to be involved so that they properly recruit and place people who can execute the strategy.
- D. HRM needs to be involved so that they can help set the direction for the organization that optimizes the HR utilization or one that is at least feasible from an HR perspective.

ANSWER: A

34. Which of the following is a true statement?

- A. The job description yields the job specification.
- B. The job description is more important than the job specification.
- C. The job description describes the job and the job specification describes the person who can fill the job.
- D. The job specification is most likely to disappear with true job extinction.

ANSWER: C

35. If I want to effectively compare job candidates, I will make sure that I:

- A. Use reliable instruments.
- B. Use valid instruments.

- C. Conduct all interviews myself.
- D. Use paper and pencil tests.

ANSWER: A

36. Recruitment and selection must be effective to ensure it:

- A. Offsets high labour turnover
- B. Delivers the highest caliber of individuals at optimum cost
- C. To have a surplus in case of sickness and absence
- D. Encourages new blood into the organization

ANSWER: B

37. Which of the following cannot be said as Methods Of Collecting Job Analysis Data ?

- A. Job performance by the analyst
- B. Personal observation by the analyst
- C. Survey of Type of jobs
- D. Critical incidents: job incumbents' descriptions of several incidents relating to work.

ANSWER: A

38. Which of the following is not relevant to determine demand of Man- Power Planning?

- A. Expert forecasts
- B. Trend analysis
- C. Workforce analysis
- D. Workload analysis

ANSWER: B

39. Which of following factor help an Organization to attract persons to apply for jobs:

- A. Unattractive job
- B. Conservative internal policies
- C. Good image
- D. Limited budgetary support

ANSWER: C

40. Which of the following is demerit of hiring people from within Organization:

- A. Limited choice
- B. Economical:
- C. Suitable:
- D. Reliable:

ANSWER: A

II Short Answer Type Questions:

1. State the limitations of Human Resource Planning.
2. What is the significance of Human Resource inventory?
3. Differentiate between Job analysis & Job description.
4. State the objectives of Job analysis.
5. Why is job analysis the foundation of many other HR activities?
6. Explain the content of Job description.
7. Differentiate between Job specification & Job description
8. Explain the two components of job analysis?
9. What are the reasons for the growing interest in HRP in recent years?
10. What are the major sources of manpower supply?
11. What precautions should be taken while preparing job description?
12. Enumerate the classical approach to job design.
13. Job enrichment is vertical loading whereas Job Enlargement is relevant horizontal loading.
14. Do you agree that HRP is a mere ritual in the fast changing environment?
15. What factors influence the demand for human resources in an organization?
16. Internal sources of recruitment.
17. Meaning of Third party Recruitment
18. Role of Application Blank in Selection Process
19. Growing importance of employee referrals.
20. Role of psychological tests in selection.
21. Discuss in detail the various methods of recruitment in organizations.
22. What are the do's and don'ts you will keep in mind while recruiting a more diverse force?
Discuss the selection techniques in detail.
23. What do you mean by Recruitment Policy? Explain in detail
24. What are the limitations of Interviewing in Selection Process?
25. How will you identify training needs of a company? Explain with the help of an example.
26. Differentiate between 'Job Rotation, Job enlargement and job enrichment'
27. How job evaluation is different from job description?
28. What limitations have you faced when preparing Job evaluation?
29. How HR supply forecast is done?
30. What are the prerequisite for successful Manpower planning?
31. Compare and contrast job enlargement and job enrichment.
32. Outline the HR Planning Process.
33. Briefly outline Steps of a Selection Process.
34. Give an example of how organizational policy affects the recruitment process?
35. How process of traditional job analysis approach will change with companies providing jobs based on de-jobbed world concept.

III LONG ANSWER TYPE QUESTIONS:

- 1 “The logical approach to staffing begins with a careful assessment and planning of current and prospective requirements”. Comment
- 2 Assume you have to develop a HR plan for a new-generation private sector bank having branches in major towns in India: What specific external factors would be important for you to consider. Why?
- 3 “The scope of human resources planning extends beyond identifying the number of people required.” Discuss different types of action plans based on HRP exercise in an organization.
- 4 “Job analysis is a formal and scientific study undertaken to identify the job contents and the qualities that are required in job holder”. Elucidate this statement in light of the job analysis process.
- 5 Job Analysis is a technique to determine qualitative aspect of manpower planning”. Comment. Prepare the Job Description of a Finance Manager in Non-Banking Finance Company.
- 6 Explain how would you conduct a job analysis?
- 7 What do you understand by job analysis? Examine the uses of job analysis information in HRM.
- 8 Describe the concept of job description. Discuss the process of developing job specification. What should be included in employee specification?
- 9 Define job specification. How is it different from job description? Draw a specimen form of job specification.
- 10 What is meant by HR planning? Describe its function in an organization.
- 11 How would you organize and implement HR planning? Discuss the varied steps required in effective HR planning.
- 12 Describe the various quantitative and qualitative techniques of HR planning.
- 13 What are the contributions of human resource to strategic objectives of a firm? Is it possible to link HR planning with corporate objective?
- 14 Define the relationship between job analysis, job description and job specification.
- 15 Explain the recent trends in job redesign.
- 16 What do you understand by job design? Explain the main methods used to design jobs.
- 17 “There exists a close relationship between HRP, Job analysis/job description and employee selection”. Do you agree with the statement? If yes, explain how, is no, illustrate why not. Substantiate your ANSWER with the help of suitable examples and conceptual models.
- 18 Explain the job characteristics model of job design and work motivation.
- 19 What are the sources of HR Planning? How might imbalances between HR demand and supply be reconciled?
- 20 What is Job Analysis? Discuss the significance of Job Analysis.

- 21 Differentiate job analysis from job description. Explain how job analysis and job description are essential tools of human resource management and illustrate with appropriate examples how these tools are used form managing human resources.
- 22 What is the significance of selection in organizations? Describe the steps involved in the selection process. Why selection is called a negative process?
- 23 What are the various hurdles in selection process? State the objective of good selection policy.
- 24 How can recruitment be made effective? What role can psychometric testing play in selection?
- 25 What are the different tests used in the selection of new employees? Explain with the help of any industry.
- 26 What role does an HR manager perform in acquiring suitable manpower?
- 27 “Job Evaluation determines the worth of a job and not the job holder.” Comment.
- 28 “Compensation refers to both intrinsic and extrinsic rewards.” Explain the statement and state briefly the objectives that guide the design of compensation system in organisations.
- 29 How are job evaluation and compensation management interlinked? What are the different constituents of a compensation plan?
- 30 Prepare job specification of a CEO of large diversified MNC in FMCG sector. (8 Marks)
- 31 Prepare an Orientation Program for Management Trainee in a MNC manufacturing Consumer Durables. (8 Marks)
- 32 What are critical check points including test and interviews you will follow for ensuring that you select competent financial analyst or a competent Marketing Manager?
- 33 Outline Steps of a Selection Process. What selection process will you follow for ensuring that you select competent financial analyst or a competent Marketing Manager?
- 34 Discuss the methods and techniques of recruitment. What are the advantages of recruiting from external sources? Justify your ANSWER.
- 35 Define Job Analysis, Job Description and Job Specification. Discuss the relationship between the three. Substantiate with suitable examples.

UNIT - III

I Multiple Choice Questions:

- 1 Selection is concerned with_____
- The activity to select a suitable pool of candidates.
 - Always stimulating by the departure of an employee.
 - Always ascertaining a candidate’s personality to ensure a suitable fit.
 - Applying appropriate techniques and methods to select a candidate.

ANSWER : D

- 2 Career planning involves determination of path of movement of an individual over-time
- A. Lateral
 - B. Upward
 - C. Downward
 - D. Stationary

ANSWER : B

- 3 Some of the most popular methods of attracting applicants include:
- A. Radio and TV advertisement
 - B. Press advertising
 - C. Employee referral schemes
 - D. Commercial job boards

ANSWER : B

- 4 Selection methods can include:
- A. Interviews
 - B. Ability tests
 - C. References
 - D. A trial periods

ANSWER : D

- 5 The most popular form of interview is _____
- A. The situational interview
 - B. The competency based interview
 - C. The biographical interview
 - D. The unstructured interview

ANSWER : D

- 6 The interview is used as a method for determining _____
- A. The personality of the candidate.
 - B. The degree of fit between the applicant and the organizational culture.
 - C. His/her age.
 - D. Physical attributes.

ANSWER : B

- 7 MBO was first founded by: -
- A. Ulrich in 1997
 - B. Mohram and Mohram in 1995

- C. Purcell in 2001
 - D. Drucker in 1955
- ANSWER : D

8 _____ may be defined as sequence of separate, but related work activities providing for continuity, order and meaning in a person's life.

- A. Occupation
- B. Job
- C. Career
- D. Task

ANSWER : C

9 Which of the following is not a modern method of Performance appraisal?

- A. 360 Degree Appraisal
- B. HRA
- C. BARS
- D. GRS

ANSWER : D

10 Potential of employees can be judged by: -

- (i) Reviewing present performance
 - (ii) Analyzing personality traits
 - (iii) Re-looking past experience
 - (iv) Considering age and qualifications
 - (v) Explaining unused knowledge and skills of an employee
- A. All of the above
 - B. i, ii, iii and iv
 - C. i, ii, iv and v
 - D. i, ii, iv and v

ANSWER : A

11 Job Evaluation helps in assessing

- A. Number of employees to be hired
- B. Relative value of various jobs
- C. Performance
- D. Safety

ANSWER : B

12 If a single characteristic of a candidate affects the judgment of the interviewer, it is due to

- A. leniency

- B. projection
- C. halo effect
- D. stereotyping

ANSWER : C

13 Which of the following is a Quantitative method of Job Evaluation?

- A. Job Comparison
- B. Job Classification
- C. Factor Comparison
- D. None of the above

ANSWER : C

14 Value of Job, employees' contribution, and performance form the basis for

- A. Demotion
- B. Rewards
- C. Transfer
- D. Dismissal

ANSWER : C

15 Which of the following is not a performance factor?

- A. Behavior
- B. Quality and quantity of work
- C. Attitudes
- D. Dependability

ANSWER : A

16 Appraisals are oriented mostly towards:

- A. Salary revision
- B. Performance
- C. Promotion
- D. Motivation

ANSWER : B

17 Intrinsic Rewards exclude:

- A. Stock Options
- B. Participation in decision making
- C. More Responsibility
- D. Interesting work

ANSWER : A

- 18 Attracting, motivating and retaining are the functions of:
A. Training
B. PA
C. T & D
D. Compensation
ANSWER : D
- 19 Remuneration includes:
A. Gifts
B. Transfers
C. Training
D. Bonus
ANSWER : D
- 20 Educating the employees and providing them orientation is termed as:
A. Introspection
B. Training
C. Retrospection
D. Induction
ANSWER : D
- 21 _____ method of HR Accounting assumes that there is no direct relation between costs incurred on an individual and his/her value to the organization at any particular point of time.
A. Asset multiplier
B. Replacement
C. Current purchasing power
D. Standard cost
ANSWER : A
- 22 The following steps are involved in developing an HRIS: -
(i) Systems design
(ii) System testing and implementation
(iii) Preliminary system analysis
(iv) System monitoring and evaluation
(v) System engineering

A. i, ii, iii, iv and v
B. iii, i, v, ii and iv
C. iii, v, i, ii and iv

D. iii, i, ii, v and iv

ANSWER : B

23 Which of the following is an OJT method?

A. Apprenticeship training

B. Vestibule training

C. Committee assignments

D. Classroom training

ANSWER : C

24 An effective HR Report is not: -

A. Subjective

B. Understandable

C. Reader-oriented

D. None of the above

ANSWER : A

25 The type of transfer made to retain long service employees is termed as: -

A. Replacement transfer

B. Versatility transfer

C. Shift transfer

D. F

ANSWER : A

26. The following is (are) concerned with developing a pool of candidates in line with the human resources plan

A. Development

B. Training

C. Recruitment

D. All of the above

ANSWER : D

27. The following type of recruitment process is said to be a costly affair.

A. Internal recruitment

B. External recruitment

C. Cost remains same for both types

ANSWER : B

28. The _____ programme once installed must be continued on a permanent basis.

A. Job evaluation

- B. Training & Development
- C. Recruitment
- D. All of the above

ANSWER : A

29. The whole process of conducting a 360 – Degree Feedback process in any Organisation could last about _____.
- A. 1.5 to 3 months
 - B. 3 to 6 months
 - C. 6 to 9 months
 - D. 9 to 12 months

ANSWER : A

30. The following factor would be relatively low if supply of labour is higher than demand.
- A. production
 - B. labour cost
 - C. wage
 - D. all of the above

ANSWER : C

31. The following system is simple, less expensive and less time consuming.
- A. Paired comparison
 - B. Confidential report system
 - C. Ranking
 - D. Checklist method

ANSWER : B

32. Performance development plan is set for the employee by his immediate boss.
- A. Employer
 - B. Department Head
 - C. Immediate boss
 - D. Any of the above

ANSWER : C

33. For closure, every worker is to be compensated with _____ average pay for every year of service completed
- A. 15 days
 - B. 20 days
 - C. 25 days

D. 30 days

ANSWER : D

34. Performance development plan is set for the employee by his immediate boss.

A. Employer

B. Department Head

C. Immediate boss

D. Any of the above

ANSWER : C

35. The role of the organisation in career planning is to introduce & strengthen systems to ensure _____ of employees

A. Career progression

B. Self development

C. Economical Development

D. Skill enhancement

ANSWER : A

36. Which of the following is not ON –THE- JOB Training method?

A. Job instruction training

B. Coaching and mentoring

C. Job rotation

D. Apprenticeship training

ANSWER: B

37. 'Placement' as understood in 'Orientation and Placement' is

A. Allocation of people to jobs

B. Finding better people to replace existing manpower

C. assistance provided to students in finding a job

D. Campus Placement

ANSWER: A.

38. The steps in job instructional training are:

A. Instruction by the trainer; performance of the task by the trainee; and follow-up.

B. Preparation of the trainee; presentation of the task; and performance of the task by the trainee.

C. Presentation of the task; review of the training process; performance of the task by the trainee; and follow-up.

- D. Over view of job by trainer, Demonstration of job by trainer, performance of the task by the trainee, and follow-up

ANSWER: D

39. Which of the following correctly indicates that a technical training program was successful in bringing about learning?

- A. The employees make high scores on the post-training test.
- B. The employees show a higher level of motivation in performing the specific tasks after training has taken place.
- C. The employees absence from work place has reduced
- D. The employees show a higher level of commitment.

ANSWER: A

40. Most likely outcome of Unplanned and unstructured training program is:

- A. Long lasting
- B. Building of positive attitudes
- C. Practical learning
- D. Ineffective learning

ANSWER: D

41. Which of following describes Apprenticeship Training?

- A. It is a kind of on the job training that usually combines job training with class room instruction in trade schools, colleges or universities.
- B. Trainees are asked to solve an actual organizational problem
- C. It is training to instruct workers to do their current jobs
- D. Rotation from job to job instead of sticking to one job so that he acquires

ANSWER: A

42. The main goal for HR managers concerning the development of career plans for the employees should be to:

- A. It is about employees pursuing company objectives.
- B. Cause employees to determine career goals via self-assessment.
- C. Help employees determine a career in which they can achieve the most comfortable standard of living.
- D. Add information to the HR information system.

ANSWER: B

43. The steps in job instructional training are:

- A. Preparation of the trainee; performance of the task by the trainee, and follow-up.
- B. Instruction by the trainer; performance of the task by the trainee; and follow-up.

- C. Preparation of the trainee; presentation of the task; and performance of the task by the trainee.
- D. Over view of job by trainer, Demonstration of job by trainer, performance of the task by the trainee, and follow-up

ANSWER: A

44. Assigning KSA to positions enables you to do what?

- A. Designate the set of competencies required by a position.
- B. Create a foundation for bonus structures.
- C. Be able to transfer skill information to the employee's resume.
- D. Assist in structuring employment contracts.

ANSWER: A

45. All of the following are phases of career development except

- A. Performance Phase
- B. Direction Phase
- C. Assessment Phase
- D. Development Phase

ANSWER: A

II Short Answer Type Questions:

- 1 What is the difference between training and development?
- 2 How would you ensure that the training is effective for an employee within the company?
- 3 What are the key issues that should be addressed in the design, conduct, and evaluation of training programs?
- 4 What is Training? What are the objectives of training department?
- 5 Which is the training role you believe is most difficult to learn and which is the easiest one?
- 6 What is the difference between role play and behavior modeling? When would you use one versus the other?
- 7 How are executive development programs different from management development programs?
- 8 What is succession planning, discuss in detail?
- 9 What is the need for Executive Development?
- 10 What are Methods of Executive Development?
- 11 Differentiate between coaching and mentoring.
- 12 Discuss group building methods.

- 13 Uses of Job Evaluation
- 14 How do you design a training Programme for a medium and small enterprise?
- 15 What do you mean by Job Evaluation?
- 16 What are the methods of Job Evaluation?
- 17 What are the significant legal issues that training department must take into consideration?
- 18 What is the difference between training and development?
- 19 Differentiate between Training, Development and Education.
- 20 Discuss the nature of Training and Development.
- 21 Describe the opportunities and challenges for Training and Development.
- 22 Discuss the importance of Training and Development.
- 23 Design training for a programme with aim of saving someone's life?
- 24 Give different ways of presenting training material?
- 25 How one can analyze that trainee is motivated to learn during training programme?
- 26 What is the need to promote health and safety of employees at work?
- 27 Develop a working definition of ergonomics as it applies to sitting in a classroom or studying for an exam. How would you go about making those situations less stressful?
- 28 Why are test used as a tool of selection of workforce? Describe any three types of employment tests commonly used in an industry.
- 29 What steps can HR professionals take to ensure that Mergers and Acquisitions are successful? How can HR help during the integration process?
- 30 What is a realistic job preview?
- 31 How one can identify Training need? Explain the steps with example.
- 32 Why Career Planning is important in an Organization?
- 33 How Job Evaluation and Job Analysis are linked to each other?
- 34 In today's time training makes the difference between a successful and also ran organization. Explain the above statement explaining how it can happen.
- 35 Why competency based training makes sense in organizations?.

III Long Answer Type Questions:

1. Distinguish between training and development. Explain the objectives and techniques of management development and its influence on the HR strategy in an organization.
2. Discuss the importance of training and development in organizations. How does the top management's commitment to training needs help in growing employees?
3. "Designing the training program without the identification of training needs is just to justify the training manager's existence in the organization." Do you agree? Justify your ANSWER. How will you identify the training needs in an organization?
4. Explain the concept of career. Why is career management important in the contemporary corporate environment? Illustrate with examples how differently the organization and the employee view career management.

5. Why is training & development still considered to be expenditure rather than an investment by major of Indian companies? What strategies will you adopt as a training executive to market to top management, the organizational benefits which can be reaped from training and development program?
6. Explain in detail the future aspects of T& D. What shape according to you is it going to take in near future?
7. If you have an automobile company, what are the strategies you will adopt to provide career and development opportunities to you employees?
8. What do you mean by Compensation Management ?
9. Explain in detail the different models for Career Development. Also specify the challenges faced by IT sector in career management?
10. Why should the companies be interested in building the career of their employees? What benefits do they get? What are the associated risks?
11. What do you mean by Job Evaluation, Write its uses?
12. What are the Quantitative & Non- Quantitative methods of Job Evaluation?
13. Suppose you are designing a training programme for a group of 40 employees. These employees come from a wide range of ethnic and cultural backgrounds and have different educational and experience backgrounds relative to the content area of the training. What training design features would you use to address these constraints?
14. Discuss the following Training methods in detail: (a) Demonstration (b) Discussion
15. Discuss the following Off – The Job Training Methods: (a) Sensitivity Training (b) Transactional Analysis (c) Counseling (d) Empowering
16. Define the following on – the Job Training Methods: (a) Job Instruction Training (b) Coaching (c) Job Rotation (d) Job Enlargement (e) Job Enrichment
17. What are the Components on Compensation?
18. How Compensation is a factor of Motivation for Employees?
19. What are the advantages and disadvantages of Management Development Program.?
20. What issues are required to be addressed in the management development?
21. What are the steps needed to be undertaken in management development in the organization?
22. The balanced scorecard just the latest management fad that will soon pass away. Comment
23. What re the objectives of Management Development Program.
24. Discuss the suitability of executive development techniques.
25. “Discuss in detail, the specific problems associated with training executives and some of the methods that can be used to deal with these problems.
26. What are the prerequisite for successful Training and Development programme? Discuss the type of training programme that can be used for Software Engineers.
27. How different working patterns effect the culture of the organization and performance of individuals? Explain.
28. What is Balanced Scorecard? Why is it required in an organization?

29. Recruitment is a process of searching out the potential applicants and inspiring them to apply for the actual or anticipated vacancy. Comment.
30. Selection is a process of hiring employees among the shortlisted candidates and providing them a job in the organization. Comment.
31. Explain how good Training and Career Management help in maintain and enhancing good employee relations in terms of broader definition of “Employee Relations”.
32. Why companies are looking for Entrepreneurial qualities in their managers, how it helps them in framing Compensation Structure.
33. How better Quality at Work Life (QWL) helps in framing Compensation Structure? (4 Marks)
34. Discuss implication of work place changes in terms of Career Development for individuals and organizations.
35. What are Career Paths and Career Ladders?

UNIT - IV

I Multiple Choice Questions:

- 1 Statement describing the values, objectives and goal of HR department is called ____
 - A. HR vision
 - B. HR strategy
 - C. HR mission
 - D. HR design

ANSWER : C

- 2 Method of data collection to back up a forecast of personnel needs ____
 - A. IPS
 - B. PEEP
 - C. PAIR
 - D. HRIS

ANSWER : D

- 3 Minimum acceptable qualifications required for a job are termed as: -
 - A. JS
 - B. JD
 - C. JA
 - D. Job Appraisal

ANSWER : A

- 4 Job Enlargement means: -
- A. Horizontal expansion
 - B. Vertical expansion
 - C. Diagonal expansion
 - D. Circular

ANSWER : A

- 5 That which adds more of the same type of duties requiring same skills is: -
- A. Job progression
 - B. Job enrichment
 - C. Job enlargement
 - D. Job relatedness

ANSWER : C

- 6 Intelligence and memory of a person constitute _____ characteristics: -
- A. Psychological
 - B. Physical
 - C. Mental
 - D. Social
 - E. Personal

ANSWER : C

- 7 The use of process criteria in job selection means that the individual is being assessed on _____.
- A. The number of tasks they can process simultaneously.
 - B. A methodological approach to task completion.
 - C. How many tasks can be processed in a set amount of time.
 - D. The right way to complete a task successfully.

ANSWER : D

- 8 Chronic stress is the stress that wears at people day after day. Which of these is an example of chronic stress?
- A. An unhappy marriage
 - B. Ongoing money problems
 - C. Dissatisfaction with a job
 - D. All of the given options

ANSWER : D

- 9 Stress can affect not only your health, but also other aspects of your life. What else can be affected by stress?
- A. Family relationships
 - B. Work performance
 - C. Your attention to safety
 - D. All of the given options

ANSWER : D

- 10 _____ is the process of assessing progress toward strategic goals and taking corrective action as needed.
- A. Strategic management
 - B. Strategic planning
 - C. Strategic control
 - D. Diversification

ANSWER : C

- 11 Which of these items would be in the highest security category of a typical HRIS?
- A. Employee name
 - B. Former employers
 - C. Salary
 - D. Work location

ANSWER : C

- 12 Playing the role of _____ requires designing and delivering efficient and effective HR systems, processes, and practices.
- A. Administrative Agent
 - B. Change Agent
 - C. Strategic Partner
 - D. Employee Advocate

ANSWER : C

- 13 A system used to acquire, store, manipulate, analyze, retrieve, and distributed information related to the company's human resources is called a(n) _____
- A. HRIS
 - B. Progressive discipline system
 - C. IRS
 - D. Contingent workforce system

ANSWER : A

- 14 Matching the job description with the individuals' qualification is an important aspect of;
- A. IS
 - B. MIS
 - C. HRIS
 - D. DBMS
- ANSWER : C

- 15 Which of the following reflects the relationship between MIS & HRIS?
- A. Both are same
 - B. MIS is one aspect of HRIS
 - C. HRIS is one aspect of MIS
 - D. No relationship exists
- ANSWER : C

- 16 Several factors radical change attitudes towards Human Resource information system during
- A. During the 1960s and 1970s
 - B. During the 1970s and 1980s
 - C. During the 1990s and 2000s
 - D. During the 1950s and 1960s
- ANSWER : B

- 17 System use to collect, record, store, analyse, & retrieve data related to an organisation, is termed as :
- A. IS (Information System)
 - B. MIS (Management Information System)
 - C. HRIS (Human Resource Information System)
 - D. DBMS (Data Base Management System)
- ANSWER : C

18. Organisations put maximum effort in measuring performance of organisations people because ;
- A. It makes procedures cost effective
 - B. It helps in detecting the problem
 - C. It leads to product innovation
 - D. It assists in implementing new technology
- ANSWER : B

19. Willingness, capacity & opportunity to perform are said to be;
- A. Performance outcomes
 - B. Determinants of performance
 - C. Performance appraisals
 - D. Types of performance standards
- ANSWER : B
20. One of the major barriers to career advancement experiencing by working ladies is;
- A. Difficulty in balancing work and family life
 - B. Top management is usually male oriented
 - C. Lack of educational opportunities
 - D. Common perception that woman cannot be better boss
- ANSWER : A
21. The jobs having challenging assignments, career oriented and having good remuneration increase
- A. Government influence
 - B. Recruiting cost
 - C. Image of organization
 - D. Attractiveness of job
22. Following are the basic principles or conditions that facilitate learning except
- A. Participation
 - B. Relevance
 - C. Feedback
 - D. Education
- ANSWER : D
23. The basic skills possessed by the individual that are required to give certain performance are termed as:
- A. Ability
 - B. Motivation
 - C. Experience
 - D. Performance
- ANSWER : A
24. System used to collect, record, store, analyze, & retrieve data related to an organization, is termed as _____
- A. IS (Information System)
 - B. MIS (Management Information System)

- C. HRIS (Human Resource Information System)
- D. DBMS (Data Base Management System)

ANSWER : C

25. Which one of the following is NOT the source of workforce diversity?

- A. Age
- B. Gender
- C. Education
- D. Resentment

ANSWER : D

26. The following is (are) the objective(s) of inspection.

- A. Quality product
- B. Defect free products
- C. Customer satisfaction
- D. All of the above

ANSWER : D

27. In a re-engineering programme, when a process changes so does the _____ of the concerned employee.

- A. Designation
- B. Job profile
- C. Qualification
- D. Job experience

ANSWER : B

28. Union leaders at different levels & at federations are elected on _____

- A. democratic principle
- B. political considerations
- C. employer's recommendation
- D. seniority basis

ANSWER : A

29. The nationwide consumer councils formed by the Government comprise of representatives of

- A. Cost account and consumer
- B. Various ministries
- C. Manufactures of commerce
- D. All of the above

ANSWER : D

30. _____ is the simple act of comparison & learning for organisational improvement
- A. Benchmarking
 - B. Feedback
 - C. Ranking
 - D. Job evaluation
- ANSWER : A

31. HRD process variable include
- A. Role clarity
 - B. Work planning
 - C. Better communication
 - D. All of the above
- ANSWER : D

32. Which of the following is (are) the HRD score card?
- A. HRD systems maturity score
 - B. Competency score
 - C. HRD competencies systems maturity score
 - D. All of the above
- ANSWER : D

33. Stephen Knauf defined HRA as “the measurement & _____ of Human organisational inputs such as recruitment, training experience & commitment
- A. Qualification
 - B. Accounting
 - C. Development
 - D. None of the above
- ANSWER : A

34. During which of the following stage, the firm identifies and confirms the overall business direction
- A. Clarification
 - B. Monitoring
 - C. Assessment
 - D. Design
- ANSWER : A

35. Work-life balance practices concern:
- A. How work is performed

- B. How work hours are arranged
- C. Who does certain work
- D. Maternity and Paternity leave

ANSWER : B

36. Ideally Grievance at work place should be solved:

- A. As soon as possible.
- B. At leisure
- C. When boss instructs for the same
- D. When there is no alternative

ANSWER: A

37. Performance management should be seen as a process which is a:

- A. Once a year task
- B. Twice a year activity
- C. Ongoing process or cycle
- D. Is engaged in when the appraisals are carried out

ANSWER: C

38. Many schemes that reward employees and managers for something additional to their normal level of performance fail. Why?

- A. The link between extra pay and achievement is unclear
- B. They are detrimental to trade union agreements
- C. Performance Reward System Philosophy has basic flaws.
- D. Everyone should receive the same.

ANSWER: A

39. If an employee is injured by performing an act directly opposed to company regulations and policies, he or she is:

- A. Not able to claim the medical costs on the company health insurance plan.
- B. Still able to claim workers' compensation, and the company is legally responsible.
- C. Most likely to cover up the incident.
- D. Likely to attempt to place blame on unreasonable regulations and policies.

ANSWER: A

40. “_____ is dissatisfaction or feeling of injustice in connection with one’s employment situation that is brought to the notice of the management”

Most appropriate word connected to definition of a key term in HRM to fill the above blank is:

- A. Disengagement
- B. Indiscipline

- C. Grievance
- D. Emotion

ANSWER: A

41. Benefits that are required by law to provide to all employees are called

- A. Medical Benefits
- B. Direct Benefits
- C. Involuntary Benefits
- D. Statutory Benefits

ANSWER: D

42. _____ is corrective action to get employees to meet standards and standing plans.

- A. Dismissal.
- B. Awarding.
- C. Discipline.
- D. Rewarding

ANSWER: C

43. Indian Labor Conference is example of:

- A. Court of Inquiry to investigate Industrial disputes
- B. Responsible body to fix wages
- C. Tribunal to solve disputes
- D. Tripartite body of Govt., Employers and Union to discuss policy issues.

ANSWER: D

44. Most common reason for failure of Merit Pay is:

- A. They are detrimental to trade union agreements
- B. The link between extra pay and achievement is unclear
- C. Philosophy of Performance Reward System has basic flaws.
- D. Everyone should receive the same

ANSWER: B

45. An ideal QWL model comprises _____ to improve quality of working life for employees and productivity for the organization.

- A. Critical psychological states.
- B. Employee growth-need strength.
- C. Meeting Emotional requirement of Employees.
- D. All of the above.

ANSWER: D

II Short Answer Type Questions:

- 1 Halo effect in Performance Appraisal
- 2 Advantages of potential appraisal.
- 3 What is post appraisal interview?
- 4 Write short note on Assessment Centre
- 5 Write short note on Behaviorally Anchored Rating Scales
- 6 What are the qualities required of a successful human resource manager?
- 7 Describe the status of a human resource manager.
- 8 Explain briefly the jobs of human resource executives in a business organization.
- 9 Uses of Job Evaluation
- 10 Wage incentive plan.
- 11 Elements of 360-degree appraisal.
- 12 Career planning Vs succession planning
- 13 Profit-sharing does not have motivational value.
- 14 How do working conditions affect employee health?
- 15 What are occupational hazards and diseases?
- 16 Explain the measures that should be taken to protect employee health in industries.
- 17 What do you understand by the term industrial relations? Explain the objectives of industrial relations.
- 18 Why does industrial dispute arise? How can such disputes be settled?
- 19 “Accurate appraisal of performance is very difficult.” In the light of this statement, discuss the problems in performance appraisal
- 20 “Job Evaluation determines the worth of a job and not the job holder.” Comment.
- 21 “Compensation refers to both intrinsic and extrinsic rewards.” Explain the statement and state briefly the objectives that guide the design of compensation system in organizations.
- 22 What are the benefits of the balanced scorecard approach?
- 23 The balanced scorecard just the latest management fad that will soon pass away. Comment.
- 24 What are the five main things an organization would do to recruit and retain a more diverse workforce.
- 25 Write short notes on:
 - a. Contemporary performance appraisal
 - b. Career Development Initiatives
- 26 What is human resource audit? Describe its objectives and significance.
- 27 What is human resource accounting? In what way it is useful to the management of human resources?

- 28 Explain the information needs of human resource management.
- 29 How will you control the human resource costs of an organization?
- 30 Human Resource Audit is only a management fad. Comment.
- 31 Suggest Effective grievance handling processes
- 32 Suggest a relevant incentive or gain-sharing plan for assembly line operations?
- 33 What is difference between the two Industrial disputes resolving methods under ID act namely Conciliation and Adjudication?
- 34 List steps of Generic Performance Appraisal Process.
- 35 Why Health, and Safety have become a central issue in present day Organizations?.

III Long Answer Type Questions:

1. What is career planning process? What are the different steps involved in this process?
2. “The career desired and demanded by an individual must be provided by the organization employing him.” Do you agree with this? Give reasons.
3. Describe the different methods of performance appraisal and which method in your opinion is the most appropriate. Justify.
4. Explain performance appraisal. What are the objectives of performance appraisal? Explain the criteria to be used to measure performance.
5. “Performance Appraisal does not stop at appraising the employees; it goes on to managing performance”. Elaborate.
6. Describe, in detail, the process of performance appraisal. How do errors creep in performance appraisal?
7. “Accurate appraisal of performance is very difficult”. In the light of this statement discuss the problems in performance appraisal.
8. What is job evaluation? Describe the process of evaluating a job.
9. Explain ‘point method’ of job evaluation? Give its merits and demerits
10. What is Ranking Method of Job Evaluation? Give its merits and demerits.
11. Explain the importance and characteristics of job evaluation.
12. List the various objectives of compensation management. Give the major factors influencing compensation policy.
13. Differentiate between wage and salary and examine the role of fringe benefits in motivating the employees.
14. What does an organization expect an effective compensation system to do for it? What corresponding types of compensation will meet these objectives?
15. What are the elements of compensation? Why the importance of flexible compensation is increasing as contrast to fixed compensation?

16. Give two examples of when you would suggest using team or group incentive programs rather than individual incentive programs.
17. What are wage surveys? What is the use of wage surveys in fixing compensation for employees in any organization?
18. How are job evaluation and compensation management interlinked? What are the different constituents of a compensation plan?
19. What do you mean by incentives? How do financial incentives differ from non-financial incentives in motivating employees?
20. What do you mean by performance based compensation? How is it beneficial to both the organization and the employees?
21. Describe the social and economic importance of a health and safety programme in a company. Why is the support of top management so vital to the success of this programme?
22. Explain the present state of labor management relations in India. What measures would you suggest making it more cooperative?
23. What is a registered trade union? Discuss the privileges and liabilities of a registered trade union.
24. Discuss the strategy which an organization should adopt in dealing with a trade union. How can an organization become union free?
25. What do you mean by grievance procedure? Discuss the steps of model grievance procedure.
26. What is equal employment opportunity? Which kind of people suffer from discrimination?
27. Discuss about e – performance and motivation, how are they linked?
28. How can you improve organization's effectiveness through OD? What are its features?
29. Which approach would you recommend for the managers to use to manage the grievance effectively?
30. Discuss the various social security measures available to industrial workers in our country. Critically examine them.
31. A proactive grievance resolving procedure and positive Discipline Approach are must for good HRM, Explain.
32. As a HR Manager of big IT Company how you will use entrepreneurial urge in talented persons to retain them in your Organizations?
33. How will you do Performance Appraisal of a Sales person enumerating and setting weightage for both team and individual team performance criteria?
34. Explain the concept of performance appraisal and its objectives. Briefly discuss the methods of performance appraisal.
35. Critically evaluate the steps of an effective Grievance Handling Procedure.

QUESTION BANK

FINANCIAL MANAGEMENT

BBA-204

QUESTION BANK
FINANCIAL MANAGEMENT - BBA 204
BBA IV

UNIT - I

I Multiple Choice Questions:

- 1 What is the most important of the three financial management decisions?
A. Asset management decision.
B. Financing decision.
C. Investment decision.
D. Accounting decision.

ANSWER: C

- 2 The _____ decision involves efficiently managing the assets on the balance sheet on a day-to-day basis, especially current assets.
A. asset management
B. financing
C. investment
D. accounting

ANSWER: A

- 3 _____ is concerned with the maximization of a firm's stock price.
A. Shareholder wealth maximization
B. Profit maximization
C. Stakeholder welfare maximization
D. EPS maximization

ANSWER: A

- 4 The only viable goal of financial management is:
A. profit maximization
B. wealth maximization
C. assets maximization
D. Sales maximization

ANSWER: B

- 5 The basic objective of financial management is:
A. maximization of profits
B. maximization of shareholders' wealth
C. ensuring financial discipline in the organization
D. none of the above

ANSWER: B

- 6 Finance function involves:
A. Procurement of finance only

- B. Expenditure of funds only
- C. Safe custody of funds only
- D. Procurement and effective utilization of funds

ANSWER: D

7 The goal of wealth maximization takes into consideration:

- A. Risk related to uncertainty of returns
- B. Timing of expected returns
- C. Amount of returns expected
- D. All of the above

ANSWER: D

8 Financial management is mainly concerned with

- A. Arrangement of funds
- B. All aspects of acquiring and utilizing means of financial resources for firm's activities
- C. activities
- D. Efficient management of every business
- E. None of the above

ANSWER: B

9 According to the accounting profession, which of the following would be considered a cash-flow item from a "financing" activity?

- A. A cash outflow to the government for taxes
- B. A cash outflow to repurchase the firm's own common stock
- C. A cash outflow to lenders as interest
- D. A cash outflow to purchase bonds issued by another company

ANSWER: B

10 Which of the following statements is correct regarding profit maximization as the primary goal of the firm?

- A. Profit maximization will not lead to increasing short-term profits at the expense of lowering expected future profits
- B. Profit maximization is concerned more with maximizing net income than the stock price

ANSWER: B

11 Which of the following is not a cash outflow for the firm?

- A. Depreciation
- B. Dividends
- C. Interest payments
- D. Taxes

ANSWER: A

12. The _____ decision involves determining the appropriate make-up of the right-hand side of the balance sheet.

- A. asset management

- B. financing
- C. investment
- D. capital budgeting

ANSWER: B

13. To whom does the Treasurer most likely report?

- A. Chief Financial Officer.
- B. Vice President of Operations.
- C. Chief Executive Officer.
- D. Board of Directors.

ANSWER: A

14. The _____ decision involves a determination of the total amount of assets needed, the composition of the assets, and whether any assets need to be reduced, eliminated, or replaced.

- A. asset management
- B. financing
- C. investment
- D. accounting

ANSWER: C

15. How are earnings per share calculated?

- A. Use the income statement to determine earnings after taxes (net income) and divide by the previous period's earnings after taxes. Then subtract 1 from the previously calculated value.
- B. Use the income statement to determine earnings after taxes (net income) and divide by the number of common shares outstanding.
- C. Use the income statement to determine earnings after taxes (net income) and divide by the number of common and preferred shares outstanding.
- D. Use the income statement to determine earnings after taxes (net income) and divide by the forecasted period's earnings after taxes. Then subtract 1 from the previously calculated value.

ANSWER: B

16. Which of the following statements is correct regarding profit maximization as the primary goal of the firm?

- A. Profit maximization will not lead to increasing short-term profits at the expense of lowering expected future profits
- B. Profit maximization is concerned more with maximizing net income than the stock price

ANSWER: B

17. Which of the following is not normally a responsibility of the treasurer of the modern corporation but rather the controller?

- A. Financing management
- B. Budgets and forecasts

ANSWER: B

18. The _____ decision involves determining the appropriate make-up of the right-hand side of the balance sheet.

- A. Capital Budgeting
- B. Financing

ANSWER: B

19. Which of the following is *not* normally a responsibility of the controller of the modern corporation?

- A. Financial reporting to the IRS
- B. Asset management.

ANSWER: B

20. Which of the following statements is *not* correct regarding earnings per share (EPS) maximization as the primary goal of the firm?

- A. EPS maximization is concerned with maximizing net income
- B. EPS maximization does not specify the timing or duration of expected EPS.

ANSWER: A

21. Present Value can be calculated with the help of formula:

- A. $(1+r)^n$
- B. $1/(1+r)^n$
- C. $(1+r)^n / 1$
- D. None of the above

ANSWER: B

22. To increase a given future value, the discount rate should be adjusted _____.

- A. Upward
- B. Downward

ANSWER: A

23. Time value of money explains that:

- A. A unit of money received today is worth more than a unit received in future
- B. A unit of money received today is worth less than a unit received in future
- C. A unit of money received today and at some other time in future is equal
- D. None of them

ANSWER: A

24. Time value of money facilitates comparison of cash flows occurring at different time periods by:

- A. Compounding all cash flows to a common point of time
- B. Discounting all cash flows to a common point of time
- C. Using either of A or B
- D. Neither A nor B

ANSWER: C

25. Discounting technique is used to find out:
A. Terminal Value
B. Compounded Value
C. Present Value
D. Future Value
ANSWER: C
26. Which of the following statements is not correct regarding earnings per share (EPS) maximization as the primary goal of the firm?
A. EPS maximization ignores the firm's risk level.
B. EPS maximization does not specify the timing or duration of expected EPS.
C. EPS maximization naturally requires all earnings to be retained.
D. EPS maximization is concerned with maximizing net income.
ANSWER: D
27. _____ is concerned with the maximization of a firm's stock price.
A. Shareholder wealth maximization
B. Profit maximization
C. Stakeholder welfare maximization
D. EPS maximization
ANSWER: A
28. The only viable goal of financial management is:
A. profit maximization
B. wealth maximization
C. assets maximization
D. Sales maximization
ANSWER: B
29. The basic objective of financial management is:
A. maximization of profits
B. maximization of shareholders' wealth
C. ensuring financial discipline in the organization
D. none of the above
E. ANSWER: B
30. Finance function involves:
A. Procurement of finance only
B. Expenditure of funds only
C. Safe custody of funds only
D. Procurement and effective utilization of funds
ANSWER: D
31. The goal of wealth maximization takes into consideration:
A. Risk related to uncertainty of returns

- B. Timing of expected returns
- C. Amount of returns expected
- D. All of the above

ANSWER: D

32. Financial management is mainly concerned with
- A. Arrangement of funds
 - B. All aspects of acquiring and utilizing means of financial resources for firm's activities
 - C. Efficient management of every business
 - E. None of the above

ANSWER: B

33. Time value of money explains that:
- A. A unit of money received today is worth more than a unit received in future
 - B. A unit of money received today is worth less than a unit received in future
 - C. A unit of money received today and at some other time in future is equal
 - D. None of them

ANSWER: A

34. Time value of money facilitates comparison of cash flows occurring at different time periods by:
- A. Compounding all cash flows to a common point of time
 - B. Discounting all cash flows to a common point of time
 - C. Using either of a or b
 - D. Neither a nor b

ANSWER: C

35. If the nominal rate of interest is 10% pa and frequency of compounding is 4 i.e. quarterly compounding, the effective rate of interest will be:
- A. 10.25% pa
 - B. 10.38% pa
 - C. 10% pa
 - D. None of them

ANSWER: B

36. External sources of finance do not include:
- A. Overdrafts
 - B. Debentures
 - C. Leasing
 - D. Retained Earnings

ANSWER: D

37. Islamic finance:
- A. allows interest to be paid on loans
 - B. views money as a store of value

- C. is available only in Muslim countries
 - D. does not allow interest to be paid on loans
- ANSWER: D

38. Under the terms of a finance lease:
- A. The asset is capitalised in the balance sheet of the lessee
 - B. the lessor is responsible for service and maintenance of the asset
 - C. legal title to the asset is with the lessee
 - D. it is cancellable
- ANSWER: A

39. Preference shares:
- A. Receive dividends
 - B. Are not part of a company's share capital
 - C. Have no voting rights
 - D. Are not allowable for corporation tax
- ANSWER: C

40. Internal sources of capital are those that are
- A. Generated through outsiders such as suppliers
 - B. Generated through loans from commercial banks
 - C. Generated through issue of shares
 - D. Generated within the business
- ANSWER: D

41. ADRs are issued in
- A. Canada
 - B. China
 - C. India
 - D. USA
- ANSWER: D

42. The maturity period of a commercial paper usually ranges from
- A. 20 to 40 days
 - B. 60 to 90 days
 - C. 120 to 365 days
 - D. 90 to 364 days
- ANSWER: D

43. Which is the source of mid-term finance?
- A. Micro Credit
 - B. Specialized Financial Institution
 - C. Collect Advances from Purchasers

D. Discounting the Bills Receivable

ANSWER: B

44. Public deposits are the deposits that are raised directly from

- A. The public
- B. The directors
- C. The auditors
- D. The owners

ANSWER: A

45. The following is(are) the external source(s) of cash

- A. Long terms loans
- B. Short term borrowings
- C. Issue of new shares
- D. All of the above

ANSWER: D

II SHORT ANSWER TYPE QUESTIONS:

- 1 Define Finance.
- 2 What do you mean by funds?
- 3 What is the concept of Financial Management?
- 4 Explain the different sources of finance.
- 5 Describe three broad areas of financial decision making?
- 6 Explain the utility of time value of money to a corporate.
- 7 Discuss the objectives of the firm. Which of these goals is superior and why?
- 8 What are the major types of financial management decisions that business firms take? Discuss in brief.
- 9 Write short note on functions of a financial manager
- 10 Differentiate between finance and accounting
- 11 Explain the concept of wealth in the context of wealth maximization objective.
- 12 Distinguish between present value and future value.
- 13 Discuss relevance of time value of money in financial decision making?
- 14 Evaluate Wealth-Maximization objective of Financial Management
- 15 What are the main functions of the modern Finance Manager? How do they differ from those of traditional Finance Manager?
- 16 Explain the concept of Time Value of Money
- 17 What is the significance to financial management, of increase in output, fixed costs, variable cost and selling price?
- 18 Comment on the emerging role of the finance manager in India.
- 19 State the decisions involved in Financial management.
- 20 What are the long-term sources of finance?
- 21 What is Financing Decision?
- 22 What is Investment Decision?
- 23 What is Dividend Decision?

- 24 What types of Investment Decision?
- 25 What are the contribution of financial management in different areas?
- 26 Evaluate Wealth-Maximization objective of Financial Management
- 27 What are the main functions of the modern Finance Manager? How do they differ from those of traditional Finance Manager?
- 28 Explain the concept of Time Value of Money
- 29 Distinguish between present value and future value.
- 30 Discuss relevance of time value of money in financial decision making?
- 31 What is the difference between GDR and ADR? Explain.
- 32 What is Book Building?
- 33 How is Book Building Better Than the Fixed Price Mechanism?
- 34 What is 'equity' capital and what are the advantages to a company of raising finance in this way?
- 35 What is Commercial Paper (CP)? List its various advantages and disadvantages.

III LONG ANSWER TYPE QUESTIONS:

- 1 Critically evaluate the goal of maximization of profit and maximization of return on equity.
- 2 What are the Basic Financial Decisions? How do they involve risk return trade-off?
- 3 "The finance manager's primary task is to plan for the acquisition and use of funds so as to maximize the value of the firm." Do you agree with the statement? Comment.
- 4 "It is advantageous to decentralize accounting function while finance function should be centralized.' Comment on the above statement.
- 5 Why is it inappropriate to seek profit maximization as the goal of financial decision making? How would you justify the adoption of present value maximization as an apt substitute for it?
- 6 Explain the relevance of time value of money in financing and investment decisions.
- 7 When can there arise a conflict between shareholders and managers goals? How does wealth maximisation goal take care of this conflict?
- 8 How Financial Management is connected to different subjects. Give the scope of Financial Management.
- 9 What are the Basic Financial Decisions? How do they involve risk return trade-off?
- 10 Should the titles of controller and treasurer be adopted under Indian context? Would you like to modify their functions in view of the company practices in India? Justify your opinion.
- 11 What are the different types of goals of Financial Management?
- 12 'Generally, individuals show a time preference for money.' Give reasons for such a preference.
- 13 Why is the consideration of time important in financial decision-making? How can time value be adjusted? Illustrate your ANSWER.
- 14 Explain the mechanics of calculating the present value of cash flows.
- 15 "The finance manager's primary task is to plan for the acquisition and use of funds so as to maximize the value of the firm." Do you agree with the statement? Comment.
- 16 "It has been traditionally argued that the objective of a firm is to earn profit, hence the objective of financial management is also profit making." Comment.

- 17 Describe the relationship between finance and economics and explain why the finance manager should possess a basic knowledge of economics.
- 18 Explain how the typical corporate firm is organized as it relates to the financial management function.
- 19 The managers in an enterprise are responsible for the proper utilization of the resources under their control. Since the resources are acquired in exchange for money, the decision of the managers will ultimately affect the financial condition of the organization. In this sense it can be said that the finance function interfaces with major functions of the enterprise as well as the top management. Briefly explain the interface function of the finance function with marketing and production function and the top management.
- 20 Why is the consideration of time important in financial decision-making? How can time value be adjusted? Illustrate your ANSWER.
- 21 What are the objectives and limitations of Financial Management?
- 22 Compare different sources of finance in terms of their advantages and disadvantages.
- 23 What is financial Management? What are different types of decisions involved in Financial Management?
- 24 Comment on emerging role of finance manager in India.
- 25 'Every Manager has to take three major decisions while performing the finance function' briefly explain them.
- 26 'Every Manager has to take three major decisions while performing the finance function' briefly explain them.
- 27 Should the titles of controller and treasurer be adopted under Indian context? Would you like to modify their functions in view of the company practices in India? Justify your opinion.
- 28 'Generally, individuals show a time preference for money.' Give reasons for such a preference.
- 29 Why is the consideration of time important in financial decision-making? How can time value be adjusted? Illustrate your ANSWER.
- 30 Explain the mechanics of calculating the present value of cash flows.
- 31 Explain why the firm should aim for a balanced portfolio of finance sources rather than just one.
- 32 Outline the advantages and disadvantages associated with retained earnings as a source of long-term finance.
- 33 Outline the advantages and disadvantages associated with loan stock as a source of long-term finance.
- 34 Describe the features of preference shares and outline the advantages and disadvantages associated with a company using this type of finance.
- 35 Explain why companies which retain a large proportion of their after-tax profits still may have to raise finance externally, either in the form of new issues of debt or new issues of ordinary shares?

UNIT - II

I Multiple Choice Questions:

- 1 Capital budgeting is a part of:
A. Investment decision
B. Working capital management
C. Marketing management
D. Capital structure
ANSWER: A
- 2 In proper capital budgeting analysis we evaluate incremental _____ cash flows.
A. accounting
B. operating
C. before-tax
D. financing
ANSWER: B
- 3 The estimated benefits from a capital budgeting project are expected as cash flows rather than income flows because _____.
A. it is more difficult to calculate income flows than cash flows
B. it is cash, not accounting income, that is central to the firm's capital budgeting decision
C. this is required by the accounting profession
ANSWER: D
- 4 In case of the indivisible projects, which of the following may not give the optimum result?
A. Internal Rate of Return
B. Profitability Index
C. Feasibility Set Approach
D. All of the above
ANSWER: C
- 5 All of the following influence capital budgeting cash flows *except* _____.
A. choice of depreciation method for tax purposes
B. economic length of the project
C. projected sales (revenues) for the project
D. sunk costs of the project
ANSWER: B
- 6 The basic capital budgeting principles involved in determining relevant after-tax incremental operating cash flows require us to _____.
A. include sunk costs, but ignore opportunity costs
B. include opportunity costs, but ignore sunk costs
C. ignore both opportunity costs and sunk costs
D. include both opportunity and sunk costs

ANSWER: B

- 7 Interest payments, principal payments, and cash dividends are _____ the typical budgeting cash-flow analysis because they are _____ flows.
- A. included in; financing
 - B. excluded from; financing
 - C. included in; operating
 - D. excluded from; operating

ANSWER: C

- 8 Which of the following is least likely to be part of the calculation of the terminal-year incremental net cash flow for an energy-related expansion project?
- A. An initial working capital investment is now returned as an additional cash inflow
 - B. Disposal/reclamation costs
 - C. Capitalized expenditures
 - D. Salvage value of any sold or disposed assets

ANSWER: D

- 9 A profitability index (PI) of .92 for a project means that _____.
- A. The project's costs (cash outlay) are (is) less than the present value of the project's benefits
 - B. The project's NPV is greater than zero
 - C. The project's NPV is greater than 1
 - D. The project returns 92 cents in present value for each current rupee invested (cost)

ANSWER: C

- 10 Which of the following statements is *incorrect* regarding a normal project?
- A. If the NPV of a project is greater than 0, then its PI will exceed 1.
 - B. If the IRR of a project is 8%, its NPV, using a discount rate, k , greater than 8%, will be less than 0.
 - C. If the PI of a project equals 0, then the project's initial cash outflow equals the PV of its cash flows.
 - D. If the IRR of a project is greater than the discount rate, k , then its PI will be greater than 1.

ANSWER: D

- 11 Assume that a firm has accurately calculated the net cash flows relating to two mutually exclusive investment proposals. If the net present value of both proposals exceed zero and the firm is not under the constraint of capital rationing, then the firm should _____.
- A. calculate the IRRs of these investments to be certain that the IRRs are greater than the cost of capital
 - B. compare the profitability index of these investments to those of other possible investments
 - C. calculate the payback periods to make certain that the initial cash outlays can be recovered within a appropriate period of time

- D. accept the proposal that has the largest NPV since the goal of the firm is to maximize shareholder wealth and, since the projects are mutually exclusive, we can only take one

ANSWER: D

- 12 Which of the following statements regarding cash flow patterns (for time periods 0, 1, 2, 3, and 4) is correct?
- A. The sequence of -Rs.100, Rs.50, Rs.40, Rs.60, and Rs.50 is a non-conventional cash flow pattern
- B. The sequence of -Rs.100, Rs.600, -Rs.1,100, Rs.600, and Rs.20 potentially has a maximum of two internal rates of return.
- C. The sequence of +Rs.100, -Rs.1,100, and Rs.1,600 is a conventional cash flow pattern.
- D. The sequence of -Rs.50, Rs.50, Rs.70, Rs.60, and -Rs.150 potentially has at most two internal rates of return.

ANSWER: B

- 13 Which of the following statements is correct regarding the internal rate of return (IRR) method?
- A. Each project has a unique internal rate of return
- B. As long as you are not dealing with mutually exclusive projects, capital rationing, or unusual projects having multiple sign changes in the cash-flow stream, the internal rate of return method can be used with reasonable confidence.
- C. The internal rate of return does not consider the time value of money.
- D. The internal rate of return is rarely used by firms today because of the ease at which net present value is calculated.

ANSWER: D

- 14 Which of the following is *not* a potential for a ranking problem between two mutually exclusive projects?
- A. The projects have unequal lives that differ by several years
- B. The costs of the two projects differ by nearly 30%.
- C. The two projects have cash flow patterns that differ dramatically
- D. One of the mutually exclusive projects involves replacement while the other involves expansion

ANSWER: A

- 15 A project whose acceptance precludes the acceptance of one or more alternative projects is referred to as _____.
- A. a mutually exclusive project.
- B. an independent project.
- C. a dependent project
- D. a contingent project

ANSWER: C

16. A project whose acceptance requires the acceptance of one or more alternative projects is referred to as _____.
- A. a mutually exclusive project.
 - B. an independent project.
 - C. a dependent project
 - D. a contingent project
 - E. none of the above
- ANSWER: A

17. When operating under a single-period capital-rationing constraint, you may first want to try selecting projects by descending order of their _____ in order to give yourself the best chance to select the mix of projects that adds most to firm value.
- A. profitability index (PI)
 - B. net present value (NPV)
 - C. internal rate of return (IRR)
 - D. payback period (PBP)
- ANSWER: B

18. Which of the following statements is correct regarding the internal rate of return (IRR) method?
- A. Each project has a unique internal rate of return.
 - B. As long as you are not dealing with mutually exclusive projects, capital rationing, or unusual projects having multiple sign changes in the cash-flow stream, the internal rate of return method can be used with reasonable confidence.
 - C. The internal rate of return does not consider the time value of money.
 - D. The internal rate of return is rarely used by firms today because of the ease at which net present value is calculated.
- ANSWER: D

19. Which of the following is not a potential for a ranking problem between two mutually exclusive projects?
- A. The projects have unequal lives that differ by several years.
 - B. The costs of the two projects differ by nearly 30%.
 - C. The two projects have cash flow patterns that differ dramatically.
 - D. One of the mutually exclusive projects involves replacement while the other involves expansion.
- ANSWER: A

20. A project whose acceptance precludes the acceptance of one or more alternative projects is referred to as _____.
- A. a mutually exclusive project.
 - B. an independent project.
 - C. a dependent project.
 - D. a contingent project.
- ANSWER: A

21. Two mutually exclusive projects are being considered. Neither project will be repeated again in the future after their current lives are complete. There exists a potential problem though -- the expected life of the first project is one year and the expected life of the second project is three years. This has caused the NPV and IRR methods to suggest different project preferences. What technique can be used to help make a better decision in this scenario?
- A. Rely on the NPV method and make your choice as it will tell you which one is best.
 - B. Use the common-life technique to replicate the one-year project three times and recalculate the NPV and IRR for the one-year project.
 - C. Ignore the NPV technique and simply choose the highest IRR since managers are concerned about maximizing returns.
 - D. In this situation, we need to rely on the profitability index (PI) method and choose the one with the highest PI.

ANSWER: A

22. To the nearest rupee, what is the net present value of a replacement project whose cash flows are -Rs.104,000; Rs.34,444; Rs.39,877; Rs.25,000; and Rs.52,800 for years 0 through 4, respectively? The firm has decided to assume that the appropriate cost of capital is 10% and the appropriate risk-free rate is 6%.
- A. Rs.15,115
 - B. Rs.26,798
 - C. Rs.33,346
 - D. Rs.48,121

ANSWER: C

23. A project has the following cash inflows Rs.34,444; Rs.39,877; Rs.25,000; and Rs.52,800 for years 1 through 4, respectively. The initial cash outflow is Rs.104,000. Which of the following four statements is correct concerning the project internal rate of return (IRR)?
- A. The IRR is less than 10%.
 - B. The IRR is greater than or equal to 10%, but less than 14%.
 - C. The IRR is greater than or equal to 14%, but less than 18%.
 - D. The IRR is greater than or equal to 18%.

ANSWER: C

24. You must decide between two mutually exclusive projects. Project A has cash flows of -Rs.10,000; Rs.5,000; Rs.5,000; and Rs.5,000; for years 0 through 3, respectively. Project B has cash flows of -Rs.20,000; Rs.10,000; Rs.10,000; and Rs.10,000; for years 0 through 3, respectively. The firm has decided to assume that the appropriate cost of capital is 10% for both projects. Which project should be chosen? Why?
- A. A; Project A's NPV > Project B's NPV.
 - B. A or B; Makes no difference which you choose because the IRR for A is identical to the IRR for B and both IRRs are greater than 10 percent, the cost of capital.
 - C. B; Project B's NPV > Project A's NPV.
 - D. Neither A nor B; The NPVs of both projects are negative.

ANSWER: C

25. A project whose acceptance requires the acceptance of one or more alternative projects is referred to as _____.

- A. a mutually exclusive project
- B. an independent project
- C. a dependent project
- D. None of the above

ANSWER: B

26. Which of the following is not used in capital budgeting?

- A. Time Value of Money
- B. Sensitivity Analysis
- C. Net Assets Value Method
- D. Cash Flows

ANSWER: C

27. Capital budgeting decisions are:

- A. Reversible
- B. Irreversible
- C. Unimportant
- D. All of the above

ANSWER: B

28. Which of the following is not incorporated in capital budgeting?

- A. Tax effect
- B. Time Value of Money
- C. Required rate of return
- D. Rate of cash discount

ANSWER: D

29. Which of the following is not a capital budgeting decision?

- A. Expansion programme
- B. Merger
- C. Replacement of an Asset
- D. Inventory Level

ANSWER: D

30. A sound capital budgeting technique is based on:

- A. Cash Flows
- B. Accounting Profit
- C. Interest rate on borrowings
- D. Last dividend paid

ANSWER: A

31. Which of the following is not a relevant cost in capital budgeting?

- A. Sunk Cost
- B. Opportunity cost

- C. Allocated overheads
- D. Both (a) and (c) above

ANSWER: D

32. Capital budgeting decisions are based on:

- A. Incremental profit
- B. Incremental cash flows
- C. Incremental assets
- D. Incremental capital

ANSWER: B

33. Which of the following does not affect cash flows from a proposal:

- A. Salvage value
- B. Depreciation amount
- C. Tax rate change
- D. Method of project financing

ANSWER: D

34. Cash inflows from a project include:

- A. tax shield of depreciation
- B. after tax operating profits
- C. raising of funds
- D. Both (a) and (b)

ANSWER: D

35. Which of the following is not followed in capital budgeting?

- A. Cash flows principle
- B. Interest exclusion principle
- C. Accrual principle
- D. Post tax principle

ANSWER: C

36. A project whose cash flows are more than capital invested for rate of return then net present value will be

- A. positive
- B. independent
- C. negative
- D. zero

ANSWER: A

37. Relationship between Economic Value Added (EVA) and Net Present Value (NPV) is considered as

- A. valued relationship
- B. economic relationship
- C. direct relationship

D. inverse relationship

ANSWER: C

38. An uncovered cost at start of year is \$200, full cash flow during recovery year is \$400 and prior years to full recovery is 3 then payback would be
- A. 5 years
 - B. 3.5 years
 - C. 4 years
 - D. 4.5 years

ANSWER: B

39. A profitability index (PI) of .92 for a project means that _____.
- A. the project's costs (cash outlay) are (is) less than the present value of the project's benefits
 - B. the project's NPV is greater than zero
 - C. the project's NPV is greater than 1
 - D. the project returns 92 cents in present value for each current dollar invested (cost)

ANSWER: D

40. The discount rate associated with the single intersection of the NPV profiles of two mutually exclusive projects represents _____.
- A. Fisher's rate of intersection
 - B. the rate at which the projects have identical profitability indexes
 - C. Gordon's rate of return
 - D. the minimum acceptable rate of return for each project

ANSWER: A

41. Which of the following statements is correct regarding the internal rate of return (IRR) method?
- A. Each project has a unique internal rate of return.
 - B. As long as you are not dealing with mutually exclusive projects, capital rationing, or unusual projects having multiple sign changes in the cash-flow stream, the internal rate of return method can be used with reasonable confidence.
 - C. The internal rate of return does not consider the time value of money.
 - D. The internal rate of return is rarely used by firms today because of the ease at which net present value is calculated.

ANSWER: B

42. Which of the following is not a potential for a ranking problem between two mutually exclusive projects?
- A. The projects have unequal lives that differ by several years.
 - B. The costs of the two projects differ by nearly 30%.
 - C. The two projects have cash flow patterns that differ dramatically.

D. One of the mutually exclusive projects involves replacement while the other involves expansion

ANSWER: D

43. Use of the IRR method implicitly assumes that the project's cash inflows are reinvested at the internal rate of return.

A. True

B. False

ANSWER: A

44. The net initial investment is divided & y uniform increase in future cashflows to calculate

A. Discounting period

B. Investment period

C. Payback period

D. Earning period

ANSWER: C

45. The rate of return to cover risk of investment and decrease in purchasing power as a result of inflation is classified as

A. nominal rate of return

B. accrual accounting rate of return

C. Real rate of return

D. Required rate of return

ANSWER: A

II SHORT ANSWER TYPE QUESTIONS:

1 Explain the meaning of the term Capital.

2 What is Capital Budgeting?

3 Write a short note on conventional cash flows.

4 What is payback period?

5 Discuss the applicability of the concept of payback period.

6 Define accounting rate of return.

7 What are the merits of ARR as a capital budgeting technique.

8 What do you understand by IRR. Explain.

9 Briefly explain capital rationing.

10 Explain certainty equivalent approach.

11 Write a short note on risk adjusted discount rate.

12 Explain decision tree approach.

13 Distinguish between Internal rate of return and Accounting rate of return with appropriate illustrations.

14 What is the significance of profitability index? How is it useful in projects having different sizes?

15 Under what circumstances is it better than NPV?

- 16 How can the inflation be incorporated in the capital budgeting decision process.
- 17 Explain the concept of risk analysis with reference to capital budgeting.
- 18 “Risk analysis is an essential feature of investment decision making process.” What are the major risk factors and how will you control them.
- 19 State three important steps in the evaluation of investments.
- 20 What is meant by the term value of money?
- 21 “The average accounting rate of return fails to give weight to the later cash flows.” Elaborate.
- 22 Explain the concept of value-additivity in the NPV method.
- 23 Write a note on Inflation and Capital budgeting.
- 24 What is meant by the term time value of money? Which capital budgeting methods take into consideration this concept?
- 25 Distinguish between NPV and IRR.
- 26 The cash flow approach of measuring future benefits of a project is superior to the accounting approach. Discuss.
- 27 What are mutually exclusive projects? Explain the conditions when conflicting ranking would be given by the internal rate of return and net present value methods to such projects.
- 28 Under what circumstances do the net present value and internal rate of return methods differ? Which methods would you prefer and why?
- 29 What is meant by the term time value of money? Which capital budgeting methods take into consideration this concept? How is it possible for the capital budgeting methods that do not consider the time value of money to lead to wrong capital budgeting decisions?
- 30 “The payback reciprocal has wide applicability as a meaningful approximation of the time adjusted rate of return. But it suffers from certain major limitations.” Explain.
- 31 A machine costing Rs. 110 lacs has a life of 10 years, at the end of which its scrap value is likely to be Rs. 10 lacs. The firm’s cut off rate is 12%. The machine is expected to yield an annual profit after tax of Rs. 10 lacs, depreciation being reckoned on straight line basis. Ascertain the net present value of the project.
- 32 What are the limitations of simulation.
- 33 How does certainty equivalent approach overcome the limitations of risk-adjusted discount rate method of handling the risk of the project?
- 34 How would you treat inflation while evaluating a capital budgeting proposal?
- 35 What is modified IRR (MIRR) and how it is calculated? Discuss the rationale behind this calculation.

III LONG ANSWER TYPE QUESTIONS:

- 1 Discuss the major aspects, assumptions and decision rules of the Discounted Cash Flow method.
- 2 What is meant by internal Rate of Return of a project? How do you calculate IRR given the initial investment on the project and the cash flows arising during the expected life of the project?
- 3 Distinguish between NPV and IRR.
- 4 Make a comparison between NPV and IRR methods. Which one of the two you find to be more rationale and why.
- 5 “The payback period is more a method of liquidity rather than profitability.” Examine.

- 6 Do the Profitability Index and NPV criterion of evaluating investment proposals lead to the same acceptance rejection and ranking decisions? In what situations will they give conflicting results?
- 7 Why is it important to evaluate capital budgeting projects on the basis of after-tax cash incremental flows? Why not use accounting data instead of cash flows?
- 8 Describe the concept of discounted cash flows in making investment decisions and its superiority over the traditional methods of investment evaluation.
- 9 How is payback period calculated? How is it helpful in determining IRR.
- 10 'Risk analysis is an essential feature of investment decision making process.' What are the major risk factors and how will you control them.
- 11 'The terminal value method overcomes the shortcomings of the assumption of reinvestment rate.' In light of this statement, explain the procedure of this terminal value method.
- 12 'NPV method ensures maximization of wealth of the shareholders in the long run.' Comment.
- 13 What is the significance of profitability index? How is it useful in projects having different sizes? Under what circumstances is it better than NPV?
- 14 How can the inflation be incorporated in the capital budgeting decision process. Explain the difference between real and optimum replacement period.
- 15 What is meant by the term time value of money? Which capital budgeting methods take into consideration this concept? How is it possible for the capital budgeting methods that do not consider the time value of money to lead to wrong capital budgeting decisions?
- 16 "The payback reciprocal has wide applicability as a meaningful approximation of the time adjusted rate of return. But it suffers from certain major limitations." Explain.
- 17 What is risk evaluation and sensitivity analysis? Analyse the relevance of sensitivity analysis in capital budgeting.
- 18 What are mutually exclusive projects? Explain the conditions when conflicting ranking would be given by the internal rate of return and net present value methods to such projects.
- 19 Under what circumstances do the net present value and internal rate of return methods differ? Which methods would you prefer and why?
- 20 XYZ is interested in assessing the cash flows associated with the replacement of an old machine by a new machine. The old machine bought a few years ago has a book value of Rs. 90,000 and it can be sold for Rs. 90,000. It has a remaining life of five years after which its salvage value is expected to be nil. It is being depreciated annually at the rate of 20 per cent (written down value method.)
The new machine costs Rs. 4,00,000. It is expected to fetch Rs. 2,50,000 after five years when it will no longer be required. It will be depreciated annually at the rate of 33 1/3 per cent (written down value method.) The new machine is expected to bring a saving of Rs. 1,00,000 in manufacturing costs. Investment in working capital would remain unaffected. The tax rate applicable to the firm is 50 per cent. Find out the relevant cash flow for this replacement decision. (Tax on capital gain/loss to be ignored)
Ans. Yr.1 Rs. 107.6, Yr 2 Rs. 87.2, Yr 3 Rs. 73.9, Yr. 4 Rs. 65.2, Yr 5 Rs. 59.4, terminal flows: 3,09,400
- 21 XYZ Ltd. is trying to decide whether it should replace a manually operated machine with a fully automatic version of the same machine. The existing machine, purchased ten years ago, has a book value of Rs. 2,40,000 and remaining life of 20 years. Salvage value was

Rs. 40,000. The machine has recently begun causing problems with breakdowns and is costing the company Rs. 20,000 per year in maintenance expenses. The company has been offered Rs. 1,00,000 for the old machine as a trade-in on the automatic model which has a deliver price (before allowance for trade-in) of Rs. 2,20,000. It is expected to have a ten-year life and a salvage value of Rs. 20,000. The new machine will require installation modifications costing Rs. 40,000 to the existing facilities, but it is estimated to have a cost savings in materials of Rs. 80,000 per year. Maintenance costs are included in the purchase contract and are borne by the machine manufacturer. The tax rate is 40% (applicable to both revenue income as well as capital gains/losses). Straight-line depreciation over ten years will be used. Find out the relevant cash flows.

Ans. Initial flows: Rs. 1,44,000; Subsequent Rs. 65,600 and Terminal Rs. 85,600

- 22 A company has to make a choice between two projects namely A and B. the initial capital outlays of two projects are Rs. 1,35,000 and Rs. 2,40,000 respectively for A and B. there will be no scrap value at the end of the life of both the projects. The opportunity cost of capital of the company is 16%. The annual incomes are as under:

Year	Project A	Project B
1	-	60,000
2	30,000	84,000
3	1,32,000	96,000
4	84,000	1,02,000
5	84,000	90,000

You are required to calculate for each Project

	A	B
i) Discounted Payback period	Ans. 3.61 yrs	4.19 yrs
ii) Profitability Index	Ans. 1.43	1.15
iii) NPV	Ans. Rs. 58,254	Rs. 34,812

- 23 Z Industries Ltd. are thinking of investing in a project costing Rs. 20 lakhs. The life of the project is five years and the estimated salvage value of the project is zero. Straight line method of charging depreciation is followed. The tax rate is 50%. The expected cash flows before tax are as follows:

Year	1	2	3	4	5
Estimated cash flows before depreciation and tax (in lakhs)	4	6	8	8	10

You are required to determine the Payback Period for the investment	Ans. 3 yrs 10 months
ARR on the investment	Ans. 16%
NPV at 10% cost of capital	Ans. 0.717 lakhs
Benefit cost ratio	Ans. 1.036

24 The cash flows of two mutually exclusive projects are as under:

	T0	T1	T2	T3	T4	T5	T6
Project P	(40,000)	13,000	8,000	14,000	12,000	11,000	15,000
Project J	(20,000)	7,000	13,000	12,000	-	-	-

Required:

- Estimate the net present value using 15%.
- Estimate the internal rate of return.
- Why is there a conflict in the project choice by using NPV and IRR criterion.
- Which criteria you will use in such a situation? Estimate the value at that criterion. Make a project choice.

Ans.		Project P	Project J
i)	NPV	5,374	3,806
ii)	IRR	19.75%	25.31%

25 Jolly company has an investment opportunity costing Rs. 40,000 with the following expected cash inflow (*i.e.* after tax and before depreciation):

Year	Inflows	PVF	Year	Inflows	PVF
1	Rs.7,000	0.909	6	Rs. 8,000	0.564
2	7,000	0.826	7	10,000	0.513
3	7,000	0.731	8	15,000	0.467
4	7,000	0.653	9	10,000	0.424
5	7,000	0.621	10	4,000	0.386

Using 10% as the cost of capital (rate of discount) determine the (i) Net Present Value; and (ii) Profitability Index.

Ans. NPV = Rs. 8,961, PI = 1.22

26 C is considering investing in a project. The expected investment will be Rs. 2,00,000. The life of project will be 5 years with no salvage value. The expected net cash inflows after depreciation but before tax during the life of the project will be as follows:

Year	1	2	3	4	5
Rs.	85,000	1,00,000	80,000	80,000	40,000

Project will be depreciated at the rate of 20% on original cost. Tax rate 30%. Calculate

- ARR (Ans: 53.90%)
- Payback period (Ans. 1year 11 months)
- IRR (Ans. 39.91%)
- NPV if cost of capital is 10% (Ans. Rs. 1,61,197)

27 K company is considering to set up a coaching centre at a total outlay of Rs. 18,00,000. The operational and maintenance cost excluding depreciation are expected to be Rs. 3,00,000 p.a. life of equipment is 10 years with no salvage value. Depreciation is 30% w.d.v. tax rate if 40%. The centre will generate an income of Rs. 6,00,000 p.a. by way of tuition fee and Rs. 1,00,000 on job work. Calculate NPV and IRR if cost of capital is 12%. (Ans. NPV = (49,216), IRR = 12.24%)

- 28 A firm can make investment in either of the following two projects. The firm anticipates its cost of capital to be 10%. And the net (after tax) cash flows of the projects for the five years are as follows: -

(Figure in Rs. '000)						
Year	0	1	2	3	4	5
Project A	(500)	85	200	240	220	70
Project B	(500)	480	100	70	30	20
The discount factors are as under						
Year	0	1	2	3	4	5
PVF (10%)	1	0.91	0.83	0.75	0.68	0.62
PVF (20%)	1	0.83	0.69	0.58	0.48	0.41

Required: -

- Calculate the NPV and IRR of the project.
- State with reason which project you would recommend.

Ans

	Project A	Project B
NPV	116.35	105.1
IRR	18.663%	24.107%

- As per NPV, Project A should be selected.
- As per IRR, Project B should be selected.

- 29 No Project is acceptable unless the yield is 10%. Cash inflows of a certain project along with cash outflows are given below:

Year	Outflow (Rs.)	Inflow(Rs.)
0	150000	-
1	30000	20000
2	-	30000
3	-	60000
4	-	80000
5	-	70000

Calculate net present value

Ans: Net present value = Present value of Inflows - Present value of Inflows
= Rs.186130 – Rs. 177270
= Rs 8860

- 30 One of the two machines A and B is to be purchased. Form the following Information find out which of the two will be more profitable? The average rate of tax may be taken at 50%.

	Machine A (Rs.)	Machine B (Rs.)
Cost of machine	50000	80000
Machine Life	4 years	6 years
Earnings Before Tax		
1st year	10000	8000
2nd year	15000	14000
3rd year	20000	25000
4th year	15000	30000
5th year		18000
6th year		13000

Ans:

(a) Pay back period

Investment = Rs. 80,000

Cumulative Cash Flows shows that the recovery up to 3rd year = 63499
therefore for the balance of Rs. 16501 will be recovered in 4th year.

i.e. $16501/28333 = 0.58$ year

therefore payback period is 3.58 years

(b) Average rate of return (based on original investment)

= Average Profits/net investment x 100

= $54000/6 \times 100$

= 11.25%

Machine A is profitable in both the cases

Note: - It has been assumed that Earnings Before tax in the problem is after considering depreciation on straight line basis.

31 A cosmetic company is considering to introduce a new lotion. The manufacturing equipment will cost Rs.5,60,000. The expected life of the equipment is 8 years. The company is thinking of selling the lotion in a single standard pack of 50 grams at Rs. 12 each pack. It is estimated that variable cost per pack would be Rs. 6 and annual fixed cost Rs. 4,50,000. Fixed cost includes (straight line) depreciation of Rs. 70,000 and allocated overheads of Rs. 30,000. The company expects to sell 1,00,000 packs of the lotion each year. Assume that tax is 45% and straight-line depreciation is allowed for tax purpose. Calculate the cashflows.

32 ABC and Co. is considering a proposal to replace one of its plants costing Rs. 60,000 and having a written down value of Rs. 24,000. The remaining economic life of the plant is 4 years after which it will have no salvage value. However, if sold today, it has a salvage value of Rs. 20,000. The new machine costing Rs. 1,30,000 is also expected to have a life of 4 years with a scrap value of Rs. 18,000. The new machine, due to its technological superiority, is expected to contribute additional annual benefit (before depreciation and tax) of Rs. 60,000. Find out the cash flows associated with this decision given that the tax

rate applicable to the firm is 40%. (The capital gain or loss may be taken as not subject to tax).

- 33 A government owned research organization needs sophisticated equipment for its research purposes. Three companies came forward to supply the machine whose quotations are as given below:-

Company A: Initial Cost is Rs. 62,000 and annual maintenance cost is Rs. 4,000 in the first year and increases by Rs. 1000 every year for the next 5 years. At the end of the sixth year the machine can be sold for Rs. 12,000.

Company B: Initial Cost is Rs. 85,000. The maintenance cost is Rs. 3,000 per year. But in the fourth year additional Rs. 9,000 should be spent for overhauling. Its scrap value at the end of 7th year is Rs. 15,000.

Company C: The machine costs Rs. 48,000 but its life is only 3 years with annual maintenance cost of Rs. 2,500. At the end of year 3, the company replaces the old machine with a new machine for Rs. 20,000. The new machine will last for another 2 years with an annual maintenance cost of Rs. 1,000 and a salvage value of Rs. 14,000. Which option the organization should go for? Since it is a research organization it does not pay taxes but its cost of funds is 10%.

- 34 Discuss three different types of costs that deserve special attention due to incremental principle while projecting cash flows of a project.
- 35 What is risk-adjusted discount rate? What are its advantages and limitations?

UNIT- III

I Multiple Choice Questions:

1. Which of the following costs would be considered a fixed cost?
- A. Raw materials.
 - B. Depreciation.
 - C. Bad-debt losses.
 - D. Production labor.

ANSWER: B

2. Composite cost is inclusive of all cost of capital from all sources.
- A. True
 - B. False

ANSWER: A

3. Marginal cost is the weighted average cost of the new funds raised by the firm.
- A. True
 - B. False

ANSWER: A

4. Retained earnings have no cost to the firm.
A. True
B. False
ANSWER: B
5. Market value weights are theoretically consistent and sound as compared to book value weights.
A. True
B. False
ANSWER: A
6. Cost of capital refers to:
A. Floatation costs
B. dividend
C. required rate of return
D. none of the above
ANSWER: C
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
ANSWER: D
8. Which of the following has the highest cost of capital?
A. equity shares
B. loans
C. bonds
D. preference shares
ANSWER: A
9. Cost of capital for government securities is also known as:
A. risk free rate of interest
B. maximum rate of return
C. rate of interest on fixed deposits
D. none of the above
ANSWER: A
10. Cost of capital for bonds and debentures is calculated on:
A. before tax basis
B. after tax basis
C. risk free rate of interest basis
D. none of the above
ANSWER: B

11. The discount rate used to determine the present value of a stream of expected future cash flows is referred to as the _____.
- A. net operating income
 - B. capitalization rate
 - C. capital structure
 - D. yield on the company's market value of common equity
- ANSWER: B
12. The traditional approach towards the valuation of a company assumes that _____.
- A. the cost of capital is independent of the capital structure of the firm
 - B. the firm maintains constant risk regardless of the type of financing employed
 - C. there exists no optimal capital structure
 - D. that management can increase the total value of the firm through the judicious use of financial leverage
- ANSWER: D
13. The presence of which one of the following costs is not used as a major argument against the M&M arbitrage process?
- A. Bankruptcy costs.
 - B. Agency costs.
 - C. Transactions costs.
 - D. Insurance costs.
- ANSWER: D
14. The term 'capital structure' also includes the financial structure.
- A. True
 - B. False
- ANSWER: B
15. The optimum capital structure is obtained when the market value per equity share is the maximum.
- A. True
 - B. False
- ANSWER: A
16. Which of the following statements regarding the net operating income approach is incorrect?
- A. The overall capitalization rate, k_O , is constant.
 - B. The cost of debt funds, k_i , is constant.
 - C. The required return on equity, k_e , is constant.
 - D. The total value of the firm is unaffected by changes in financial leverage.
- ANSWER: C
17. A high breakeven point would indicate high operating leverage.
- A. True

B. False
ANSWER: A

18. Which of the following formulas represents a correct calculation of the degree of operating leverage
- A. $(Q - QBE)/Q$
 - B. $(EBIT) / (EBIT - FC)$
 - C. $[Q(P-V) + FC] / [Q(P-V)]$
 - D. $[Q(P-V)] / [Q(P-V) - FC]$

ANSWER: D

19. Composite leverage explains change in taxable income on account of change in sales.
- A. True
 - B. False

ANSWER: A

20. Which of the following formulas represents the correct calculation of the degree of financial leverage?

- A. $[NI + T + I] / [NI - I - PD/(1-T)]$
- B. $EBIT / [EBIT - I - PD/(1-T)]$
- C. $EBIT / [NI - I - PD/(1-T)]$
- D. All of the above are correct methods to calculate the degree of financial leverage (DFL).

ANSWER: B

21. A firm is considering three different financing alternatives -- debt, preferred stock, and common equity. The firm has created an EBIT-EPS chart that shows several indifference points. What does each indifference point show the firm?

- A. The level of EBIT that generates identical EPS under two alternative financing plans.
- B. The level of sales that generates identical EBIT and EPS figures.
- C. It shows the level of EBIT and EPS at which DFL is identical under two alternative financing plans.
- D. None of the above.

ANSWER: A

22. In MM Model, irrelevance of capital structure is based on:

- A. Cost of Debt and Equity
- B. Arbitrage Process
- C. Decreasing K_o ,
- D. All of the above

ANSWER: B

23. The ideal situation is to have a high financial leverage and low operating leverage.

- A. True
- B. False

ANSWER: A

24. The maximum amount of debt (and other fixed-charge financing) that a firm can adequately service is referred to as the _____.
- A. debt capacity
 - B. debt-service burden
 - C. adequacy capacity
 - D. fixed-charge burden

ANSWER: A

25. The cash required during a specific period to meet interest expenses and principal payments is referred to as the:
- A. debt capacity.
 - B. debt-service burden.
 - C. adequacy capacity.
 - D. fixed-charge burden.

ANSWER: B

26. Cost of Capital refers to:
- A. Flotation Cost
 - B. Dividend
 - C. Required Rate of Return
 - D. None of the above

ANSWER: C

27. 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

ANSWER: D

28. Which of the following has the highest cost of capital?
- A. Equity shares
 - B. Loans
 - C. Bonds
 - D. Preference shares

ANSWER: A

29. Cost of Capital for Government securities is also known as:
- A. Risk-free Rate of Interest
 - B. Maximum Rate of Return
 - C. Rate of Interest on Fixed Deposits
 - D. None of the above

ANSWER: A

30. Cost of Capital for Bonds and Debentures is calculated on:
- A. Before Tax basis
 - B. After Tax basis
 - C. Risk-free Rate of Interest basis
 - D. None of the above
- ANSWER: B
31. Weighted Average Cost of Capital is generally denoted by:
- A. k_A ,
 - B. k_w ,
 - C. k_0 ,
 - D. k_c
- ANSWER: C
32. Which of the following cost of capital require tax adjustment?
- A. Cost of Equity Shares
 - B. Cost of Preference Shares
 - C. Cost of Debentures
 - D. Cost of Retained Earnings.
- ANSWER: C
33. Which is the most expensive source of funds?
- A. New Equity Shares
 - B. New Preference Shares
 - C. New Debts
 - D. Retained Earnings
- ANSWER: A
34. Marginal cost of capital is the cost of:
- A. Additional Sales
 - B. Additional Funds
 - C. Additional Interests
 - D. None of the above
- ANSWER: B
35. In case the firm is all-equity financed, WACC would be equal to:
- A. Cost of Debt
 - B. Cost of Equity
 - C. Neither (a) nor (b)
 - D. Both (a) and (b)
- ANSWER: B
36. In weighted average cost of capital, a company can affect its capital cost through
- A. policy of capital structure
 - B. policy of dividends
 - C. policy of investment

D. all of the above

ANSWER: D

37. Which one of the following represents the best estimate for a firm's pre-tax cost of debt?
- A. the current yield-to-maturity on the firm's existing debt
 - B. the firm's historical cost of capital
 - C. twice the rate of return currently offered on risk-free securities
 - D. the current coupon on the firm's existing debt

ANSWER: A

38. An increase in the market value of a preferred stock will _____ the cost of preferred stock.
- A. increase
 - B. either increase or decrease
 - C. either not affect or increase
 - D. decrease

ANSWER: D

39. Capital structure weights are based on the:
- A. market values of a firm's debt and equity.
 - B. market value of a firm's equity and the face value of its debt.
 - C. initial issue values of a firm's debt and equity.
 - D. book value of a firm's debt and equity.

ANSWER: A

40. Which one of the following is a correct statement regarding a firm's weighted average cost of capital (WACC)?
- A. An increase in the market risk premium will tend to decrease a firm's WACC.
 - B. A reduction in the risk level of a firm will tend to increase the firm's WACC.
 - C. A 5 percent increase in a firm's debt-equity ratio will tend to increase the firm's WACC.
 - D. The WACC can be used as the required return for all new projects with similar risk to that of the existing firm.

ANSWER: D

41. The rate of return on its existing assets that a firm must earn to maintain the current value of the firm's stock is called the:
- A. return on equity.
 - B. internal rate of return.
 - C. weighted average cost of capital.
 - D. weighted average cost of equity.

ANSWER: C

42. Two firms that are virtually identical except for their capital structure are selling in the market at different values. According to M&M
- A. one will be at greater risk of bankruptcy.
 - B. the firm with greater financial leverage will have the higher value.
 - C. this proves that markets cannot be efficient.
 - D. this will not continue because arbitrage will eventually cause the firms to sell at the same value.

ANSWER: D

43. A critical assumption of the net operating income (NOI) approach to valuation is:
- A. that debt and equity levels remain unchanged.
 - B. that dividends increase at a constant rate.
 - C. that k_0 remains constant regardless of changes in leverage.
 - D. that interest expense and taxes are included in the calculation.

ANSWER: C

44. A firm has a DOL of 3.5 at Q units. What does this tell us about the firm?
- A. If sales rise by 3.5% at the firm, then EBIT will rise by 1%.
 - B. If EBIT rises by 3.5% at the firm, then EPS will rise by 1%.
 - C. If EBIT rises by 1% at the firm, then EPS will rise by 3.5%.
 - D. If sales rise by 1% at the firm, then EBIT will rise by 3.5%

ANSWER: B

45. Higher operating leverage is related to the use of additional _____.
- A. fixed costs
 - B. variable costs
 - C. debt financing
 - D. common equity financing

ANSWER: A

II SHORT ANSWER TYPE QUESTIONS:

1. What is meant by the term “leverage”? What are its types?
2. What is the indifference point? And why is it called so?
3. How to calculate indifference point in the EBIT-EPS analysis?
4. Write a critical note on the traditional approach to capital structure.
5. What is meant by the concept of “financial risk”?
6. Write Short note on Home Made Leverage.
7. Write Short note on Projected Cash Flow analysis.
8. What do you understand by capital structure? What are the major determinants of capital Structure.
9. Explain the term ‘Point of Indifference’.
10. Differentiate ‘Capitalisation’ and ‘Capital Structure’.
11. What is ‘Optimum Capital Structure’?

12. Write a note on 'Arbitrage Process'.
13. What is meant by Financial Break-even point?
14. Explain EBIT-EPS approach for determining capital structure of a company.
15. Write short note on Modigliani-Miller Approach.
16. Explain the concept of Marginal Cost of Capital
17. Briefly discuss the rationale of Cost of Capital
18. Explain the rationale of using weighted cost of capital.
19. "Reserves and surpluses have no cost". Do you agree? Give reasons for your ANSWER.
20. Why is it that the 'debt' is the cheapest source of finance for a profit-making company?
21. What is meant by the concept 'financial risk'? What is the relationship between leverage and the cost of capital? Explain
22. Write notes on Arbitrage process
23. Explain implicit cost of capital.
24. What is Financial Structure?
25. Describe NI and NOI Approaches.
26. What is meant by the term "leverage"? What are its types?
27. What is the indifference point? And why is it called so?
28. How to calculate indifference point in the EBIT-EPS analysis?
29. Write a critical note on the traditional approach to capital structure.
30. What is meant by the concept of "financial risk"?
31. Which combination of operating and financial leverages constitutes (i) risky situation and (ii) ideal situation.
32. What is cost of capital? Explain the significance of cost of capital.
33. Discuss the relationship between the cost of equity and financial leverage in accordance with MM Proposition II.
34. Define leverage. Explain its types. Discuss its significance.
35. 'Operating leverage is determined by firm's cost structure and financial leverage by the mix of debt-equity funds used to finance the firm's fixed assets. These two leverages combined provide a risk profile of the firm". Explain.
36. What is combined leverage? Explain its significance.
37. What is leverage? What are the different types of leverages?
38. What is financial distress? Examine the effects of financial distress on the value of firm?
39. Explain the feature of EBIT-EPS analysis, cash flow analysis and valuation models approach to determination of capital structure?
40. Explain the view of traditional writers on the relationship between capital structure and the value of a firm.

III Long Answer Type Questions:

1. Explain the concept of Cost of Capital as a device for establishing a cut-off point of capital investment proposals.
2. What is meant by Cost of Capital for a firm and what relevance does it have in decision-making? How is it calculated with different types of sources of capital funds? Why is the cost of capital most appropriately measured on an after-tax basis?
3. What is Modigliani-Miller approach to the problem of capital structure. Under what assumptions do their conclusions hold good?

4. What is meant by Cost of Capital? What are the components of cost of capital?
5. What is business risk and is it the same as financial risk? How does the use of financial leverage affect the financial risk?
6. What do you understand by cost of capital? How it is ascertained?
7. Explain the concept of Cost of Capital. Also explain different types of costs.
8. What do you understand by Capital Structure of a corporation. Discuss the qualities which a sound capital structure should possess.
9. Critically examine the Net Income and Net Operating Income approaches to capital structure. What is the traditional view on this question?
10. 'An optimal combination of the decisions relating to investment, financing and dividends will maximize the value of the firm to its shareholders. Examine.
11. What do you understand by a Balanced Capital Structure? Why should a company aim at a balanced capital structure?
12. Explain the factors that determine the capital structure of a firm.
13. There is nothing like an optimal capital structure for a firm. Critically evaluate this statement.
14. What do you mean by optimum capital structure? Make a list of factors determining optimum capital structure.
15. What do you understand by capital structure of a corporation? Discuss the qualities or features of a sound capital structure.
16. Explain "Arbitrage Process" under Modigliani/Miller Theorem.
17. Explain EBIT-EPS approach for determining capital structure of a company.
18. What factors must be considered by a manager when choosing between debt and equity?
19. What is the objective of the capital structure management? How might a firm go for determining its optimal capital structure?
20. What is Cost of Capital? What is meant by Explicit Cost and Real Cost of capital?
21. Define the concept of Cost of Capital. State how you would determine the weighted average cost of capital of a firm.
22. A Ltd. is capitalized with Rs. 10 lakhs divided into 10,000 shares of Rs. 100 each. The management desires to raise another Rs. 10 lakh to finance a major expansion programme. There are four possible financing plans : (i) all equity shares, (ii) Rs. 5 lakh in equity shares and Rs. 5 lakh in debentures carrying 5% interest, (iii) all debentures carrying 6% interest shares and (iv) Rs. 5 lakh in equity shares and Rs. 5 lakh in preference carrying 5% dividend. The existing earning before interest and tax amount to Rs. 1,20,000 per annum.
 - (a) You are required to calculate earnings per equity share under each of the above four financial plans.
 - (b) Also calculate the earning per equity share if on account of expansion the level of *EBIT* is doubled.

Ans. (a) (i) **Rs. 3,** (ii) **Rs. 3.67,** (iii) **Rs. 3 and** (iv) **Rs. 2.33**
 i. (b) (i) **Rs. 3,** (ii) **Rs. 3,** (iii) **Rs. 3 and** (iv) **Rs. 3**
23. ABC Ltd. has EBIT of Rs. 1,60,000. Its capital structure consists of the following securities:

10% Debentures	Rs. 5,00,000
12% Preference Shares	1,00,000

Equity Shares for Rs. 100 each 4,00,000

The company is in the 55% tax bracket. You are required to determine the company's EPS; the percentage change in EPS associated with 30% increase and 30% decrease in EBIT; and the degree of financial leverage.

Ans. (i) Rs. 9.375, (ii) 57.6%, (iii) 1.45

- 24 Calculate the Operating Leverage, Financial Leverage and Combined Leverage from the following data under situations I and II and Financial Plans A and B:

Installed Capacity	4,000 units
Actual Production and Sales	75% of the Capacity
Selling Price	Rs. 30 per unit
Variable Cost	Rs. 15 per unit

Fixed Cost:	
Under Situation I	Rs. 15,000
Under Situation II	Rs. 20,000

Capital Structure:

	<i>Financial Plans</i>	
	Rs.	Rs.
Equity	10,000	15,000
Debt(Rate of Interest at 20%)	10,000	5,000
	20,000	20,000

Ans.

	<i>Situation I</i>	<i>Situation II</i>
Operating Leverage	1.5	1.8
Financial Leverage	Plan A	Plan B
	1.07	1.04
Combined Leverage:		
(a)Situation I	1.60	1.560
(b)Situation II	1.96	1.878

- 25 Calculate operating financial and combined leverages under situations when fixed costs are (a) Rs. 5,000, and (b) Rs. 10,000 and financial plans 1 and 2 respectively from the following information pertaining to the operation and capital structure of a textile company:

Total Assets	Rs. 30,000
Total assets Turnover	2
Variable Cost as percentage of sales	60
	Financial Plan
	1
Equity	Rs. 30,000
	2
	Rs. 10,000

10% Debentures 10,000 30,000
Ans. OL (Fixed Costs Rs. 5,000) 1.26, OL (Fixed Costs Rs. 10,000) 1.71, FL (Financial Plan I) 1.055 and 1.077, FL (Financial Plan II) 1.187 and 1.273, CL (Financial Plan I) 1.329 and 1.842, CL (financial Plan II) 1.496 and 2.177)

26. ABC Ltd. has the following capital structure:

Equity (expected dividend 12%)	Rs. 10,00,000
10% Preference	Rs. 5,00,000
8% Loan	Rs. 15,00,000

You are required to calculate the weighted average cost of capital, assuming 50% as the rate of income tax, before and after tax.

Ans. Before tax 9.66%, After tax 7.67%

27. Following are the details regarding the capital structure of a company:

Type of Capital	Book Value	Market Value	Specific Cost
Debentures	40,000	38,000	5%
Preference Capital	10,000	11,000	8%
Equity Capital	60,000	1,20,000	13%
Retained earnings	20,000	-	9%
	<u>1,30,000</u>	<u>1,69,000</u>	

You are requested to determine the weighted average cost of capital using: (i) book value as weights, (ii) market value as weights. Do you think, there can be situation where weighted average cost of capital would be the same irrespective of the weights used.

Ans. (i) 9.54%, (ii) 10.17%, Cost of capital would be the same irrespective of the weights in case the book value and the market value of retained earnings is Rs. 30,000 (i.e. 20,000 12/8) and equity capital Rs. 90,000 (i.e. 60,000 x 12/8)

28. The capital structure of ABC Limited consists of equity share capital of Rs. 1,00,000 (10,000 shares of Rs. 10 each) and 8% debentures of Rs. 50,000. You are required to calculate and verify the degree of financial leverage on earning before interest and tax (EBIT) level of Rs. 20,000.

Ans. Financial Leverage 1.25

29 Calculate degree of (i) operating leverage, (ii) financial leverage and (iii) combined leverage from the following data:

Sales 1,00,000 units @ 2 per unit = Rs. 2,00,000

Variable Cost per unit @ Re. 0.70

Fixed Costs Rs. 1,00,000

Interest Charges Rs. 3,668

Ans. (i) 4.33, (ii) 1.14, (iii) 4.9

- 30 Calculate the Degree of Operating Leverage, Degree of Financial Leverage and the Degree of Combined Leverage for the following firms and interpret the results:

	<i>P</i>	<i>Q</i>	<i>R</i>
Output (Units)	3,00,000	75,000	5,00,000
Fixed Costs (Rs.)	3,50,000	7,00,000	75,000
Unit Variable Cost (Rs.)	1.00	7.50	0.10
Interest Expenses (Rs.)	25,000	40,000	Nil
Unit Selling Price (Rs.)	3.00	25.00	0.50
Ans. Operating Leverage P	= 2.40	Q = 2.14	R=1.60
Financial Leverage P	= 1.11	Q = 1.07	R=1.00
Combined Leverage P	= 2.67	Q = 2.29	R=1.60

financial costs.

- 31 The two companies X and Y belong to the same risk class. They have everything in common except that firm Y has 10% debentures of Rs. 5 laks. The valuation of the two firms is assumed to be as follows:

	X	Y
Net operating income (EBIT)	Rs. 7,50,000	Rs. 7,50,000
Interest on debt	-	50,000
Earning to equity holders	7,50,000	7,00,000
Equity capitalization	0.125	0.14
Market value of equity	60,00,000	50,00,000
Overall capitalization rate	0.125	0.1363
Debt equity ratio	0	0.1
Market value of firm	60,00,000	50,00,000 + 5,00,000 = 55,00,000

An investor owns 10% of the equity shares of the overvalued firm. Determine his investment cost of earning the same income so that he is at a break even point. Will he gain by investing in the under-valued firm?

- 32 A company is considering the following to raise additional capital for its expansion schemes:

Equity (% of cost of capital)	Debt (% of cost of capital)	Cost of equity %	Cost of debt (pretax) %
75	25	16	12
50	50	18	14
25	75	24	18

Tax rate is 50%. Which option would you recommend?

Ans. Option III

- 33 If the combined leverage and operating leverage figures of a company are 2.5 and 1.25 respectively, find the financial leverage and P/V ratio, given that the equity dividend per share is Rs. 2, interest payable per year is Rs. 1 lakh, total fixed cost Rs. 0.5 lakh and sales Rs. 10 lakh.

Ans. FL = 2,00,000, P/V Ratio = 25%

- 34 X Ltd. is a widely held company. It is considering a major expansion of its production facilities and the following alternatives are available: (Rs. Lakhs)

Particulars	A	B	C
Share capital	50	20	10
14% debentures	-	20	15
Loan from a financial institution @ 18% p.a. rate of interest	-	10	25

Expected rate of return before tax is 25%. The rate of dividend of the company is not less than 20%. The company at present has low debt. Corporate taxation is 50%. Which of the alternatives would you choose?

Ans. Alt. C should be chosen.

- 35 XYZ Ltd. is earning an annual EBIT of Rs.100 lakh. The company has Rs.200 lakh of 15% debentures in its capital structure. The equity capitalization rate for the company is 14%. The company shares can be issued in the market at a premium of Rs.10. You are required to calculate according to the net income approach.

- (a) Value of the firm
 (b) Overall capitalization rate
 (c) Value of the firm after redemption of the debenture, assuming that the equity capitalization rate remains the same.

Ans: $K_0=14.3\%$, Value of Firm-714.29

- 36 A company has the following capital structure and after tax costs of different sources of Capital used:

Type of Capital	Book Value	Proportion (%)	After-tax cost (%)
Debt	Rs. 4, 50,000	30	7
Preference	3, 75,000	25	10
Equity	<u>6, 75,000</u>	<u>45</u>	15
	15, 00,000	100	

- a) Determine the weighted average cost of capital using book Value weights
 b) The firm wishes to raise further Rs. 6, 00,000 for the expansion of the project as below:

Debt	Rs. 3, 00,000
Preference Capital	Rs. 1, 50,000
Equity Capital	Rs. 1, 50,000

Assuming that specific costs do not change, compute the weighted marginal cost of capital.

37 The expected EBIT of a firm is Rs. 80,000. It has Rs. 2, 00,000 8% debentures. The equity capitalization rate of the company is 10%. Calculate the value of the firm and over all Capitalization rate according to Net Income Approach.

38 Following data relates to financing of XYZ project of MBE Ltd

Description	Plan A(Rs)	Plan B(Rs)	Cost
Equity shares (Rs 10 each)	40 lakh	50 lakh	20%
Debentures	10 lakh	20 lakh	10%
Preference Shares	50 lakh	30 lakh	11%

Determine indifference point for the financial plan assuming a 35% tax rate.

39 Given below the following data of two companies :

Particulars	A Ltd.	B. Ltd.
Sales	4,00,000	3,50,000
Variable Cost	40% of Sales	40% of Sales
Fixed Cost	25,000	30,000
Interest	1,40,000	80,000

Calculate degree of operating leverage and degree of financial leverage.

40 Explain the significance of operating leverage? Discuss its effect on risk.

UNIT – IV

I Multiple choice questions:

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

ANSWER: C

- Which of the following illustrates the use of a hedging approach to financing assets?
 - Temporary current assets financed with long-term liabilities.
 - Permanent working capital financed with long-term liabilities.
 - Short-term assets financed with equity
 - All assets financed with a mixture of 50% equity and 50% long-term debt.

ANSWER: B

3. In deciding the optimal level of current assets for the firm, management is confronted with _____.
- A. a trade-off between profitability and risk
 - B. a trade-off between liquidity and risk
 - C. a trade-off between equity and debt
 - D. a trade-off between short-term versus long-term borrowing

ANSWER: A

4. 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.

ANSWER: C

5. 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.

ANSWER: D

6. 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.

ANSWER: B

7. 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.

ANSWER: A

8. Which of the following statements is most correct?
- A. For small companies, long-term debt is the principal source of external financing.
 - B. Current assets of the typical manufacturing firm account for over half of its total assets.
 - C. Strict adherence to the maturity matching approach to financing would call for all current assets to be financed solely with current liabilities.

- D. Similar to the capital structure management, working capital management requires the financial manager to make a decision and not address the issue again for several months.

ANSWER: B

9. 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

ANSWER: A

10. The amount of current assets that varies with seasonal requirements is referred to as _____ working capital.
- A. permanent
 - B. net
 - C. temporary
 - D. gross

ANSWER: C

11. Having defined working capital as current assets, it can be further classified according to _____.
- A. financing method and time
 - B. rate of return and financing method
 - C. time and rate of return
 - D. components and time

ANSWER: D

12. Your firm has a philosophy that is analogous to the hedging (maturity matching) approach. Which of the following is the most appropriate form for financing a new capital investment in plant and equipment?
- A. Trade credit.
 - B. 6-month bank notes.
 - C. Accounts payable.
 - D. Common stock equity.

ANSWER: D

13. Your firm has a philosophy that is analogous to the hedging (maturity matching) approach. Which of the following is the most appropriate non-spontaneous form for financing the excess seasonal current asset needs?
- A. Trade credit.
 - B. 6-month bank notes.
 - C. Accounts payable.
 - D. Common stock equity.

ANSWER: B

14. Under a conservative financing policy a firm would use long-term financing to finance some of the temporary current assets. What should the firm do when a "dip" in temporary current assets causes total assets to fall below the total long-term financing?
- A. Use the excess funds to pay down long-term debt.
 - B. Invest the excess long-term financing in marketable securities.
 - C. Use the excess funds to repurchase common stock.
 - D. Purchase additional plant and equipment.

ANSWER: B

15. 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.

ANSWER: A

16. Which of the following statements is correct for an aggressive financing policy for a firm relative to a former conservative policy?
- A. The firm will use 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 a decline in its risk profile.
 - D. The firm will need to issue additional common stock this period to finance the assets.

ANSWER: B

17. How can a firm provide a margin of safety if it cannot borrow on short notice to meet its needs?
- A. Maintain a low level of current assets (especially cash and marketable securities).
 - B. Shorten the maturity schedule of financing.
 - C. Increasing the level of fixed assets (especially plant and equipment).
 - D. Lengthening the maturity schedule of financing.

ANSWER: D

18. Risk, as it relates to working capital, means that there is jeopardy to the firm for not maintaining sufficient current assets to _____.
- A. meet its cash obligations as they occur and take advantage of prompt payment discounts
 - B. support the proper level of sales and take prompt payment discounts
 - C. maintain current and acid-test ratios at or above industry norms
 - D. meet its cash obligations as they occur and support the proper level of sales

ANSWER: D

19. If a company moves from a "conservative" working capital policy to an "aggressive" policy, it should expect _____.
- A. liquidity to decrease, whereas expected profitability would increase
 - B. expected profitability to increase, whereas risk would decrease
 - C. liquidity would increase, whereas risk would also increase
 - D. risk and profitability to decrease

ANSWER: A

20. Which of the following types of company will have the lowest level of investment in working capital to finance?
- A. Water suppliers
 - B. Supermarkets
 - C. Chemical manufacturers
 - D. Ship builders
 - E. Car manufacturers

ANSWER: B

21. Which of the following factors does not need to be considered when formulating policies on the level and financing of working capital?
- A. The attitude to risk of a company's managers
 - B. The relative cost of short-term and long-term finance
 - C. The availability of revenue reserves and capital reserves
 - D. Terms of trade offered by competitors
 - E. The nature of current business operations

ANSWER: C

22. Which of the following statements relating to working capital financing is not correct?
- A. An aggressive policy uses long-term debt to finance fluctuating current assets
 - B. Long-term debt is less risky than short-term debt
 - C. A conservative policy uses long-term debt to finance fixed assets
 - D. Short-term debt is cheaper than long-term debt
 - E. The matching principle indicates that fluctuating current assets should be financed by short-term debt

ANSWER: A

23. Identify the incorrect statement in connection with working capital management.
- A. Long-term funds are more expensive than short-term funds but also riskier
 - B. The objectives of working capital management are profitability and liquidity
 - C. Permanent current assets should be financed from long-term sources if a moderate or matching policy is adopted
 - D. Conservative financing policies use short-term funds to finance only part of fluctuating current assets
 - E. Aggressive financing policies increase profitability at the cost of higher risk

ANSWER: A

24. Which of the following will improve a company's working capital management position?
- A. An increased level of bad debts
 - B. An increase in the credit period allowed by suppliers
 - C. An increased debtor collection period
 - D. An increase in the stock turnover period
 - E. An increase in the length of the production process

ANSWER: B

25. Identify which technique will not help a company to optimise its working capital cycle.
- A. Offering discounts for early payment by debtors
 - B. Using cash management models to optimise the level of cash held
 - C. Taking full advantage of credit offered by trade suppliers
 - D. Applying the economic order quantity model to stock management
 - E. Adopting the use of just-in-time stock management methods

ANSWER: B

26. Net working capital refers to
- A. total assets minus fixed assets
 - B. current assets minus current liabilities
 - C. current assets minus inventories
 - D. current assets

ANSWER: B

27. Permanent working capital
- A. varies with seasonal needs
 - B. includes fixed assets
 - C. is the amount of current assets required to meet a firm's long-term minimum needs
 - D. includes accounts payable

ANSWER: C

28. Dividend Payout ratio is:
- A. $PAT / Capital$
 - B. DPS / EPS
 - C. $Pref. Dividend / PAT$
 - D. $Pref. Dividend / Equity Dividend$

ANSWER: B

29. Dividend Distribution Tax is payable by:
- A. Shareholders to Government
 - B. Shareholders to Company
 - C. Company to Government
 - D. Holding to Subsidiary Company

ANSWER: C

- 30 Which of the following stresses on investor's preference for current dividend than higher future capital gains?
- A. Walter's Model
 - B. Residual's Theory
 - C. Gordon's Model
 - D. MM Model

ANSWER: C

- 31 MM Model of Dividend irrelevance uses arbitrage between:
- A. Dividend and Bonus
 - B. Dividend and Capital Issue
 - C. Profit and Investment
 - D. None of the above

ANSWER: B

- 32 If $K_e = r$, then under Walter's Model, which of the following is irrelevant?
- A. Earning per share
 - B. Dividend per share
 - C. DP Ratio
 - D. None of the above

ANSWER: C

- 33 Walter's Model suggests that a firm can always increase the value of the share by:
- A. Increasing dividend
 - B. Decreasing dividend
 - C. Constant Dividend
 - D. None of the above

ANSWER: D

- 34 Bird in hand' argument is given by
- A. Walter's Model
 - B. Gordon's Model
 - C. MM Model
 - D. Residual's Theory

ANSWER: B

- 35 Residuals theory argues that dividend is a :
- A. Relevant Decision
 - B. Active Decision
 - C. Passive Decision
 - D. Irrelevant Decision

ANSWER: C

36. 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

ANSWER: C

- 37 Having defined working capital as current assets, it can be further classified according to _____.
- A. financing method and time
 - B. rate of return and financing method
 - C. time and rate of return
 - D. components and time

ANSWER: D

- 38 If a company moves from a "conservative" working capital policy to an "aggressive" policy, it should expect _____.
- A. liquidity to decrease, whereas expected profitability would increase
 - B. expected profitability to increase, whereas risk would decrease
 - C. liquidity would increase, whereas risk would also increase
 - D. risk and profitability to decrease

ANSWER: A

- 39 The following classes of costs are usually involved in inventory decisions except
- A. Cost of ordering
 - B. Carrying cost
 - C. Cost of shortages
 - D. Machining cost

ANSWER: D

- 40 'Buffer stock' is the level of stock
- A. Half of the actual stock
 - B. At which the ordering process should start
 - C. Minimum stock level below which actual stock should not fall
 - D. Maximum stock in inventory

ANSWER: C

- 41 **The Economic Order Quantity (EOQ) is calculated as**

- A. $(2D*S/h)^{1/2}$
- B. $(DS*/h)^{1/2}$
- C. $(D*S/2h)^{1/2}$
- D. $(D*S/3h)^{1/2}$

Where, D=Annual demand (units), S=Cost per order, h=Annual carrying cost per unit

ANSWER: A

42 The order cost per order of an inventory is Rs. 400 with an annual carrying cost of Rs. 10 per unit. The Economic Order Quantity (EOQ) for an annual demand of 2000 units is

- A. 400
- B. 440
- C. 480
- D. 500

ANSWER: A

43 If the stock turnover ratio is 4 times and the collection period is 30 days the operating cycle would be

- A. 30 days
- B. 60 days
- C. 90 days
- D. 120 days

ANSWER: C

44 What's not a typical characteristic of an account payable?

- A. It is a short-term liability
- B. It is usually due within 30 to 60 days of invoicing
- C. Interest is usually charged
- D. Interest is usually not owed if payment is timely made

ANSWER: B

45 Accounts payable are reported on which financial document?

- A. Balance sheet
- B. Income statement
- C. Annual report
- D. Form 8-K

ANSWER: A

II Short Answer Type Questions:

- 1 Write short note on over- trading and under- trading.
- 2 Write short notes on Concept of value of the firm.
- 3 Elaborate the impacts of inadequate working capital.
- 4 Provide the basic assumptions of Working Capital Management.
- 5 Is there any relationship between Dividend of Firm and Value of Firm.
- 6 Define working capital.
- 7 Explain how working capital management policies affect the profitability, liquidity and structural health.
- 8 Explain Gross and Net concepts of Working Capital.
- 9 What are the assumptions and arguments used by Modigliani and Miller in support of the irrelevance of dividends?
- 10 Write short note on Walter Model.

- 11 Distinguish between permanent and temporary working capital.
- 12 Briefly explain working capital term loan.
- 13 Explain the concept of working capital cycle.
- 14 Write notes on different types of Working Capital.
- 15 Explain Walter's Approach to dividend policy
- 16 Write short note on Gordon's dividend policy.
- 17 State the assumptions of MM approach.
- 18 Write the shortcomings of Walter's Model.
- 19 What is permanent working capital
- 20 What is temporary working capital.
- 21 What are the essentials of Walter's dividend model? Explain its shortcomings.
- 22 Dividend policy affects the value of the firm under Gordon's Model. Explain.
- 23 State the reasons that make working capital management as an important function of the financial manager.
- 24 State the assumptions of MM approach.
- 25 Write the shortcomings of Walter's Model.
- 26 What are the essentials of Walter's dividend model? Explain its shortcomings.
- 27 "Walter's and Gordon's models are essentially based on the same assumptions. Thus, there is no basic difference between the two models." Do you agree or not? Why?
- 28 "The contention that dividends have an impact on the share price has been characterized as the bird-in-the-hand argument." Explain the essential of this argument. Why this argument is considered fallacious?
- 29 'The primary purpose for which a firm exists is the payment of dividend. Therefore, irrespective of the firm's needs and the desires of shareholders, a firm should follow a policy of very high dividend payout! Do you agree? Why or why not?
- 30 Dividend policy affects the value of the firm under Gordon's Model. Explain.
- 31 'The inventory policy of a firm is intricately linked with the overall corporate strategy.' Comment.
- 32 Distinguish between EOQ and JIT inventory models of Inventory Management.
- 33 Explain the advantages of Accounts Payable for a management.
- 34 What documents are used to verify an invoice?
- 35 Explain the various determinants of Dividend.

III Long ANSWER Type Question:

- 1 Explain the importance of working capital in attaining the profit objective of an organization. Explain how working capital needs are assessed.
- 2 What do you understand by management of working capital and what are the constraints in the management of working capital?
- 3 What is working capital management? Bring out the role of various constituents of working capital.
- 4 What is meant by working capital management? What are the determinants of workings capital needs of an enterprise?
- 5 Explain the concept of Working Capital. How should it be determined and financed?
- 6 "Efficiency Working Capital Management is reflected in the liquidity and profitability of the firm". Explain.

- 7 Define Working capital. Distinguish between permanent and temporary working capital.
- 8 Explain how working capital management policies affect the profitability, liquidity and structural health.
- 9 What are the objectives of a credit policy? What is an optimum credit policy? Discuss.
- 10 What is meant by working capital? What are the techniques used for analysis working capital of the company? Explain by giving suitable examples.
- 11 Explain various determinants of working capital of a concern.
- 12 How are the objectives of inventory management and cash management similar?
- 13 Explain the importance of proper planning and control of working capital in a large manufacturing concern and the techniques that are used for planning and control of working capital.
- 14 What is meant by 'Operating Cycle Concept' in management of working capital?
- 15 Working capital is the life blood of a business firm and there is always an operating cycle involved in the cash to cash cycle. Draw up an operating cycle for industry. List out the individual components of the cycle and illustrate with example the computation of the operating cycle components and determination of the total cycle time.
- 16 Determine the operating cycle time of a manufactured product you are familiar with to enable the forecasting of working capital requirements fairly, quickly and accurately.
- 17 Bring out the various methods through which working capital requirements be reasonably forecasted.
- 18 How would you assess the working capital requirements for a seasonal industry? Illustrate with an example.
- 19 What is conservative approach to working capital financing?
- 20 Dividend policy affects the value of the firm under Gordon's Model. Explain.
- 21 Explain with suitable example the arbitrage process of MM approach to achieve the equilibrium level.
- 22 Following are the details regarding three companies:
- 23

A Ltd.	B Ltd.	C Ltd.
$r = 15\%$	$r = 10\%$	$r = 8\%$
$k = 10\%$	$k = 10\%$	$k = 10\%$
$E = \text{Rs. } 10$	$E = \text{Rs. } 10$	$E = \text{Rs. } 10$

You are required to calculate the effect of dividend payment on the profits of each of the above companies under the following different situations:

- When no dividend is paid;
- When dividend is paid at Rs. 4 per share;
- When dividend is paid at Rs. 8 per share;
- When dividend is paid at Rs. 10 per share.

Ans.

A Ltd. : (a) **Rs. 150** (b) **Rs. 130**; (c) **Rs.110** (d) **Rs. 100**
B Ltd. : (a) **Rs. 100** (b) **Rs. 100** (c) **Rs. 100** (d) **Rs. 100**
C Ltd. : (a) **Rs. 80** (b) **Rs. 88** (c) **Rs. 96** (d) **Rs. 100**

24 X company earns Rs. 5 per share, is capitalized at a rate of 10% and has a rate of return on investment at 18%. According to Walter's formula, what should be the price per share at 25% dividend pay out ratio? Is this the optimum pay out ratio according to Walter?

Ans. Rs. 80. This is not the optimum dividend pay out ratio, since Walter suggests a zero per cent dividend pay out ratio in situations where $r > k$.

25 (a) The Apex Company' which earns Rs. 5 per share, is capitalized at 10% and has a return on investment of 12%. Using Walter's dividend policy model, determine (i) the optimum pay our, and (ii) the price of share at this pay out.

(b) The Agro-Chemicals Company belongs to a risk class for which the appropriate capitalization is 10%. It currently has 1,00,000 shares selling at Rs. 100 each. The firm is contemplating the declaration of Rs. 5 as dividend at the end of the current financial year, which has just begun. What will be the price of the share at the end of the year, if a dividend is not declared? What will it be if one is declared? ANSWER these on the basis of Modigliani and Miller model and assume no taxes.

Ans. (a) (i) Zero per cent; (ii) Rs. 60; (b) (i) Rs. 135, (ii) Rs. 110

26 The earning per share of a company is Rs. 16. The market capitalization rate applicable to the company is 12.5%. Retained earnings can be employed to yield a return of 10%. The company is considering a pay out of (a) 25%, (b) 50% and (c) 75%. Which of these would maximize the wealth of shareholders as per Walter's model?

Ans. (a) Rs. 108.80, (b) Rs. 115.20, (c) Rs. 121.60

27 Details regarding three companies are given below:

A Ltd.	B Ltd.	C Ltd.
$r = 15\%$	$r = 10\%$	$r = 8\%$
$k_e = 10\%$	$k_e = 10\%$	$k_e = 10\%$
E = Rs. 10	E = RS. 10	E = Rs. 10

By using Walter's Model, you are required to Calculate the value of an equity share of each of these companies when dividend pay out ratio is (a) 20%, (b) 50%, (c) 0% and (d) 100%. Comment on the result drawn.

Ans. (i) Value of an equity share:

	<i>A Ltd.</i>	<i>B Ltd.</i>	<i>C Ltd.</i>
(a)	Rs. 140	Rs. 100	Rs. 84
(b)	Rs. 125	Rs. 100	Rs. 90
(c)	Rs. 150	Rs. 100	Rs. 80
(d)	Rs. 100	Rs. 100	Rs. 100

(ii) Company A is a growth firm, Company B is a normal firm and Company C is a declining firm.

28 The following information is available in respect of a firm:
 Capitalisation rate =0.12, EPS =Rs15
 Assumed rate of return on investment (a)15%(b)8%(c)10%

Show the effect of dividend policy on market price of share assuming pay out ratio (a)0% (b)25% (c)50% (d)75% and (e)100% using Walter Model

- 29 The annual cash requirement of A ltd. is Rs. 10 lakhs. The company has marketable securities in lot sizes of Rs. 50,000, Rs. 1,00,000, Rs. 2,00,000 Rs. 2,50,000 and Rs. 5,00,000. Cost of conversion of marketable securities per lot is Rs. 1000. The company can earn 5% annual yield on its securities. You are required to prepare a table indicating which lot size will have to be sold by the company. Also show the economic lot size which can be obtained by Baumol Model.

Ans. Economic lot size = 2,00,000

- 30 Accurate Ltd. has planned to sell 6,00,000 units of output in the coming year. The cost structure of the company's product for the desired level of production is given below:

	Cost per units (Rs.)
Raw material	30
Manufacturing expenses	10
Other overheads	25
Total cost	65
Selling price	80
Profit	15

Examination of past trend levels:

- (a) Raw materials are held in stock for 1 month.
- (b) Work-in-progress inventory is equal to half month's production.
- (c) Finish goods remain in the warehouse for a month.
- (d) Three month's credit is allowed to the debtors.
- (e) Manufacturing expenses are expected to occur evenly during the year.

You are required to –

- (i) Calculate the investment in various current assets.
- (ii) Estimate the gross working capital requirement if the desired cash balance is 5% of gross working capital.

Ans: Gross Working Capital 165,13,157.89

- 31 What are the assumptions which underlie Gordon's model of dividend effect? Does dividend policy affect the value of the firm under Gordon's model?
- 32 "Walter's and Gordon's models are essentially based on the same assumptions. Thus, there is no basic difference between the two models." Do you agree or not? Why?
- 33 "The contention that dividends have an impact on the share price has been characterized as the bird-in-the-hand argument." Explain the essential of this argument. Why this argument is considered fallacious?
- 34 'The primary purpose for which a firm exists is the payment of dividend. Therefore, irrespective of the firm's needs and the desires of shareholders, a firm should follow a policy of very high dividend payout! Do you agree? Why or why not?
- 35 What are the assumptions which underlie Gordon's model of dividend effect? Does dividend policy affect the value of the firm under Gordon's model?

- 36 Explain the arbitrage process used by the Modigliani-Miller hypothesis.
- 37 Explain the cost trade-off theory of working capital.
- 38 State the reasons that make working capital management as an important function of the financial manager.
- 39 What do you understand by Payables Management? Explain the process of Payables Management.
- 40 Why do firms invest in inventory? What are the benefits from the investment in inventory? What are the costs of investing in inventory?

QUESTION BANK

RESEARCH METHODOLOGY

BBA 206

QUESTION BANK
RESEARCH METHODOLOGY – BBA 206
BBA IV

UNIT - I

I Multiple Choice Questions:

- 1 Most qualitative research money goes into...
 - A. Depths
 - B. Group Discussions
 - C. Delphi
 - D. EthnographyANSWER: B

- 2 Which of these quantitative methods is favored in Europe?
 - A. Telephone
 - B. Postal
 - C. Face to Face
 - D. OnlineANSWER: C

- 3 What is data "which relates to a living individual who can be identified from the data, or from the data and other information in the possession of, or likely to come into the possession of, the data controller"?
 - A. Impersonal data
 - B. Personal data
 - C. Behavioral data
 - D. Something elseANSWER: B

- 4 How many principles are contained in the UK Data Protection Act 1998?
 - A. Eight
 - B. Ten
 - C. Twelve
 - D. FourteenANSWER: A

- 5 Which Job matches this description? "Responsible for specific parts of projects, may be part of a team. Will write questionnaires and analyze results. May prepare reports and presentations".
 - A. Spec Writer
 - B. Research Executive
 - C. Personal Interviewer
 - D. ModeratorANSWER: B

6. Which ONE of these is a technique useful in project planning?
- A. SERT
 - B. SPERT
 - C. PERT
 - D. REPT
- ANSWER: C
7. Which ONE of these needs to be decided before considering whether to take a census or sample?
- A. The method
 - B. The objectives
 - C. The reporting styles
 - D. The Gantt charts
- ANSWER: B
8. Which ONE of these should be used as a starting point for any research project?
- A. Primary data
 - B. Secondary data
 - C. Omnibus data
 - D. Continuous data
- ANSWER: B
9. A systematic search for a supplier includes various steps. Which ONE of the following steps should come before the others?
- A. Rejecting or accepting a proposal
 - B. Shortlisting of agencies
 - C. Creating a brief
 - D. Receiving proposals
- ANSWER: C
10. Why might we have a qualitative stage at the end of a project?
- A. To generate a sampling frame
 - B. To investigate issues found in the field
 - C. To help in questionnaire development
 - D. To fine-tune the objectives
- ANSWER: B
11. Who produces the research brief?
- A. An informant
 - B. A research agency
 - C. A client
 - D. A respondent
- ANSWER: C

- 12 The brief does NOT contain:
A. background
B. objectives
C. reporting details
D. fees
ANSWER: D
- 13 The depth interview is the same as a:
A. Delphi interview
B. quantitative interview
C. focused interview
D. semiotic study
ANSWER: C
- 14 Which ONE of the following is generally considered to be a forecasting method?
A. Accompanied shopping
B. Delphi interview
C. Depth interview
D. Focus group
ANSWER: B
- 15 Semiotics refers to:
A. the analysis of signs
B. body language
C. a projective technique
D. syndicated
ANSWER: A
- 16 Semiotic analysis is criticized for being:
A. objective
B. old-fashioned
C. subjective
D. too simple
ANSWER: C
- 17 Which ONE of the following is least likely to be a client for social researchers?
A. Government departments
B. FMCG manufacturers
C. Pressure groups
D. Charities
ANSWER: B
- 18 The objectives for clients of social research are likely to concern:
A. making profit
B. increasing profit
C. decreasing profit

D. something other than profit
ANSWER: D

- 19 Social researchers' interview:
- A. individuals only
 - B. organizations only
 - C. individuals and organizations
 - D. neither individuals nor organizations
- ANSWER: C

- 20 Which ONE of the following terms is used to describe the situation when respondents assess the prevailing feeling and, as a result, are reluctant to express opinions openly?
- A. Spiral of silence
 - B. Hawthorne effect
 - C. Telescoping
 - D. Slugging
- ANSWER: A

- 21 Which of the following quantitative research questions is superior?
- A. "What is the effect of participation in various extracurricular activities on academic performance?"
 - B. "What effect does playing high school football have on students' overall grade point average during the football season?"
- ANSWER: B

- 22 A statement of the quantitative research question should:
- A. Extend the statement of purpose by specifying exactly the question (s the researcher will address
 - B. Help the research in selecting appropriate participants, research methods, measures, and materials
 - C. Specify the variables of interest
 - D. All the above
- ANSWER: D

- 23 The research participants are described in detail in which section of the research plan?
- A. Introduction
 - B. Method
 - C. Data analysis
 - D. Discussion
- ANSWER: B

- 24 Research hypotheses are _____.
- A. Formulated prior to a review of the literature
 - B. Statements of predicted relationships between variables
 - C. Stated such that they can be confirmed or refuted
 - D. b and c
- ANSWER: D

- 25 Hypotheses in qualitative research studies usually _____.
A. Are very specific and stated prior to beginning the study
B. Are often generated as the data are collected, interpreted, and analyzed
C. Are never used
D. Are always stated after the research study has been completed
ANSWER: B
- 26 We review the relevant literature to know:
A. What is already known about the topic
B. What concepts and theories have been applied to the topic
C. Who are the key contributors to the topic
D. All of the above
ANSWER D
- 27 Which of the following is not a data-collection method?
A. Research questions
B. Unstructured interviewing
C. Postal survey questionnaires
D. Participant observation
ANSWER A
- 28 Which of the following is a component of ethnographic research?
A. Being immersed in a social group or setting
B. Participant observation, interviews, and/or documentary analysis
C. A written account of an ethnographic study
D. All of the above
ANSWER D
- 29 Which of the following is not a type of qualitative interview?
A. Unstructured interview
B. Oral history interview
C. Structured interview
D. Focus group interview
ANSWER C
- 30 Which of the following is not a type of purposive sampling?
A. Probability sampling
B. Deviant case sampling
C. Theoretical sampling
D. Snowball sampling
ANSWER A

II Short Answer Type Questions:

- 1 Define business research.
- 2 Describe the task of business research.
- 3 Define the nature of social science research
- 4 What is research problem?
- 5 What is hypothesis?
- 6 What do you mean by quantitative research?
- 7 What do you mean by qualitative research?
- 8 Define Ex post facto research.
- 9 What do you mean by Action Research?
- 10 What do you mean by historical research?
- 11 What do you mean by experimental research?
- 12 Write a short note on determination of information needed
- 13 Differentiate between Descriptive and Exploratory research
- 14 Differentiate between Qualitative and Quantitative research
- 15 When is a problem suitable for research supposed to exist?
- 16 What is business research? Why should there be any question about the definition of research?
- 17 Describe the characteristics of the scientific method.
- 19 Write short note on objectives of research.
- 20 Distinguish between research methods and research methodology.
- 21 Define the term hypothesis. What are its characteristics? What is its importance in research?
- 22 How to formulate a research problem.
- 23 Describe nominal, ordinal interval and ratio scale.
- 24 Describe the steps in constructing hypotheses.
- 25 What is the importance of reviewing of literature?
- 26 Write short not on Pilot survey.
- 27 What do you mean by research? Explain its significance in modern times.
- 28 Write short note on Criteria of good research;
29. Explain different types of hypotheses
30. What do you mean by Type 1 and Type II error
31. Explain relation between alpha and Beta

III Long Answer Type Questions:

- 1 What do you mean by research? Explain its significance in modern times.
- 2 What is social research? Mention the fields of social research. Enumerate the principal steps involved in social research.
- 3 Describe the various extraneous variables which if not controlled in an experiment may contaminate the effect of the independent variable.
- 4 Explain the objectives, research design and method of analysis of the topic selected by you for dissertation.
- 5 What is meant by research? Briefly describe the different steps involved in a research process. Distinguish between research methods and research methodology.

- 6 Define a hypothesis. What are the advantages of formulating it in a research study?
- 7 Describe the criteria of a good hypothesis.
- 8 What hypothesis must be tested in the following situation?
- 9 The maker of the beverage 'Horlicks' have introduced a glucose biscuit under the same brand name. Another established biscuit manufacturer is interested in finding out the market reaction to the new product and the implications to his own sales.
- 10 How are hypotheses formulated? Explain the sources and uses of hypotheses.
- 11 What is the feature and role of research hypothesis?
- 12 Describe fully the techniques of defining a research problem.
- 13 What is research problem? Define the main issues which should receive attention of the researcher in formulating the research problem. Give suitable examples to elucidate your points.
- 14 What is first step in conducting a business research project?
- 15 What is the relationship of research to science? Explain different methods of research relevant to business research.
- 16 Is it necessary for every research project to have a set of hypotheses? Why or why not?
- 17 What is meant by hypothesis? What are the different types of hypotheses? How do you verify whether a hypothesis is true or false?
- 18 What are differences between questions and hypotheses?
- 19 Describe a microcomputer software program that can be used to assist the researcher in defining the research problem.
- 20 What is the difference between marketing intelligence and marketing research? Can they be used together?
- 21 "Empirical research in India in particular creates so many problems for the researchers". State the problems that are usually faced by such researchers.
- 22 Briefly describe the different steps involved in a research process.
- 23 What is research problem? Define the main issues which should receive the attention of the researcher in formulating the research problem. Give suitable to elucidate your points.
- 24 What are the common types of errors encountered in defining a business research problem? What can be done to reduce the incidence of such errors?
- 25 State the research problems for each of the following management decision problems.
- (a) Should a new product be introduced?
 - (b) Should an advertising campaign that has run for three years be changed?
 - (c) Should the in-store promotion for an existing product line be increased?
 - (d) What pricing strategy should be adopted for a new product?
- 26 What do you understand by measure of dispersion and measure of shape
27. Discuss different techniques to measure dispersion and shape of data
- 28 What is meant by a population in psychological research?
- 29 What are the assumptions underlie the use of a parametric test?
- 30 Define the main issues which should receive the attention of the researcher in formulating the research problem. Give suitable examples to elucidate your points.

UNIT - II

I Multiple Choice Questions:

- 1 Which ONE of these services is NOT a search engine?
A. Archie
B. Google
C. Dewey
D. Yahoo
ANSWER: C

- 2 The Freedom of Information Act 2000 concerns:
A. data privacy
B. personal data
C. public authorities
D. something other than the options given
ANSWER: C

- 3 Which ONE of these is the best description of secondary data?
A. Ordinary data
B. Existing data
C. Omnibus data
D. Ordinal data
ANSWER: B

- 4 Which ONE of these is a good example of tertiary data?
A. An article
B. A book indexes
C. A complaint letters
D. A research reports
ANSWER: B

- 5 Secondary data is LEAST helpful in:
A. developing questionnaires
B. interpreting tables
C. formulating hypotheses
D. evaluating new products
ANSWER: D

- 6 Which ONE is the most damaging problem for the researcher with secondary data?
A. It may not be accurate
B. It may be biased
C. It may not address the aims
D. It may only provide part of the answer
ANSWER: C

- 7 Which ONE of these types of secondary data sources is internal? (Consider them from the viewpoint of a computer games software seller.
- A. Magazine reviews of games
 - B. Past sales to specialist stores
 - C. Competitor price lists on the web
 - D. Published market reports
- ANSWER: B
- 8 Which ONE of these types of secondary data is external? (Consider them from the view point of a computer games software seller.
- A. Magazine reviews of games
 - B. Past sales to specialist stores
 - C. Employee feedback
 - D. Own production figures
- ANSWER: A
- 9 Which ONE of these will best help us to assess the reliability of information found in desk research?
- A. The source
 - B. The search engine used
 - C. The price we pay
 - D. The time it takes to obtain
- ANSWER: A
- 10 Desk research plans should start with:
- A. Primary data
 - B. External secondary data
 - C. Tertiary data
 - D. Internal secondary data
- ANSWER: C
- 11 According to historical accounts, face-to-face methods have been used since the early years of civilization to collect population figures. Why were these records kept?
- A. For religious purposes
 - B. For taxation purposes
 - C. For scientific purposes
 - D. For historical purposes
- ANSWER: B
- 12 When did the telephone become an accepted tool for primary data collection in marketing research?
- A. 1930s
 - B. 1950s
 - C. 1970s
 - D. 1990s
- ANSWER: c

- 13 If someone uses research as part of a sales effort, this is said to be:
- A. Syndicating.
 - B. Sugging
 - C. Satisficing
 - D. Surveying
- ANSWER: B
- 14 Which ONE of these is NOT an intrinsic factor?
- A. The questionnaire styles
 - B. The interviewer's voice
 - C. The interview situation
 - D. The informant's memory
- ANSWER: D
- 15 Acquiescence response bias is usually:
- A. Disagreement with little consideration.
 - B. Agreement with little consideration.
 - C. Over consideration.
 - D. Something other than the options offered.
- ANSWER: B
- 16 A primary data collection method that involves tracking behaviour over a period of time is called:
- A. Browsing
 - B. Observation
 - C. Sampling
 - D. Testing
- ANSWER: B
- 17 Mystery shopping is a form of:
- A. Questionnaire
 - B. Observation
 - C. Analysis
 - D. Postal survey
- ANSWER: B
- 18 Which ONE of these methods is the fastest way to collect data?
- A. Online
 - B. Personal
 - C. Phone
 - D. Postal
- ANSWER: A
- 19 Which ONE of these methods is the most expensive way to collect data per respondent?
- A. Online
 - B. Personal

- C. Phone
 - D. Postal
- ANSWER: B

20 Which ONE of these methods has the highest response rate?

- A. Online
- B. Personal
- C. Phone
- D. Postal

ANSWER: B

21 The difference between measures and indicators is that:

- A. Measures are unambiguous quantities, whereas indicators are devised from common sense understandings
- B. Indicators have a more direct relationship to the underlying concept than measures
- C. Measures are intuitively devised and then applied as if they were direct indicators of a concept
- D. Indicators are unambiguous quantities, whereas measures are subjective and value-laden

ANSWER: A

22 The split-half method is used as a test of:

- A. Stability
- B. Internal reliability
- C. Inter-observer consistency
- D. External validity

ANSWER: B

23 Which of the following is not a form of measurement validity?

- A. Concurrent validity
- B. Face validity
- C. Constructive validity
- D. Convergent validity

ANSWER: C

24 Quantitative social researchers rarely claim to have established causality because:

- A. They are more concerned with publishing the results of their reliability tests
- B. They do not believe that this is an appropriate goal to be striving for
- C. They keep forgetting which of the variables they have manipulated
- D. They tend to use cross-sectional designs, which produce only correlations

ANSWER: D

25 One of the preoccupations of quantitative researchers is with generalization, which is a sign of:

- A. External validity
- B. Internal reliability

- C. External reliability
- D. Internal validity

ANSWER: A

- 26 Which of the following is the first step in starting the research process?
- A. Searching sources of information to locate problem.
 - B. Survey of related literature
 - C. Identification of problem
 - D. Searching for solutions to the problem

ANSWER: C

- 27 A common test in research demands much priority on
- A. Reliability
 - B. Useability
 - C. Objectivity
 - D. All of the above

ANSWER: D

- 28 Which of the following variables cannot be expressed in quantitative terms?
- A. Socio-economic Status
 - B. Marital Status
 - C. Numerical Aptitude
 - D. Professional Attitude

ANSWER: C

- 29 In the process of conducting research 'Formulation of Hypothesis' is followed by
- A. Statement of Objectives
 - B. Analysis of Data
 - C. Selection of Research Tools
 - D. Collection of Data

ANSWER: C

- 30 A research paper is a brief report of research work based on
- A. Primary Data only
 - B. Secondary Data only
 - C. Both Primary and Secondary Data
 - D. None of the above

ANSWER: C

II Short Answer Type Questions:

- 1 What do you mean by primary data?
- 2 What is the difference between questionnaire and schedule?

- 3 What do you mean by scaling?
- 4 What is depth interview.
- 5 Important aspect of a questionnaire.
- 6 Explain Pantry and store audits.
- 7 Explain Thematic Apperception Test.
- 8 Explain Holtzman Inkblot Test.
- 9 Briefly explain the concept of reliability and validity.
- 10 What do you mean by participant observation?
- 11 What is research design?
- 12 Distinguish between Descriptive and causal studies.
- 13 Distinguish between exploratory studies and formal studies.
- 14 Distinguish between experimental and ex post facto research designs.
- 15 What is data mining?
- 16 Describe various of focus group techniques
- 17 Discuss various types of qualitative research methods.
- 18 Discuss various types of research designs
- 19 Differentiate internal validity and external validity.
- 20 A nationalized bank wants to start in your city. It has appointed you as a consultant to suggest a research design to help in its decision making. What research design would you suggest? Give reasons.
- 21 Discuss face and content validity
- 22 Discuss concurrent and predictive validity.
- 23 Write short note on construct validity.
- 24 Describe external reliability of research instrument.
- 25 Describe internal reliability of research instrument.
- 26 Discuss various scales of attitude measurement.
- 27 "Research design is the blue print of research". Explain.
- 28 Discuss various sources of secondary data collection.
- 29 Differentiate between Questionnaire & scheduling.
- 30 Discuss various types of cross sectional research design.
- 31 Give your understanding of a good research design. Is single research design suitable in all research studies? If not, why?
32. Explain the meaning of the following in context of Research design.
 - (a) Extraneous variables;
 - (b) Confounded relationship

III Long Answer Type Questions:

- 1 How does formulating a research design differ from developing an approach to a problem?
- 2 What are the potential sources of error can affect a research design?
- 3 Welcome Inc. is a chain of fast-food restaurants located in major metropolitan areas in the South. Sales have been growing very slowly for the last two years. Management has decided to add some new items to the menu, but first they want to know more about their customers and their preferences.
 - (a) List two hypotheses
 - (b) What kind of research design is appropriate? Why

- 4 What are the common requirements for qualitative research methods in general?
- 5 Think of and list down some applications where qualitative methods are better than quantitative methods.
- 6 What do you mean by a questionnaire? How a questionnaire is different from schedule? What are the advantages and disadvantages of a questionnaire?
- 7 Enumerate the different methods of collecting data. Which one is the most suitable for conducting enquiry regarding family welfare programme in India? Explain its merits and demerits.
- 8 Describe some of the major projective techniques and evaluate their significance as tools of scientific social research.
- 9 What are the differences between primary and secondary data? Why is it important to obtain secondary data before primary data?
- 10 Distinguish between an experiment and survey. Explain fully the survey method of research.
- 11 What are the guiding considerations in the construction of questionnaire? Explain
- 12 What are structured, pictorial and unstructured questionnaire? Explain with the help of a relevant example.
- 13 Discuss various types Study design.
- 14 Describe various types of attitudinal scales
- 15 What is meant by the reliability and validity of a measurement? Discuss the various techniques available to assess each.
- 16 Describe the advantages and limitations of the following scales:
 - (a) Summated rating scale
 - (b) Equal appearing interval scale
 - (c) Cumulative Scale
- 17 Develop a Likert's scale for measuring the opinion of students in Delhi regarding the issue of 33% reservation for women in the parliament. Give the advantages of using this scale.
- 18 Briefly describe the following attitude measurement models
 - (a) The Guttman Scale
 - (b) The Semantic Differential Scale
 - (c) Thurstone's equal-appearing interval scale
- 19 Why is the focus group the most popular qualitative research technique? Why is the focus group moderator so important in obtaining quality results?
- 20 Write a essay on the credibility and usefulness of online resources for research.
- 21 Describe some of the important research designs used in experimental hypothesis-testing research study.
- 22 What is research design? Discuss the basis of stratification to be employed in sampling public opinion on inflation.
- 23 "Research design in exploratory studies must be flexible but in descriptive studies, it must minimize bias and maximize reliability." Discuss.
- 24 Explain the meaning and significance of research design.
- 25 How does case study method differ from the survey method? Analyze the merits and demerits limitations of case study method in sociological research.
- 26 Differentiate between experimental, non-experimental and quasi experimental study designs with suitable examples?

- 27 You wish to study the reasons why car owners join manufacturer-sponsored owners' clubs. Your chosen research design is to have unstructured discussions with some members of these owners' clubs. You are asked by small group of marketing managers to explain why your chosen research design is as valid as a questionnaire-based survey. What would be your ANSWER?
- 28 Briefly explain the primary scales of measurement. Illustrate with suitable examples specifying the permissible statistics for each of the scale.
- 29 Distinguish between primary and secondary information. Discuss the importance and limitations of each of them. Illustrate with examples.
- 30 What do you understand by the validity of research instruments? What is its relevance? How is it measured?
- 31 Enumerate the different methods of collecting data giving one example each.

UNIT - III

I Multiple Choice Questions:

- 1 Interviewing all members of a given population is called:
 A. A Sample
 B. A Gallup polls
 C. A census
 D. A Nielsen audits
 ANSWER: C
- 2 In the UK, which ONE of these sampling frames became popular for UK domestic populations after 1990?
 A. The Electoral Register
 B. Yellow Pages directories
 C. Postcode address file (PAF)
 D. Kompass directories
 ANSWER: C
- 3 Sampling means following a sequence of stages. Which ONE of the following stages should come before the others?
 A. Proceed with the fieldwork
 B. Find suitable source for the population members
 C. Define the people of interest
 D. Examine the objective of the study
 ANSWER: D
- 4 Which ONE of these sampling methods is a probability method?
 A. Quota
 B. Judgement
 C. Convenience
 D. Simple random

ANSWER: D

- 5 For sampling, which ONE of the following should be up-to-date, complete and affordable?
- A. A census
 - B. A CAPI machine
 - C. A sampling frames
 - D. A respondent

ANSWER: C

- 6 Which ONE of these sample sources will be the most incomplete for a sample of nationally representative households?
- A. The Electoral Register
 - B. The postcode address file (PAF)
 - C. Telephone directories
 - D. A customer database

ANSWER: D

- 7 Which ONE of the following is the benefit of using simple random sampling?
- A. We can calculate the accuracy of the results
 - B. The results are always representative
 - C. Interviewers can choose respondents freely
 - D. Informants can refuse to participate

ANSWER: A

- 8 Which ONE of the following is the main problem with using non-probability sampling techniques?
- A. The expense
 - B. The results are never representative
 - C. Human judgment error
 - D. Informants can refuse to participate

ANSWER: C

- 9 Which ONE of the following is the best - but an often unused - way to decide on sample size?
- A. By using industry standards
 - B. By calculation
 - C. By building blocks
 - D. By budget available

ANSWER: B

- 10 Which ONE of the following methods is generally used in qualitative sampling?
- A. Random digit dialing
 - B. Quota
 - C. Stratified random
 - D. Simple random

ANSWER: B

- 11 When new information inhibits recall of previously memorized information this is known as...
- A. Proactive inhibition
 - B. Retroactive inhibition
 - C. Sugging
 - D. Telescoping
- ANSWER: B
- 12 One thing that should not affect a respondent's ability to ANSWER questions is...
- A. Retroactive inhibition
 - B. Physical disability
 - C. Telescoping
 - D. Repression
- ANSWER: B
- 13 Why is stimulus material used at interviews?
- A. As an incentive to participate
 - B. To assist the interview process
 - C. As a gift
 - D. Something else
- ANSWER: B
- 14 Which of these is NOT an example of stimulus material?
- A. Advertising jingles
 - B. Lists
 - C. Payment
 - D. Show cards
- ANSWER: C
- 15 Which of these approaches can make the best use of stimulus material?
- A. Web questionnaire
 - B. Telephone interview
 - C. Postal Questionnaire
 - D. Focus Group
- ANSWER: D
- 16 Projective techniques are an alternative to?
- A. Computers
 - B. Questions
 - C. CATI
 - D. Questionnaires
- ANSWER: B
- 17 A respondent is asked to describe her car as if it were an animal. Of what is this an example?
- A. A filter questions

- B. A semantic differential scale
- C. A closed question
- D. A Projective test using Analogy

ANSWER: D

18 "Do you think we should recycle more household waste because there is a serious risk of destroying planet earth by our overuse of resources and abuse of the environment?" is an example of...

- A. A generalization
- B. A leading question
- C. Position bias
- D. An open-ended question

ANSWER: B

19 What is an advantage of using open-ended questions?

- A. Potential is high for interviewer bias
- B. They can also be used in panel research
- C. People can express themselves in their own way
- D. Expensive analysis uses budgets too quickly

ANSWER: C

20 What is typically used to plan a questionnaire?

- A. Gantt chart
- B. Flow chart
- C. Pie chart
- D. Polar diagram

ANSWER: B

21. Being able to talk to the people you need in a situation that is best suited to providing results. What is this?

- A. Informed consent.
- B. Lack of consent.
- C. Implied consent.
- D. Something else.

ANSWER: D

22. The participant consent given freely and based on full information. What is this?

- A. Informed consent.
- B. Lack of consent.
- C. Implied consent.
- D. Something else.

ANSWER: A

23. Telephone contact will be improved if:

- A. you link to your privacy policy.

- B. you offer to call back.
- C. you give a link to a web page with more explanation of the project.
- D. you enclose a SAE.

ANSWER: B

24. Email contact will be improved if:
- A. you give a link to a web page with more explanation of the project.
 - B. you enclose a SAE.
 - C. you offer to call back.
 - D. you use colored paper.

ANSWER: A

25. Postal contact will be improved if:
- A. you give a link to a web page with more explanation of the project.
 - B. you link to your privacy policy.
 - C. you enclose a SAE.
 - D. you charge the respondent money.

ANSWER: C

26. Which of the following is not a “Graphic representation” ?
- A. Pie Chart
 - B. Bar Chart
 - C. Table
 - D. Histogram

ANSWER: C

27. A research paper is a brief report of research work based on
- A. Primary Data only
 - B. Secondary Data only
 - C. Both Primary and Secondary Data
 - D. None of the above

ANSWER: C

28. Which of the following is not a type of purposive sampling?
- A. Probability sampling
 - B. Deviant case sampling
 - C. Theoretical sampling
 - D. Snowball sampling

ANSWER A

29. Cross cultural studies are an example of:
- A. Case study design
 - B. Comparative design
 - C. Experimental design

D. Longitudinal design

ANSWER B

- 30** What is the first stage of a systematic review?
- A. Assess the relevance of each study to the research question(s)
 - B. Define the purpose and scope of the review
 - C. Appraise the quality of studies from the previous step
 - D. Survey all of the literature contained within a single library

ANSWER B

II Short Answer Type Questions:

- 1 What is sample?
- 2 What do you mean by sampling frame?
- 3 What is cluster sampling?
- 4 What is area sampling?
- 5 What do you mean by multi stage sampling?
- 6 What is stratified sampling?
- 7 What do you mean by universe?
- 8 What do you mean by snowball sampling?
- 9 What do you mean by sequential sampling?
- 10 What do you mean by systematic random sampling?
- 11 What do you mean by reporting errors?
- 12 What do you mean by processing errors?
- 13 What do you mean by inverse sampling?
- 14 What is double sampling?
- 15 What do you mean by proportionate random sampling?
- 16 What do you mean disproportionate random sampling?
- 17 Discuss the sources of data collection.
- 18 Discuss the importance of interview techniques in data collection.
- 19 Discuss the importance of observation and survey methods in data collection.
- 20 Define sampling. Discuss the theory and types of sampling.
- 22 What are different types of research proposals? Define them
- 24 What, if any, are the differences between solicited and unsolicited proposals?
- 25 Define various steps to design a research proposal.
- 26 Discuss the concept of sampling.
- 27 What is sample frame.
- 28 Differentiate between different sampling techniques
- 29 What is sampling process
- 30 How is systematic sampling different from stratified random sampling?
- 31 Write short note on data measurement scales.
- 32 Explain sample size determination.
- 33 Explain importance of tabulating and coding data.
- 34 Why data cleaning is important?

III Long Answer Type Questions:

- 1 What is the difference between a sample and a census?
- 2 Under what conditions would a sample be preferable to a census? A census preferable to a sample?
- 3 What is a sampling unit? How is it different from the population element? What qualitative factors should be considered in determining the sample size?
- 4 What do you mean by 'Sample Design'? What points should be taken into consideration by a researcher in developing a sample design for this research project.
- 5 Differentiate the probability and non-probability sampling. Explain different probability and non-probability sampling techniques.
- 6 What is the difference between degree of confidence and degree of precision? Suppose the population variation is known, how does one then determine the sample size necessary to estimate a population mean with some desired degree of precision and confidence?
- 7 Distinguish between sampling error and non-sampling error. Why the distinction is important?
- 8 Discuss the various steps involved in the sampling process.
- 9 Why probability sampling is generally preferred in comparison to non-probability sampling? Explain the procedure of selecting a simple random sample.
- 10 What is the least expensive and least time consuming of all sampling techniques? What are the major limitations of this technique?
- 11 What is the relationship between quota sampling and judgmental sampling?
- 12 Describe the stratified sampling. What are the criteria for the selection of stratification variables?
- 13 What are the differences between proportionate and disproportionate stratified sampling?
- 14 Describe cluster sampling procedure. What is the key distinction between cluster sampling and stratified sampling?
- 15 What factors should be considered in choosing between probability and non-probability sampling?
- 16 What strategies are available to adjust for nonresponse?
- 17 Define the appropriate target population and sampling frame in each of the following situations:
 - (a) The manufacturer of a new cereal brand wants to conduct in-home product usage tests in Chicago
 - (b) A national chain store wants to determine the shopping behavior of customers who have its store charge card.
- 18 Visit the Survey Site Website ([www. Surveysite.com](http://www.Surveysite.com)). Examine the internet surveys being conducted. Write a report about the sampling plans being used.
- 19 What type of a sample would you recommend for the following projects:
 - (a) A study of purchasing habits of buyers of carpets;
 - (b) A study of brand loyalty in the cosmetic market;
 - (c) An estimate of distribution by income-class of household expenditure for recreational goods and services?Give reasons for your choice in each case.

- 20 What do you understand by random sampling? How a random sample is selected? Is a random sampling always better than other forms of sampling in the context of socio-economic survey?
- 21 Identify the relevant population for the following foci and suggest the appropriate sampling design to investigate the issue, explaining why they are appropriate. Whether necessary, identify the population frame as well.
- (a) A gun manufacturing firm would like to know the types of guns possessed by various age groups in Washington, D.C
 - (b) A hospital administrator wants to find out if the single parents working in the hospital have a higher rate of absenteeism than parents who are not single.
 - (c) A researcher would like to assess the extent of pilferage in the materials storage warehouses of manufacturing firms on the east coast.
 - (d) The director of human resources wants to investigate the relationship between drug abuse and dysfunctional behavior of blue-collar workers in a plant.
- 22 (a) Explain what precision and confidence are and how they influence by sample size.
- (b) Discuss what meant by the statement: there is a tradeoff between precision and confidence under certain conditions.
- 23 Use of a sample of 5000 is not necessarily better than one of 500. How would you react to this statement?
- 24 Overgeneralizations give rise to much confusion and other problems for researchers who try to replicate the findings. Explain what is meant by this.
- 25 Double sampling is probably the least used of all sampling designs in organizational research. Do you agree? Provide reasons for your ANSWER.
- 26 A magazine article suggested that “consumers 35 to 44 will soon will be the nation’s biggest spenders, so advertisers must learn how to appeal to this over-the-thrill crowd.” If this suggestion appeals to an apparel manufacturer, what should the sampling design be to assess the tastes of this group?
- 27 What kind of biases do you think could be minimized or avoided during the data analysis stage of research?
- 28 When we collect data on the effects of treatment in experimental designs, which statistical test would be most appropriate to test the treatment effects?
- 29 Define data analysis. Explain the process and importance of tabulation, codification and interpretation of data.
- 30 Processing of data implies editing, coding, classification and tabulation. Describe these four operations pointing out the significance of each in context of research study.
- 31 Discuss any four sampling techniques with their relative merits and drawbacks.
- 32 Describe different types of sampling techniques and differentiate between the Probability and Non-probability sampling techniques
- 32 Briefly explain the process of sample design for the business research. Illustrate with the help of a suitable example.

UNIT - IV

I Multiple Choice Questions:

- 1 Which ONE of the following indicates how 'accurate' results from sample surveys may be?
 - A. Correlation tests
 - B. Significance tests
 - C. Regression tests
 - D. In-home testsANSWER: B

- 2 With whom are the terms 'hole counts, top-line results, punching and dirty data' associated?
 - A. Galton (1822-1911)
 - B. Pearson (1857-1936)
 - C. Hollerith (1860-1929)
 - D. Booth (1840-1916)ANSWER: C

- 3 The researcher limits any comments to the facts discovered through the study.' To which ONE of the following does this refer?
 - A. Interpretation
 - B. Analysis
 - C. Coding
 - D. ClusteringANSWER: B

- 4 Which ONE of these techniques is most likely to be used in qualitative analysis?
 - A. ANOVA
 - B. Discriminant analysis
 - C. CHAID
 - D. NVIVOANSWER: D

- 5 Which ONE of these types of information is NOT usually made available in transcripts?
 - A. Words as spoken
 - B. Emotions
 - C. Questions asked
 - D. ANSWERs givenANSWER: B

- 6 Which ONE of these techniques is most likely to be used in quantitative analysis?
 - A. Multivariate analysis
 - B. Sound-tape recordings
 - C. Transcripts
 - D. VideosANSWER: A

- 7 Demographics are also known as:
A. Classifiers.
B. Social class.
C. Socio-economic groupings.
D. Something other than the options given.
ANSWER: A
- 8 Consider the difference between standard demographics and non-standard demographics. Standard demographics are:
A. Quantitative, while non-standard are qualitative.
B. Secondary data, while non-standard are primary data.
C. Used in the UK, while non-standard are used in the USA.
D. Well established, while non-standard are specific to the study.
ANSWER: D
- 9 Which ONE of the following is NOT likely to account for variations in quantitative results?
A. Sampling error
B. Transcript error
C. Social desirability bias
D. Acquiescence response bias
ANSWER: B
- 10 The chi-square test is:
A. A mean
B. A multi-question tests.
C. A statistical mistake.
D. A statistic
ANSWER: D
- 11 When did members of the Royal Statistical Society devise bar charts, scatter plots, line plots, pie charts and coxcombs?
A. 1600s
B. 1700s
C. 1800s
D. 1900s
ANSWER: C
- 12 'Reports can be available to multiple users simultaneously and instantly.' To which ONE of the following channels does this best apply?
A. Motorbike couriers
B. The Internet
C. Fax machines
D. Postal services
ANSWER: B

- 13 The most undesirable outcome of poor reporting is:
- A. A decision to go ahead
 - B. A decision not to proceed
 - C. Indecision
 - D. Good decisions
- ANSWER: C
- 14 Which section of a report is intended to be self-contained and to highlight the key aspects of the entire project?
- A. Appendices
 - B. Executive summary
 - C. Method
 - D. Research costs
- ANSWER: B
- 15 In a marketplace with twenty competitors, what is the best number of segments to use in a pie chart showing market share?
- A. Five
 - B. Ten
 - C. Fifteen
 - D. Twenty
- ANSWER: A
- 16 For market research, which ONE of the following should appear alongside each visual display used?
- A. The client turnover
 - B. The main respondent names
 - C. The research agency name
 - D. The sample sizes
- ANSWER: D
- 17 Eye contact with an audience can be kept if:
- A. You read from a page.
 - B. You face the screen.
 - C. You face the audience.
 - D. You have a structure.
- ANSWER: C
- 18 There are different levels at which a report can be written. One level is that at which the researcher is almost acting as a decision-making partner to combine results with other facts and intuition. Which ONE of the following describes that level?
- A. Reportage
 - B. Interpretation
 - C. Speculating
 - D. Summarising
- ANSWER: C

- 19 The following table on age profiles was extracted from a report. What is wrong with it?

Age	%
25 or under	6
26-36	20
36-46	29
46-56	8
56+	17

- A. No pie charts
B. Ranges not mutually exclusive
C. Percentages do not add up
D. Something other than the options given
ANSWER: B
- 20 Which ONE of the following is the biggest disadvantage of PowerPoint?
A. High cost
B. Images overused
C. Slow
D. Difficult to use
ANSWER: B
21. Testing the probability of a relationship between variables occurring by chance alone if there really was no difference in the population from which that sample was drawn is known as _____
A. Correlation coefficients.
B. Multiple regression analysis.
C. Chi-squared tests.
D. Significance testing.
ANSWER: D
22. ANOVA is _____
A. A government body which collects social statistics.
B. The name of a statistical software package.
C. A one-way analysis of variance.
D. A two-way analysis of variance.
ANSWER: C
23. A correlation coefficient enables you to _____
A. Quantify the strength of the linear relationship between two ranked or quantifiable variables.
B. Establish whether the data is telling you what you think it should tell you.
C. Measure the difference between two variables.
D. Assess whether two variables measure the same phenomenon.
ANSWER: A

24. The coefficient of determination (sometimes known as the regression coefficient enables you to_____
- A. Measure the difference between two variables.
 - B. Establish whether the data is telling you what you think it should tell you.
 - C. Assess the strength of relationship between a quantifiable dependent variable and one or more quantifiable independent variables.
 - D. Assess whether two variables measure the same phenomenon.

ANSWER: C

25. _____ is a type of graph

- A. Pie.
- B. Scatter.
- C. Box.
- D. Bar.

ANSWER: D

- 26 Which of the following is not a disadvantage of using secondary analysis?

- A. The researcher's lack of familiarity with the data
- B. It is a relatively expensive and time-consuming process
- C. Hierarchical datasets can be very confusing
- D. The researcher has no control over the quality of the data

ANSWER B

- 27 When a citation includes more than ____ authors, only the surname of the first author is cited followed by et al.

- A. 3
- B. 4
- C. 5
- D. 6

ANSWER A

- 28 Editorial style specifies that _____ should be used infrequently or sparingly.

- A. Italics
- B. Abbreviations
- C. Headings
- D. Both a and b

ANSWER D

- 29 Which of the following is not one of the seven major parts to the research report?

- A. Results
- B. Abstract
- C. Method
- D. Footnotes

ANSWER D

- 30 The abstract should be about how many words?
A. 50
B. 75
C. 120
D. 300

ANSWER C

II Short Answer Type Questions:

- 1 What is probing?
- 2 What is pre-coding?
- 3 What do you mean by parametric technique of analysis?
- 4 What do you mean by non-parametric techniques of analysis?
- 5 What do you mean by Yates' correction?
- 6 What is multi-dimensional scaling?
- 7 What is multicollinearity?
- 8 What is Factor Analysis?
- 9 What is Discriminant Analysis?
- 10 What is Conjoint Analysis?
- 11 What do you mean by cluster analysis?
- 12 How t-test is different from ANOVA?
- 13 What would you cover in introduction of Research Report
- 14 What are the major differences between oral and written report
- 15 Write brief notes on: Technique of writing a Research Report
- 16 What is MANOVA?
- 17 What is standard error of estimate?
- 18 What is meant by prediction accuracy?
- 19 What do you mean by eigen values in factor analysis?
- 20 What is orthogonal rotation
- 21 What is meant by spatial map?
- 22 What is Kolmogrove-Smirnov test
- 23 What is run test?
- 24 What do you mean by centroid?
- 25 What is dendrogram?
- 26 What is Chi-square test? Explain its significance in statistical analysis.
- 27 Differentiate between correlation & regression analysis.
- 28 Write a short note on ANOVA.
- 29 What is Factor Analysis.
- 30 What is the difference between EFA & CFA.
- 31 Write a short note on conjoint analysis.
- 32 Write short notes on Focus Groups
- 33 Write short notes on Sources of Secondary Data

III Long Answer Type Questions:

- 1 How can respondent selection problems be controlled?
- 2 What is transcription? What are the various types of cards used for this purpose?
- 3 What is multi-variate analysis? Give examples of any four areas in which this technique can be applied. Name any three important multi-variate techniques used in decision-making and state
- 4 Explain the procedure of testing hypothesis requires a researcher to adopt several steps. Describe in brief all such steps.
- 5 Briefly describe the important parametric tests used in context of testing hypothesis. How such tests differ from non-parametric tests? Explain
- 6 What is the purpose of a report? Briefly describe the structure of a research report.
- 7 Why tabulation is considered essential in a research; study? Give the features of a good table.
- 8 State the major and sub headings of a research report in quantitative research scheme.
- 9 How factor analysis is different from multiple regression and discriminant analysis?
- 10 What is Chi-square test? Explain its significance and statistical procedure.
- 11 What do you mean by the additive property of the technique of the analysis of variance? Explain how this technique is superior in comparison to sampling.
- 12 Give your understanding of non-parametric or distribution free methods explaining their important characteristics.
- 13 What do you mean by multivariate techniques? Explain their significance in context of research studies.
- 14 Write a brief essay on Factor Analysis particularly pointing out its merits and demerits.
- 15 What is the significance of using multiple discriminant analysis? Explain in brief the technical details involved in such a technique.
- 16 Explain the procedure of computing factor analysis in detail.
- 17 What is conjoint analysis? Explain the procedure of using conjoint analysis and also mention its application areas.
- 18 What are some of the uses of cluster analysis in social sciences research? What guidelines are available for deciding on the number of clusters?
- 19 What hypothesis is examined by Bartlett's test of sphericity? For what purpose is this test used?
- 20 What is the major difference between principal component analysis and common factor analysis?
- 21 Discuss the similarity and differences between cluster analysis and discriminant analysis.
- 22 Briefly define the following terms: dendrogram, icicle plot, agglomeration schedule, and cluster membership.
- 23 Identify two marketing research problems where MDS could be applied. Explain how you would apply MDS in these situations.
- 24 Describe the direct and derived approaches to obtaining MDS input data.
- 25 Describe a commonly used format for writing marketing research report.
- 26 What should be ideal structure of a research report? What are the elements of the structure defined by you?
- 27 Explain the meaning of analysis of variance. Describe briefly the technique of analysis of variance for one-way classification.

- 28 Explain non-parametric or distribution free methods explain their important characteristics.
- 29 Elaborate various statistical test under parametric & non-parametric test.
- 30 What is the significance of using multiple discriminant analysis? Explain in brief the technical details involved in such a technique.
- 31 What hypothesis is examined by Barlett's test of sphericity? For what purpose is this test used?

QUESTION BANK

INFORMATION SYSTEMS MANAGEMENT

BBA 210

QUESTION BANK
INFORMATION SYSTEMS MANAGEMENT – BBA 210
BBA IV

UNIT 1

I Multiple Choice Questions:

1. By the 1960's _____ were used to generate a limited range of pre-defined reports including income statements, balance sheets and sales reports
 - A. MIS
 - B. ERP
 - C. KIS
 - D. VBANSWER: A

2. 1990's saw the introduction of the _____ information systems.
 - A. Strategic
 - B. GUI
 - C. Decision
 - D. ExecutiveANSWER: A

3. _____ is often called the father of computers.
 - A. Babbage
 - B. Blaise
 - C. Hobbyists
 - D. DosisANSWER: A

4. _____ is the act of informing or the state of being informed.
 - A. Data
 - B. System
 - C. Management
 - D. InformationANSWER: D

5. Payroll Data includes wage structures, benefits, deductions and _____.
 - A. Allowances
 - B. Bribe
 - C. Lose
 - D. ChequeANSWER: A

6. Information systems that monitor the elementary activities and transactions of the organizations are:
- A. Management-level system
 - B. Operational-level system
 - C. Knowledge-level system
 - D. Strategic level system
- ANSWER: C
7. Projections and responses to queries are information output characteristics associated with a(n):
- A. DSS
 - B. MIS
 - C. ESS
 - D. TPS
- ANSWER: D
8. Summary transaction data, high-volume data, and simple models are information inputs characteristic of a(n):
- A. DSS
 - B. MIS
 - C. ESS
 - D. TPS
- ANSWER: A
9. Which of the following individuals typically have less formal, advanced educational degrees and tend to process rather than create information?
- A. Knowledge workers
 - B. Executives
 - C. System analysts
 - D. Data workers
- ANSWER: C
10. Management information systems usually:
- A. Serve managers interested in weekly, monthly, and yearly results, not day-to-day activities.
 - B. Help managers make decisions that are unique, rapidly changing, and not easily specified in advance.
 - C. Provide managers with a generalized computing and telecommunications capacity that can be applied to a changing array of problems.
 - D. Perform and record the daily routine transactions necessary to the conduct of business.
- ANSWER: B
11. Decision support systems usually:
- A. Serve managers interested in weekly, monthly, and yearly results, not day-to-day activities.

- B. Help managers make decisions that are unique, rapidly changing, and not easily specified in advance.
- C. Provide managers with a generalized computing and telecommunications capacity that can be applied to a changing array of problems.
- D. Perform and record the daily routine transactions necessary to the conduct of business.

ANSWER: D

12. Identifying customers and markets using data on demographics, markets, consumer behavior, and trends is an example of a(n):
- A. Operational-level sales and marketing information system.
 - B. Knowledge-level sales and marketing information system.
 - C. Management-level sales and marketing information system.
 - D. Strategic-level sales and marketing information system.

ANSWER: A

13. Deciding where to locate new production facilities is a(n) example of a manufacturing and production information system operating at the:
- A. Operational level
 - B. Management level
 - C. Knowledge level
 - D. Strategic level

ANSWER: B

14. Preparing short-term budgets is an example of finance and accounting information system operating at the:
- A. Operational level
 - B. Management level
 - C. Knowledge level
 - D. Strategic level

ANSWER: B

15. Tracking employee training, skills, and performance appraisals is an example of a human resource information system operating at the:
- A. Operational level
 - B. Management level
 - C. Knowledge level
 - D. Strategic level

ANSWER: D

16. Assembling a product, identifying customers and hiring employees are:
- A. Transactions
 - B. Phases
 - C. Business processes
 - D. Business functions

ANSWER: B

17. Which of the following is a network of facilities for procuring materials, transforming raw materials into intermediate and finished products, and distributing the finished products to customers?
- A. Production chain
 - B. Primary chain
 - C. Supply chain
 - D. Distribution chain

ANSWER: A

18. Information systems can facilitate supply chain management by:
- A. Tracking the status of orders.
 - B. Rapidly communicating orders.
 - C. Providing product specifications.
 - D. Doing all of the above.

ANSWER: C

19. Enterprise systems support:
- A. Manufacturing processes.
 - B. Financial and accounting processes.
 - C. Human resource processes.
 - D. All of the above.

ANSWER: D

20. A computer security protocol for logging in would be an example of the _____ component of an information system.
- A. software
 - B. hardware
 - C. data
 - D. procedure
 - E. people

ANSWER: D

21. Customer numbers and their names would be an example of the _____ component of an order management information system.
- A. software
 - B. hardware
 - C. data
 - D. procedure

ANSWER: D

22. Nonroutine cognitive skills include:
- A. communication.
 - B. problem-solving.
 - C. abstract reasoning.
 - D. collaboration.

ANSWER: C

23. The quality of your _____ is a large part of the quality of your information system.
- A. computer
 - B. thinking
 - C. time
 - D. life

ANSWER: D

24. Which of the following is not a characteristic of good information?
- A. interchangeability
 - B. relevance
 - C. cost effectiveness
 - D. timeliness

ANSWER: B

25. If you are a _____ recipient of sensitive information, such as might be overheard or contained in a misdirected email, this would not be illegal, but might be unethical to use it.
- A. active
 - B. passive
 - C. proper
 - D. business

ANSWER: A

26. The information of MIS comes from the
- A. Internal source
 - B. External source
 - C. Both internal and external source
 - D. None of the above

ANSWER: C

27. The back bone of any organization is
- A. information
 - B. employee
 - C. management
 - D. capital

ANSWER: A

28. AI is the short form of
- A. Artificial information
 - B. Artificial intelligence
 - C. Artificial integration
 - D. None of the above

ANSWER: B

29. The advantage(s) of transistors are they

- A. Are portable
- B. Are more reliable
- C. Consume less power
- D. All of the above

ANSWER: D

30. The flow of information through MIS is

- A. need dependent
- B. organization dependent
- C. information dependent
- D. management dependent

ANSWER: A

31. The elements of control will consist of

- A. Authority, Direction, Management
- B. Authority, Direction, Information
- C. Authority, Application, Management
- D. Authority, Application, Information

ANSWER: A

32. Internal information for MIS may come from any one of the following department.

- A. Customers care department
- B. HR department
- C. Marketing department
- D. Production department

ANSWER: A

33. MIS normally found in a manufacturing organization will not be suitable in the _____.

- A. Service sector
- B. Banking sector
- C. Agriculture sector
- D. All of the above

ANSWER: A

34. _____ details are given by Management to Marketing Service System.

- A. Customer
- B. Employee
- C. Supplier
- D. None of the above

ANSWER: C

35. The basic component(s) of DSS is (are)

- A. Database
- B. Model base
- C. DSS software system
- D. All of the above

ANSWER: D

II Short Answer Type Questions:

- 1 Define MIS. Give MIS importance.
- 2 Write in brief about Probabilistic systems.
- 3 Give the limitation of MIS.
- 4 Write in brief on Managing Value Chain.
- 5 Define Structured Information System.
- 6 What are the three outcomes in different decision-making conditions?
- 7 Give the advantages of computer-aided design.
- 8 Write short note on “Accounting System”.
- 9 Give a brief description of FIS.
- 10 Draw a diagram explaining the operations of a Inventory Information System.
- 11 How can an Expert system be developed. Write down the steps.
- 12 Write a short note on “Group Decision Support Systems”.
- 13 What are the components of Decision Support Systems.
- 14 Give the major applications of office automation.
- 15 Write in brief about TRANSACTION PROCESSING CYCLE.
- 16 Data Mining and its application in business.
- 17 Write short note on Expert Systems
- 18 What are the components of Management Support Systems
- 19 Explain the Strategic Role of Information Systems.
- 20 Describe Strategic Information Systems Framework
- 21 Explain the Competitive Strategy of an Information- oriented organization.
- 22 Discuss the recent developments in the field of MIS.
- 23 What is an executive Information System?
- 24 Briefly discuss the role of MIS in business organization with particular reference to management levels.
- 25 What is the location of MIS in the organization?
- 26 What are the major objectives of MIS?
- 27 What is the relevance of information in decision making?
- 28 How information and data are the key assets for an organization?
- 29 What are the various applications of MIS in different industries?
- 30 Explain the pre-requisites for effective MIS.

III Long Answer Type Questions:

- 1 Why is a business model necessary? How would you construct a model for following:
 - (a) Sales Model for Forecasting
 - (b) Production Model for Capacity Forecasting
 - (c) Business Model for Profitability Analysis

- 2 What is strategic planning? When does it assume importance in the business?
- 3 State the difference between MIS and a computer system. Why is MIS looked upon as a strategic need of management today?
- 4 If application science and MIS can be brought together the MIS design would be realistic and useful. Discuss.
- 5 Can you automate the process of decision making? The ANSWER is 'Yes' and 'No'. Explain. What best must be aimed at?
- 6 Explain the concept of entropy used in system control? How would you use this concept in MIS?
- 7 Explain the steps in the
 - (a) Transaction Processing System
 - (b) Data Processing System
 - (c) Information Processing System
 - (d) Management Information Processing System
- 8 Explain the information needs of the following:
 - (a) Corporate Planner
 - (b) Investment Analyst
 - (c) Job Chaser
 - (d) Administrator
- 9 What is the type of DSS that can be integrated in MIS and which are types not worthy of integration?
- 10 Identify E-business initiatives, which will drive companies to switch to electronic methods of managing the business. What are the typical characteristics of the business, where E-business will give large benefits?
- 11 What are the different risks involved in using MIS in business organizations and how can these be addressed?
- 12 What are the advantages and disadvantages of outsourcing IT?
- 13 What is an information system? What are its components? How is it useful for an organization? Explain
- 14 Explain the term "Competitive Advantage". How does it differ from Strategic Advantage? Explain with an example.
- 15 Distinguish between Data, information and knowledge giving examples of each?
- 16 Describe relationship between TPS, MIS, DSS, ESS.
- 17 Contrast between Information Architecture and Information Infrastructure.
- 18 Differentiate between
 - (a) Open and Closed System
 - (b) Probabilistic and Deterministic System
 - (c) Data and Information
- 19 What do you understand by Information Infrastructure and Information Architecture?
- 20 List and describe any four reasons why information systems are so important for businesses today?
- 21 The companies today cannot do without Management Information Systems. Comment. What is the role played by Management Information System in organizations? Give suitable examples.
- 22 What is the difference between a Management Information System and a Decision Support System? Explain using the examples where each may be useful.

23. What is knowledge Management System? Why do organizations need knowledge Management Systems? Give supporting example.
24. Explain with examples, how does Information System give competitive and strategic advantage to the organization?
25. What are the capabilities of Information Systems those businesses must have, to compete and survive in the information age?
26. What are the different reporting MIS Tools?
27. Are the technologies and data used in DSS, EIS, MIS and BI the same? Also, are the purposes of these systems the same?
28. What are the current research areas in Management Information Systems?
29. What is the risk management for Information System?
30. What is an information system? What activities does it perform? List and describe the organizational management and technology dimension of information System?

UNIT 2

I Multiple Choice Questions:

1. Which of the following is related to information?
 - A. Data
 - B. Communication
 - C. Knowledge
 - D. All of these
 ANSWER: A

2. Data is:
 - A. A piece of fact
 - B. Metadata
 - C. Information
 - D. None of these.
 ANSWER: A

3. Which of the following is element of the database?
 - A. Data
 - B. Constraints and schema
 - C. Relationships .
 ANSWER: D

4. What represent a correspondence between the various data elements?
 - A. Data
 - B. Constraints
 - C. Relationships
 - D. Schema
 ANSWER: C

- 5 Which of the following is an advantage of using database system?
- A. Security enforcement
 - B. Avoidance of redundancy
 - C. Reduced inconsistency
 - D. All of these.

ANSWER: D

- 6 Which of the following is characteristic of the data in a database?
- A. Independent
 - B. Secure
 - C. Shared
 - D. All of these.

ANSWER: D

- 7 Relationships could be of the following type:
- A. One-to-one relationship
 - B. One-to-many relationships
 - C. Many-to-many relationships
 - D. All of these.

ANSWER: D

- 8 In a file-oriented system there is:
- A. Data inconsistency
 - B. Duplication of data
 - C. Data independence
 - D. All of these.

ANSWER: D

- 9 In a database system there is:
- A. Increased productivity
 - B. Improved security
 - C. Economy of scale
 - D. All of these.

ANSWER: D

- 10 VDL is used to specify:
- A. Internal schema
 - B. External schema
 - C. Conceptual schema
 - D. None of these.

ANSWER: D

- 11 The DML provides following functional access to the database:
- A. Retrieve data and/or records
 - B. Add (or insert) records

- C. Delete records from database files
- D. All of these

ANSWER: B

12 4GL has the following components inbuilt in it:

- A. Query languages
- B. Report generators
- C. Spreadsheets
- D. All of these.

ANSWER: D

13 Which of the following is database element?

- A. Data
- B. Constraints and schema
- C. Relationships
- D. All of these.

ANSWER: D

14 What separates the physical aspects of data storage from the logical aspects of data representation?

- A. Data
- B. Schema
- C. Constraints
- D. Relationships

ANSWER: D

15 What scheme defines how and where the data are organized in a physical data storage?

- A. External
- B. Internal
- C. Conceptual
- D. None of these.

ANSWER: A

16 Which of the following schemas defines the stored data structures in terms of the database model used?

- A. External
- B. Conceptual
- C. Internal
- D. None of these

ANSWER: B

17 Which of the following schemas defines a view or views of the database for particular users?

- A. External
- B. Conceptual
- C. Internal

- D. None of these
ANSWER: B
- 18 A collection of data designed to be used by different people is called.
A. Database
B. RDBMS
C. DBMS
D. None of these
ANSWER: A
- 19 Which of the following is an object-oriented feature?
A. Inheritance
B. Abstraction
C. Polymorphism
D. All of these
ANSWER: B
- 20 A physical data models are used to
A. Specify overall logical structure of the database
B. Describe data and its relationships
C. Higher-level description of storage structure and access mechanism
D. All of these
ANSWER: D
- 21 Which data model organizes the data in the form of tables and relations?
A. Relational Model
B. Hierarchical Model
C. Network Model
D. Structural Model
ANSWER: A
- 22 Which company has developed the hierarchical model?
A. Oracle
B. IBM
C. Sun Microsystems
D. Microsoft
ANSWER: B
- 23 The name of the system database that contains descriptions of data in the database is
A. Data dictionary
B. Metadata
C. Table
D. None of these
ANSWER: B

24. System catalog is a system-created database that describes:
- A. Database objects
 - B. Data dictionary information
 - C. User access information
 - D. All of these
- ANSWER: D
25. Following is the type of metadata:
- A. Operational
 - B. EDW
 - C. Data mart
 - D. All of these
- ANSWER: D
26. A collection of related data.
- A. Information
 - B. Valuable information
 - C. Database
 - D. Metadata
- ANSWER: C
27. DBMS is software.
- A. True
 - B. False
- ANSWER: A
28. DBMS manages the interaction between _____ and database.
- A. Users
 - B. Clients
 - C. End Users
 - D. Stake Holders
- ANSWER: C
29. Which of the following is not involved in DBMS?
- A. End Users
 - B. Data
 - C. Application Request
 - D. HTML
- ANSWER: D
30. Database is generally _____
- A. System-centered
 - B. User-centered
 - C. Company-centered
 - D. Data-centered
- ANSWER: B

31 A characteristic of an entity.

- A. Relation
- B. Attribute
- C. Parameter
- D. Constraint

ANSWER: B

32. The restrictions placed on the data.

- A. Relation
- B. Attribute
- C. Parameter
- D. Constraint

ANSWER: D

33. IMS stands for?

- A. Information Mastering System
- B. Instruction Management System
- C. Instruction Manipulating System
- D. Information Management System

ANSWER: D

34. A model developed by Hammer and McLeod in 1981.

- A. SDM
- B. OODB
- C. DDM
- D. RDM

ANSWER: A

35. Object=_____+relationships.

- A. data
- B. attributes
- C. entity
- D. constraints

ANSWER: C

36. Preparing short-term budgets is an example of a finance and accounting information system operating at the:

- A. Operational level
- B. Management level
- C. Knowledge level
- D. Strategic level

ANSWER: B

II Short Answer Type Questions:

1. What is database system? Explain.
2. What is the meaning of data independence and data integrity?
3. Explain operational data, schemes and instances.
4. Explain Data models.
5. What is database management system? Why do we need a DBMS?
6. What is data dictionary? Explain its function with a neat diagram.
7. What are the components of data dictionary?
8. What is entity and attribute? Give some examples of entities and attributes in a manufacturing environment.
9. Why are relationships between entities important?
10. What is the difference between a data definition language and a data manipulation language?
11. What do you mean by redundancy? What is the difference between controlled and uncontrolled redundancy? Illustrate with examples.
12. Define the following terms:
 - (a) Data
 - (b) Database System
 - (c) DBMS
 - (d) Data Independence
 - (e) DBA
 - (f) Data Integrity
13. Who is DBA? What are the responsibilities of a DBA?
14. Discuss advantages and disadvantages of file-oriented system.
15. Discuss the advantages and disadvantages of a DBMS.
16. Explain the difference between external, internal and conceptual schemas.
17. What is a data model?
18. What is logical data independence and why is it important?
19. What is the difference between physical data independence and logical data independence?
20. Describe the structure of a DBMS.
21. Describe the main components of a DBMS.
22. What is a transaction?
23. What do you mean by a data model? Describe the different types of data models used.
24. Define the following terms:
 - (a) Data independence
 - (b) Query processor
 - (c) DDL processor
 - (d) DML processor
 - (e) Run time database manage.
25. How is traditional file processing approach different than DBMS approach? Explain.
26. What do you mean by generalization and specialization? Explain with a suitable diagram.
27. What is the difference between a candidate key and the primary key for a given relation? What is a superkey?
28. What is a foreign key constraint? Why are such constraints important? What is referential integrity?
29. What are the three data anomalies that are likely to occur as a result of data redundancy? Can data redundancy be completely eliminated in database approach? Why or why not?
30. What is Weak Entity set?

31. What is system catalog or catalog relation? How is better known as?
32. Differentiate between DBMS and RDBMS.
33. What is Relational Database Management System
34. What are the benefits of DBMS ?
35. Differentiate between Datafile and Databases.
36. Differentiate between Record and Field.
37. What four main types of actions involve databases? Briefly discuss each.
38. Discuss the advantages of using the DBMS approach.
39. Under what circumstances it is desirable to develop customized database applications?
40. Discuss the role of pre-compiler in a DBMS environment.
41. What is the use of data dictionary in database system?
42. What is the difference between a database schema and a database state?

III Long Answer Type Questions:

1. Describe the three-tier ANSI-SPARC architecture. Why do we need mapping between different schema levels? How do different schema definition languages support this architecture?
2. Discuss the advantages and characteristics of the three-tier-architecture.
3. Discuss the concept of data independence and explain its importance in a database environment.
4. Explain the difference between external, conceptual and internal schemas. How are these different schema layers related to the concepts of physical and logical data independence?
5. Describe in detail the different types of DBMS.
6. (a) Make an ER diagram for a library system? Clearly mention all the entities their attributes and the relationship among the entities.
(b) Map this ER model into corresponding relational model.
7. How does the concept of object identity in the object-oriented model differs from the concept of entity in the entity-relationship model, and tuple equality in the relationship model?
8. What are the software components in a client-server DBMS? Compare the two-tier and three-tier client server architecture.
9. What are the differences among hierarchical, network and relational data model?
10. Explain the following with their advantages and disadvantages:
 - (a) Hierarchical database model
 - (b) Network database model
 - (c) Relational database model
 - (d) E-R data models
 - (e) Object-oriented data model.
11. Describe the basic features of the relational data model. Discuss their advantages, disadvantages and importance of the end-user and the designer.
12. A university has an entity COURSE with a large number of courses in its catalog. The attributes of COURSE include COURSE-NO, COURSE-NAME and COURSE-UNITS. Each course may have one or more different courses as prerequisites or may have no prerequisites. Similarly, a particular course may be a prerequisite for any number of

- course, or may not be a prerequisite for any other course. Draw an E-R diagram for this situation.
13. A company called M/s ABC Consultants Ltd. has an entity EMPLOYEE with a number of employees having attributes such as EMP-ID, EMP-NAME, EMP-ADD and EMP-BDATA. The company has another entity PROJECT that has several projects having attributes such as PROJ-ID, PROJ-NAME and START-DATE. Each employee may be assigned to one or more projects, or may be assigned to a project. A project must have at least one employee assigned and may have any number of employees assigned. An employee's billing rate may vary by project and the company wishes to record the applicable billing rate (BILL-RATE) for each employee when assigned to a particular project. By making additional assumptions, if so required, draw an E-R diagram for the above situation.
 14. Draw an E-R diagram for an enterprise or an organization you are familiar with.
 15. What is meant by the term client/server architecture and what are the advantages and disadvantages of this approach?
 16. Differentiate between schema, subschema and instances.
 17. An organization purchases items from a number of suppliers. Suppliers are identified by SUP-ID. It keeps track of the number of each item type purchased from each supplier. It also keeps a record of supplier's addresses. Supplied items are identified by ITEM-TYPE and have description (DESC). There may be more than one such addresses for each supplier and the price charged by each supplier for each item type is stored. Identify the entities and relationships for this organization and construct an E-R diagram.
 18. Assume we have the following application that models soccer teams, the games they play, and the players in each team. In the design, we want to capture the following:
 - We have a set of teams, each team has an ID (unique identifier), name, main stadium, and to which city this team belongs.
 - Each team has many players, and each player belongs to one team. Each player has a number (unique identifier), name, DoB, start year, and shirt number that he uses.
 - Teams play matches, in each match there is a host team and a guest team. The match takes place in the stadium of the host team.
 - For each match we need to keep track of the following:
 - The date on which the game is played
 - The final result of the match
 - The players participated in the match. For each player, how many goals he scored, whether or not he took yellow card, and whether or not he took red card.
 - During the match, one player may substitute another player. We want to capture this substitution and the time at which it took place.
 - Each match has exactly three referees. For each referee we have an ID (unique identifier), name, DoB, years of experience. One referee is the main referee and the other two are assistant referee.

Design an ER diagram to capture the above requirements. State any assumptions you have that affects your design (use the back of the page if needed). Make sure cardinalities and primarykeys are clear.
 19. What kind of data model supports a top-down data structure to store data? What are its advantages and disadvantages?
 20. How do you transform a many-to-many relationship into a relation? Give example.

21. How can we identify individual instances of a weak entity set? Describe how schema for a weak entity can be defined. How can we convert a weak entity set into a strong entity set?
22. Describe the structure of a DBMS. If your operating system is upgraded to support some new functions on OS files (e.g., the ability to force some sequence of bytes to disk), which layer(s) of the DBMS would you have to rewrite to take advantage of these new functions?
23. Computer Sciences Department frequent fliers have been complaining to Dane County Airport officials about the poor organization at the airport. As a result, the officials decided that all information related to the airport should be organized using a DBMS, and you have been hired to design the database. Your first task is to organize the information about all the airplanes stationed and maintained at the airport. The relevant information is as follows:
 - 1) Every airplane has a registration number, and each airplane is of a specific model.
 - 2) The airport accommodates a number of airplane models, and each model is identified by a model number (e.g., DC-10) and has a capacity and a weight.
 - 3) A number of technicians work at the airport. You need to store the name, SSN, address, phone number, and salary of each technician.
 - 4) Each technician is an expert on one or more plane model(s), and his or her expertise may overlap with that of other technicians. This information about technicians must also be recorded.
 - 5) Traffic controllers must have an annual medical examination. For each traffic controller, you must store the date of the most recent exam.
 - 6) All airport employees (including technicians) belong to a union. You must store the union membership number of each employee. You can assume that each employee is uniquely identified by a social security number.
 - 7) The airport has a number of tests that are used periodically to ensure that airplanes are still airworthy. Each test has a Federal Aviation Administration (FAA) test number, a name, and a maximum possible score.
 - 8) The FAA requires the airport to keep track of each time a given airplane is tested by a given technician using a given test. For each testing event, the information needed is the date, the number of hours the technician spent doing the test, and the score the airplane received on the test.

Draw an ER diagram for the airport database. Be sure to indicate the various attributes of each entity and relationship set; also specify the key and participation constraints for each relationship set. Specify any necessary overlap and covering constraints as well (in English).

The FAA passes a regulation that tests on a plane must be conducted by a technician who is an expert on that model. How would you express this constraint in the ER diagram? If you cannot express it, explain briefly.
24. Construct an ER Model for Student Administration System. Students who apply for a course are registered in the system. Short listed candidates are called for interview and their marks recorded. Selected candidates are admitted.
25. Explain how basic retrievals and modifications are done in a database using QBE language.
26. Discuss the methods of implementing join queries.
27. Draw the ER diagram for Library Management System.
28. Explain the features of EER.
29. Explain the application areas of databases.
30. Explain the difference between ER and EER model.

31. Explain UML diagrams.
32. How the abstraction process in the database approach is different from the object-oriented and object-relational databases?
33. Discuss various storage structures and search techniques used for efficient query processing.
34. How DBMS is classified on the basis of number of sites over which the database is distributed? Give example of each.
35. What concepts do high-level or conceptual data models use? How are they different from low-level or physical data models?

UNIT 3

I Multiple Choice Questions:

1. What type of system tracks inventory and related business processes across departments and companies?
 - A. Strategic information systems
 - B. Data processing systems
 - C. Inventory management systems
 - D. Supply chain management systems

ANSWER: D

2. What type of system tracks and analyzes transactions made by customers?
 - A. Decision support systems
 - B. Tactical systems
 - C. Customer relationship management systems
 - D. Knowledge base systems

ANSWER: C

3. What type of system tracks and analyzes all of the activities in the sales process?
 - A. Customer information systems
 - B. Decision support systems
 - C. Sales force automation systems
 - D. Sales process management systems

ANSWER: C

4. What terms is used to identify technology that is used to support many people working together on one project?
 - A. E-collaboration
 - B. I-technology
 - C. Social networking
 - D. Knowledge management

ANSWER: A

5. What term is used to identify people coming together from various geographical locations to complete some task?
- A. I-team
 - B. Virtual team
 - C. Online work group
 - D. Distributed team

ANSWER: B

6. What type of Web site allows visitors to create and maintain information posted on its site?
- A. Open source site
 - B. Wiki
 - C. Knowledge construction sites
 - D. FTP site

ANSWER: B

7. Which person oversees an organization's entire information system?
- A. CTO
 - B. CSO
 - C. CIO
 - D. CPO

ANSWER: C

8. Which type of system includes all technology systems and software across an organization?
- A. Knowledge based systems
 - B. Strategic information systems
 - C. Enterprise resource planning systems
 - D. Management information systems

ANSWER: C

9. What is the term used to depict aged information systems that are technologically out-of-date?
- A. Outdated information systems
 - B. Obsolete systems
 - C. Archaic systems
 - D. Legacy information systems

ANSWER: D

10. Which of the following ERP providers specialize in providing financial management, distribution, manufacturing, project accounting, human resource management, and business analytics to small-to-medium businesses?
- A. SAP
 - B. Oracle/PeopleSoft
 - C. SSA Global
 - D. Microsoft

ANSWER: D

- 11 To do business process modeling the analyst needs business profile and.
- A. business constraints
 - B. business rules
 - C. business models
 - D. business drivers

ANSWER: C

- 12 The environment for the actual system operation is called the _____ environment.
- A. operational
 - B. test
 - C. management
 - D. analyst

ANSWER: A

- 13 A successful information system requires training for
- A. users
 - B. managers
 - C. IT staff members
 - D. all of the above

ANSWER: D

- 14 Operations Documentation Include
- A. Special forms required, including online forms
 - B. Error and informational messages to operators and restart procedures
 - C. Special instructions, such as security requirements
 - D. all of the above

ANSWER: D

- 15 Written or other visual information about an application system, how it works, and how to use it best describes:
- A. System documentation
 - B. Operations Documentation
 - C. Message documentation
 - D. User documentation

ANSWER: D

- 16 _____ are numbers or letters assigned in a specific order.
- A. Category codes
 - B. Alphabetic codes
 - C. Block sequence codes
 - D. Sequence codes

ANSWER: D

- 17 Which of the following is not an external factor that will affect a project?
- A. Customers
 - B. Existing Systems
 - C. Economy
 - D. Technology
- ANSWER: B
- 18 Which of the following is not a main reason for a system request?
- A. Improved service
 - B. Support for new products and services
 - C. Better performance
 - D. Technology
- ANSWER: D
- 19 Which of the following is not considered when analyst analyze risk
- A. Probability
 - B. Financial impact of the risk.
 - C. Risk nature
 - D. Reliability
- ANSWER: D
- 20 Risk management can be defined as the art and science of _____ risk factors throughout the life cycle of a project.
- A. researching, reviewing, and acting on
 - B. identifying, analyzing, and responding to
 - C. reviewing, monitoring, and managing
 - D. identifying, reviewing, and avoiding
- ANSWER: A
- 21 Risk Management includes all of the following processes except:
- A. Risk Monitoring and Control
 - B. Risk Identification
 - C. Risk Avoidance
 - D. Risk Response Planning
- ANSWER: C
- 22 A risk response which involves eliminating a threat is called:
- A. Deflection
 - B. Avoidance
 - C. Transfer
 - D. b and d
- ANSWER: D
- 23 When should a risk be avoided?
- A. When the risk event has a low probability of occurrence and low impact

- B. When the risk event is unacceptable -- generally one with a very high probability of
- C. occurrence and high impact
- D. When it can be transferred by purchasing insurance

ANSWER: B

24. An example of risk mitigation is:
- A. Using proven technology in the development of a product to lessen the probability
 - B. that the product will not work
 - C. Purchasing insurance
 - D. Accepting a lower profit if costs overrun

ANSWER: D

25. Risk mitigation involves all but which of the following:
- A. Developing system standards (policies, procedures, responsibility standards)
 - B. Obtaining insurance against loss
 - C. Identification of project risks
 - D. Performing contingent planning

ANSWER: C

26. Which of the following is not a phase of SDLC?
- A. Requirement gathering
 - B. Maintenance
 - C. Analysis
 - D. All of the above

ANSWER: D

27. Selection of particular life cycle model is based on,
- A. Requirements
 - B. Technical knowledge of development team
 - C. Users
 - D. All of the above

ANSWER: D

28. Regression testing is a major part of which of the life cycle?
- A. Waterfall model
 - B. V model
 - C. Iterative model
 - D. All of the above

ANSWER: C

29. Which of the following are advantages of iterative model?
- A. Early revenue generation
 - B. Simpler to manage
 - C. Divided workload

D. All the above

ANSWER: D

30. Which of the following are incremental developmental models?

1. Prototyping
2. V model
3. Rapid Action Development (RAD)
4. Agile development
5. Rational Unified Process (RUP)
6. Waterfall model

A. 1,2,4

B. 1,3,4,5

C. 1,2,3,4,5

D. All of the above

ANSWER: B

31. Which of the following is a characteristic of Agile development?

- A. Shared code ownership
- B. Implement the simplest solution to meet today's problem
- C. Continual feedback from customer
- D. All of the above

ANSWER: D

32. Which of the following are not type of SDLC models?

- A. Big bang model
- B. Code and fix model
- C. Agile model
- D. Capability Maturity model

ANSWER: D

33. In a college, students are asked to develop a software. Which model would be preferable?

- A. Waterfall model
- B. Spiral model
- C. Agile model
- D. Code and fix model

ANSWER: D

34. What is full form of SDLC?

- A. System Design Life cycle
- B. Software Design Life Cycle
- C. System Development Life Cycle
- D. Software Development Life Cycle

ANSWER: C

35. Which of the following model put much more emphasis on testing?
- A. Waterfall model
 - B. Agile model
 - C. Rapid action development model
 - D. V-V model

ANSWER: D

II Short Answer Type Questions:

1. Identify the relationship between information and data. How is information a valuable organizational resource?
2. What are the dimensions of information relevant to business?
3. What is a system? Narrate its characteristics.
4. What are the different types of systems? Discuss the need for classifying systems.
5. Discuss the major characteristics of an open system. How does it differ from a closed system?
6. How is an information system a comparatively open system?
7. What are formal and informal systems? How do they differ?
8. Discuss the elements of a system and identify its boundary.
9. What are subsystems? How can a system be decomposed?
10. What is an adaptive system? How does it react to system stress and change?
11. What do you mean by critical success factors?
12. Explain Business Planning System.
13. What are the various risks in IS.
14. What are the different networking techniques used for IS.
15. What do you mean by data management?
16. What do you mean by hierarchical data model?
17. Discuss the recent trends in database.
18. Discuss the strategic issues in IS Planning.
19. The usefulness of a good Information System depends on the quality of data. Comment.
20. Explain Risks in Information Systems
21. Discuss the criteria used for considering Outsourcing as an Option.
22. Describe the various Methods of Identifying Applications
23. Write short notes on Business Planning Systems
24. Discuss the main features of O.S.
25. What are the good qualities of a system designer? How are they relevant?
26. Differentiate between waterfall and spiral method of SDLC.
27. Give some benefits of using V model.
28. What are the different phases of waterfall model?
29. What are the drawbacks of waterfall model?
30. What is a V shaped model in SDLC?

II Long Answer Type Questions:

1. Take a sales order processing system and break it in hierarchical structure showing all subsystems and their relationship.
2. What are the different types of information that a business needs? Identify the sources from which the relevant information may be collected.
3. What is the meaning of System Performance? How do you measure efficiency and effectiveness of the system? Do you need both or any one for a system?
4. Explain the concept of entropy used in system control? How would you use this concept in MIS?
5. Apply your understanding of system concepts to organization and how they are used in organization as a system?
6. Why are system reviews necessary? How often should such reviews take place? How do you decide?
7. Why are certain systems short-lived? What care would you take in designing the system that they are useful for longer period?
8. What is "Software life cycle"? What is the Water Fall Development method and do you agree with all the Steps?
9. Explain the various stages of SDLC in detail.
10. Design the aspects in which design is required during system development process
11. What is Prototyping approach of system development. What are its advantages and Limitation.
12. What is rapid application development approach of system development. What are its advantages and limitation.
13. What is End user Development approach of system development. What are its advantages and limitation.
14. Describe the strategic role of information systems in business. Why is the integration and aggregation important in information systems? Describe the advantages of management information systems in business management.
15. What IT enabled supply chain management
16. Compare SDLC Approach, Prototyping and Spiral Method for Systems design
17. Explain in detail the Logical and Physical Design of Information Systems. What is the significance of each and their differences.
18. Describe the role of IT in SIS.
19. What is the importance of business intelligence in SIS?
20. What tools are available for support of testing during Software Development life cycle?
21. What is the difference between System Development life cycle and Software Development life cycle?
22. What are the factors that are considered in planning the hardware and software requirements for an Information Systems in any organization?
23. Compare SDLC Approach, Prototyping and Spiral Method for Systems design
24. Explain the Physical and Logical Design of Information Systems. What is the significance of each and their differences.
25. Explain the various parameters or measures for evaluating information systems.
26. Explain the importance of feasibility study in SDLC.
27. Who are the people involved in the phases of waterfall model?

28. What is Prototyping approach of system development. What are its advantages and Limitation.
29. Explain the RAD model in detail along with its advantages and disadvantages.
30. Differentiate between waterfall, spiral and iterative model.

UNIT 4

I Multiple Choice Questions:

1. A person machine-system and a highly integrated grouping of information-processing functions designed to provide management with a comprehensive picture of specific operation is called
 - A. DSS
 - B. MIS
 - C. IIS
 - D. All of the above

ANSWER: B

2. Managers who are potential users of the MIS
 - A. Describe information needs
 - B. Identify alternate equipment configurations
 - C. Evaluate alternate equipment configurations
 - D. Select the optimum equipment configurations

ANSWER: A

3. Top level Managers use
 - A. Strategic information
 - B. Tactical information
 - C. Operational information
 - D. None of these

ANSWER: A

4. Which one of the following is not an approach for development of MIS ?
 - A. Hierarchical approach
 - B. Integrative approach
 - C. Modular approach
 - D. Elective approach

ANSWER: B

5. Which one of the following is not a business driver for an information system?
 - A. business process redesign
 - B. knowledge asset management
 - C. proliferation of networks and the Internet
 - D. security and privacy

ANSWER: C

- 6 HRIS stands for _____
A. Human Resource Information System.
B. HUDA Reserve Information System
C. Human Refraction Information System
D. Human Resource Institution System
ANSWER: C
- 7 Advantages of HR Database are _____
A. Sharing of Data
B. Improved Security
C. Data Consistency
D. All of the above
ANSWER: D
- 8 Information systems that monitor the elementary activities and transactions of the organizations are:
A. Management-level system
B. Operational-level system
C. Knowledge-level system
D. Strategic level system
ANSWER: A
- 9 Projections and responses to queries are information output characteristics associated with a(n):
A. DSS
B. MIS
C. ESS
D. TPS
ANSWER: C
- 10 Summary transaction data, high-volume data, and simple models are information inputs characteristic of a(n):
A. DSS
B. MIS
C. ESS
D. TPS
ANSWER: B
- 11 Which of the following individuals typically have less formal, advanced educational degrees and tend to process rather than create information?
A. Knowledge workers
B. Executives
C. System analysts
D. Data workers
ANSWER: D

- 12 Management information systems usually:
- A. Serve managers interested in weekly, monthly, and yearly results, not day-to-day activities.
 - B. Help managers make decisions that are unique, rapidly changing, and not easily specified in advance.
 - C. Provide managers with a generalized computing and telecommunications capacity that can be applied to a changing array of problems.
 - D. Perform and record the daily routine transactions necessary to the conduct of business.

ANSWER: A

- 13 Decision support systems usually:
- A. Serve managers interested in weekly, monthly, and yearly results, not day-to-day activities.
 - B. Help managers make decisions that are unique, rapidly changing, and not easily specified in advance.
 - C. Provide managers with a generalized computing and telecommunications capacity that can be applied to a changing array of problems.
 - D. Perform and record the daily routine transactions necessary to the conduct of business.

ANSWER: B

- 14 Identifying customers and markets using data on demographics, markets, consumer behavior, and trends is an example of a(n):
- A. Operational-level sales and marketing information system.
 - B. Knowledge-level sales and marketing information system.
 - C. Management-level sales and marketing information system.
 - D. Strategic-level sales and marketing information system.

ANSWER: B

- 15 Deciding where to locate new production facilities is a(n) example of a manufacturing and production information system operating at the:
- A. Operational level
 - B. Management level
 - C. Knowledge level
 - D. Strategic level

ANSWER: D

- 16 Preparing short-term budgets is an example of a finance and accounting information system operating at the:
- E. Operational level
 - F. Management level
 - G. Knowledge level
 - H. Strategic level

ANSWER: B

17. Tracking employee training, skills, and performance appraisals is an example of a human resource information system operating at the:
- A. Operational level
 - B. Management level
 - C. Knowledge level
 - D. Strategic level
- ANSWER: A

18. Assembling a product, identifying customers and hiring employees are:
- A. Transactions
 - B. Phases
 - C. Business processes
 - D. Business functions
- ANSWER: C

19. Which of the following is a network of facilities for procuring materials, transforming raw materials into intermediate and finished products, and distributing the finished products to customers?
- A. Production chain
 - B. Primary chain
 - C. Supply chain
 - D. Distribution chain
- ANSWER: D

20. Information systems can facilitate supply chain management by:
- A. Tracking the status of orders.
 - B. Rapidly communicating orders.
 - C. Providing product specifications.
 - D. Doing all of the above.
- ANSWER: D

21. Enterprise systems support:
- A. Manufacturing processes.
 - B. Financial and accounting processes.
 - C. Human resource processes.
 - D. All of the above.
- ANSWER: D

22. A computer security protocol for logging in would be an example of the _____ component of an information system.
- A. software
 - B. hardware
 - C. data
 - D. procedure
- ANSWER: C

- 23 Customer numbers and their names would be an example of the _____ component of an order management information system.
- A. software
 - B. hardware
 - C. data
 - D. procedure
 - E. people
- ANSWER: E

- 24 Nonroutine cognitive skills include:
- A. communication.
 - B. problem-solving.
 - C. abstract reasoning.
 - D. collaboration.
 - E. All of the above.
- ANSWER: B

- 25 The quality of your _____ is a large part of the quality of your information system.
- A. computer
 - B. thinking
 - C. time
 - D. challenges
- ANSWER: A

- 26 Which of the following are true of transaction processing systems?
- A. They are shared systems.
 - B. They can use a combination of IT and manual procedures.
 - C. They are used to process data and information about transactions.
 - D. All of the above
- ANSWER: D

27. A TPS:

- A. processes a low volume of business transactions.
 - B. supports single users in routine, everyday transactions.
 - C. uses relatively simple procedures to control processing and to ensure accuracy.
 - D. all of the above.
- ANSWER: D

28. In TPS systems, an output that signifies that a specific transaction has taken place is called a(n):
- A. action document.
 - B. detail report.
 - C. exception report.
 - D. summary report.
- ANSWER: A

29. Which of the following are true of Exception Reports?

- A. They list unusual transactions or results.
- B. They document errors in transactions.
- C. They report unacceptable transactions.
- D. All of the above

ANSWER: D

30. Which of the following is true of management information systems?

- A. They use TPS data.
- B. They produce standard reports on a regular basis.
- C. They assist managers in routine decision making.
- D. All of the above

ANSWER: D

31. Which of the following are used to support decision making in situations in which the situation is only partly structured or known in advance?

- A. Decision support system
- B. Executive support system
- C. Group decision support system
- D. Transaction processing system

ANSWER: D

32. Which of the following information systems allows people who are not together to work as a group is called:

- A. decision support system.
- B. executive support system.
- C. group support system.
- D. management information system.

ANSWER: D

33. Which of the following is NOT true of GSS systems?

- A. They emphasize communication and generation of ideas and information of group members.
- B. They limit collaboration among team members if they are at different locations.
- C. They involve a facilitator who keeps the group focused on the problem at hand and draws ideas out of group members.
- D. All of the above.

ANSWER: D

34. Which of the following systems is used to present high-level overview information as well as the ability to drill down to details for high-level managers?

- A. Decision support system
- B. Executive support system
- C. Expert support system
- D. Management information system

ANSWER: D

II Short Answer Type Questions:

- 1 Define MIS. Give MIS importance.
- 2 Write in brief about Probabilistic systems.
- 3 Give the limitation of MIS.
- 4 Write in brief on Managing Value Chain.
- 5 Define Structured Information System.
- 6 What are the three outcomes in different decision-making conditions?
- 7 Give the advantages of computer-aided design.
- 8 Write short note on “Accounting System”.
- 9 Give a brief description of FIS.
- 10 Draw a diagram explaining the operations of a Inventory Information System.
- 11 How can an Expert system be developed. Write down the steps.
- 12 Write a short note on “Group Decision Support Systems”.
- 13 What are the components of Decision Support Systems.
- 14 Give the major applications of office automation.
- 15 Write in brief about TRANSACTION PROCESSING CYCLE.
- 16 Data Mining and its application in business.
- 17 Write short note on Expert Systems
- 18 What are the components of Management Support Systems
- 19 Explain the Strategic Role of Information Systems.
- 20 Describe Strategic Information Systems Framework
- 21 Explain the Competitive Strategy of an Information- oriented organization.
- 22 What is a centralized processing system?
- 23 Differentiate between the centralized and distributed systems.
- 24 Explain the role of knowledge management system.
- 25 What are the three outcomes in different decision-making conditions?
- 26 What are the major features of a transaction processing system?
- 27 What are the recent developments in field of IT?
- 28 Differentiate between EIS and KMS
- 29 Write a short note on transaction processing system.
- 30 What are the advantages of executive support system?

III Long Answer Type Questions:

- 1 Why is a business model necessary? How would you construct a model for following:
 - (a) Sales Model for Forecasting
 - (b) Production Model for Capacity Forecasting
 - (c) Business Model for Profitability Analysis
- 2 What is strategic planning? When does it assume importance in the business?
- 3 State the difference between MIS and a computer system. Why is MIS looked upon as a strategic need of management today?
- 4 If application science and MIS can be brought together the MIS design would be realistic and useful. Discuss.

- 5 Can you automate the process of decision making? The ANSWER is ‘Yes’ and ‘No’. Explain. What best must be aimed at?
- 6 Explain the concept of entropy used in system control? How would you use this concept in MIS?
- 7 Explain the steps in the
 - (a) Transaction Processing System
 - (b) Data Processing System
 - (c) Information Processing System
 - (d) Management Information Processing System
- 8 Explain the information needs of the following:
 - (a) Corporate Planner
 - (b) Investment Analyst
 - (c) Job Chaser
 - (d) Administrator
- 9 What is the type of DSS that can be integrated in MIS and which are types not worthy of integration?
- 10 Identify E-business initiatives, which will drive companies to switch to electronic methods of managing the business. What are the typical characteristics of the business, where E-business will give large benefits?
- 11 What are the different risks involved in using MIS in business organizations and how can these be addressed?
- 12 What are the advantages and disadvantages of outsourcing IT?
- 13 What is an information system? What are its components? How is it useful for an organization? Explain
- 14 Explain the term “Competitive Advantage”. How does it differ from Strategic Advantage? Explain with an example.
- 15 Distinguish between Data, information and knowledge giving examples of each?
- 16 Describe relationship between TPS, MIS, DSS, ESS.
- 17 Contrast between Information Architecture and Information Infrastructure.
- 18 Differentiate between
 - a) Open and Closed System
 - b) Probabilistic and Deterministic System
 - c) Data and Information
- 19 What do you understand by Information Infrastructure and Information Architecture?
- 20 List and describe any four reasons why information systems are so important for businesses today?
- 21 The companies today cannot do without Management Information Systems. Comment. What is the role played by Management Information System in organizations? Give suitable examples.
- 22 What is the difference between a Management Information System and a Decision Support System? Explain using the examples where each may be useful.
- 23 What is knowledge Management System? Why do organizations need knowledge Management Systems? Give supporting example.
- 24 Explain with examples, how does Information System give competitive and strategic advantage to the organization?
- 25 Discuss the Value Chain Analysis for an IT firm. Draw suitable flowchart

26. What is an information system? What are its components? How is it useful for an organization? Explain
27. Explain the term “Competitive Advantage”. How does it differ from Strategic Advantage? Explain with an example.
28. What are the various multimedia approaches to information processing?
29. Who are all the users of EIS and KMS?
30. What are the major advantages and disadvantages of a decision support system?