Corporate Finance Job Interview Questions And Answers

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Corporate Finance Interview Questions And Answers Guide.

Question - 1:

List the advantages of proprietary firms?

Ans:

Advantages of proprietary firms:
* Easy Formation
* Better Control
* Quick Decision Making
* Flexibility in Operations
* Personal attention to customer needs
* Creation of Employment
* Equal Distribution of Wealth
* No Legal Formalities required

View All Answers

Question - 2:

Can you please explain the difference between share capital & reserves and surpluses?

Ans:

Share Capital is that portion of a company's equity that has been obtained by issuing share to a shareholder. The amount of share capital increases as new shares are sold to public in exchange for cash.
Reserves and Surpluses indicate that portion of the earnings, receipt or other surplus of the company appropriated by the management for a general or specific purpose other than provisions for depreciation or for a known liability. Reserves are classified as: Capital Reserve and Capital Redemption Reserve.

View All Answers

Question - 3:

Define mercantile or accrual system of Accounting?

Ans:

In this system, expenses and incomes are considered during that period to which they pertain. This system of accounting is considered to be ideal but it may result into unrealized profits which might reflect in the books of the accounts on which the organization have to pay taxes too. All the company forms of organization are legally required to follow Mercantile or Accrual System of Accounting.

View All Answers

Question - 4:

Described Revenue Expenditure?

Ans:

Revenue Expenditure is the expenditure incurred in one accounting year and the benefits from which is also enjoyed in the same period only. This expenditure does not increase the earning capacity of the business but maintains the existing earning capacity of the business. It included all the expenses which are incurred during day to day running of business. The benefits of this expenditure are for short period and are not forwarded to the next year. This expenditure is on recurring nature.

View All Answers

Question - 5:

Described Capital Expenditure?

Ans:

Capital Expenditure is an amount incurred for acquiring the long term assets such as land, building, equipments which are continually used for the purpose of earning revenue. These are not meant for sale. These costs are recorded in accounts namely Plant, Property, Equipment. Benefits from such expenditure are spread over several accounting years.

View All Answers

Question - 6:

Define cash system of Accounting?

Ans:

This system records only cash receipts and payments. This system assumes that there are no credit transactions. In this system of accounting, expenses are considered only when they are paid and incomes are considered when they are actually received. This system is used by the organizations which are established for non profit purpose. But this system is considered to be defective in nature as it does not show the actual profits earned and the current state of affairs of the organization.

View All Answers

Question - 7:

What are the two most basics financial statements prepared by the companies?

Ans:

Financial statements are prepared in two forms:
* Balance Sheet is a position statement as it refers to a particular date. It is also referred to as Statement of Sources and Application of Funds. It informs about the various sources used by the organization which are technically known as liabilities to raise the funds which are referred as assets.
* Profitability Statement also known as Profit and Loss Account. It is a period statement as it refers to a particular period.

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Question - 8:

Define the disadvantages of Limited Capacity of Individual in proprietary firms?

Ans:

An individual has limited knowledge, set of skills due to which his capacity to undertake responsibilities, his capacity to take quick decisions and bear risks are also limited.

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Question - 9:

Define the disadvantages of Higher Taxes in proprietary firms?

Ans:

As the sole proprietor is the direct person enjoying the profits thus he needs to pay higher taxes.

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Question - 10:

Define the disadvantages of No Legal Status in proprietary firms?

Ans:

The existence of business is due to the existence of sole proprietor. Death or insolvency of the sole proprietor brings an end to the business.

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Question - 11:

Define the disadvantages of Limited Financial Resources in proprietary firms?

Ans:

Being the single owner of the business, the availability of funds from various sources is limited.

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Question - 12:

Define the disadvantages of Unlimited Liability in proprietary firms?

Ans:

In such firms the liability of the owner is unlimited as the owner takes more risk to earn more profits and increase the volume of his business by supplying his personal assets to the business.

View All Answers

Question - 13:

List the disadvantages of proprietary firms?

Ans:

Disadvantages of Proprietary Firms:
* Unlimited Liability
* Limited Financial Resources
* No Legal Status
* Limited Capacity of Individual
* Higher Taxes

View All Answers

Question - 14:

Define proprietary firms No Legal Formalities required?

Ans:

Proprietary firm is not required to comply with all the legal and procedural formality.

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Question - 15:
Define proprietary firms Equal Distribution of Wealth?

Ans:
Proprietary firm is generally a small scale business. Hence there are many opportunities for individuals to start their own business enabling widespread dispersion of economic wealth.
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Question - 16:
Define proprietary firms Personal attention to customer needs?

Ans:
Due to the small geographical area it becomes easy for the sole proprietor deal with all its customers personally and knows their needs. Thus it makes easy for him to pay special attention to consumer needs.
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Question - 17:
Define proprietary firms Creation of Employment?

Ans:
Proprietor firm facilitates self employment and also employment for many others. It promotes entrepreneurial skill among the individuals.
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Question - 18:
Define proprietary firms Quick Decision Making?

Ans:
Being the only owner of the business the sole trader takes all the decisions himself. He evaluates all the opportunities available and finds the solution to problems which makes decision making quick.
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Question - 19:
Define proprietary firms Better Control?

Ans:
As the owner is the single person so he has full control over his business. His total authority over his business gives him the power to plan, organize, co-ordinate the various activities. The sizes of such firm are generally small which also makes it better to control.
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Question - 20:
Define proprietary firms Easy Formation?

Ans:
Proprietary firm is easiest and economic form to create and operate as it can be started by any person without any legal formalities. Also there is no set limit of minimum or maximum number of persons to start the business as it can be started by a single person.
View All Answers

Question - 21:
Described Deferred Revenue Expenditure?

Ans:
Deferred Revenue Expenditure is a revenue expenditure which has been incurred during an accounting year but the benefit of which may be extended to a number of years. And these are charged to profit and loss account. E.g. Development expenditure, Advertisement etc.
View All Answers

Question - 22:
Define Reserves and Surpluses?

Ans:
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View All Answers

Question - 23:
Define Revenue Expenditure?

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View All Answers

Question - 24:
Define Share Capital?

Ans:
Share Capital is that portion of a company's equity that has been obtained by issuing share to a shareholder. The amount of share capital increases as new shares are sold to public in exchange for cash.
View All Answers

Question - 25:
Described Mercantile or Accrual System of Accounting?

Ans:
Mercantile or Accrual System of Accounting: In this system, expenses and incomes are considered during that period to which they pertain. This system of accounting is considered to be ideal but it may result into unrealized profits which might reflect in the books of the accounts on which the organization have to pay taxes too. All the company forms of organization are legally required to follow Mercantile or Accrual System of Accounting.
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Question - 26:
Define Capital Expenditure?

Ans:
Capital Expenditure is an amount incurred for acquiring the long term assets such as land, building, equipments which are continually used for the purpose of earning revenue. These are not meant for sale. These costs are recorded in accounts namely Plant, Property, Equipment. Benefits from such expenditure are spread over several accounting years.
E.g. Interest on capital paid, Expenditure on purchase or installation of an asset, brokerage and commission paid.
View All Answers

Question - 27:
Define the Cash System of Accounting?

Ans:
Cash System of Accounting: This system records only cash receipts and payments. This system assumes that there are no credit transactions. In this system of accounting, expenses are considered only when they are paid and incomes are considered when they are actually received. This system is used by the organizations which are established for non profit purpose. But this system is considered to be defective in nature as it does not show the actual profits earned and the current state of affairs of the organization.
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Question - 28:
Define Profitability Statement?

Ans:
Profitability Statement also known as Profit and Loss Account. It is a period statement as it refers to a particular period.
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Question - 29:
Define Balance Sheet?

Ans:
Balance Sheet is a position statement as it refers to a particular date. It is also referred to as Statement of Sources and Application of Funds. It informs about the various sources used by the organization which are technically known as liabilities to raise the funds which are referred as assets.
View All Answers

Question - 30:
What is Bank Overdraft?

Ans:
Businesses and individuals who have Current accounts with banks, subject to the bank's regulations, may be allowed to from time to time withdraw amounts in excess of the balance standing in such accounts. The believe that the account may be credited with some funds later after which the bank would recover the overdraft and some service charges. Overdrafts are more likely to be made available to businesses that need short-term funds for a seasonal trade or for a specific contract.
View All Answers

Question - 31:
What are the two basic problems financial manager faces nowadays?

Ans:
* How much money should the firm invest, and what specific assets should the firm invest in? This is the firm's investment, or capital budgeting decision.
* How should the cash required for an investment be raised? This is the financing decision.
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Question - 32:
What is Profit Maximization?

Ans:
Another objective of Financial Managers is Profit Maximization which entreats Financial Managers to put in place measures and policies that will increase the financial position of the firm. Shareholders need to receive periodic amounts to solidify their interest in the organization. A firm that does not make and declare profits continuously will not attract investors to put their money in it.

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Question - 33:
What is Financial Management?

Ans:
Financial Management is the acquisition, management and financing of resources for firms by means of money, with due regard for process in the external economic markets.

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Question - 34:
Which are the interrelated areas Finance consists of?

Ans:
* Money and capital markets, which deals with securities markets and financial institutions
* Investments, which focuses on the decisions made by both individual and institutional investors as they choose securities for their investment portfolios
* Financial management, or "business finance," which involves decisions within firms.

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Question - 35:
Define Finance?

Ans:
Finance is a term used to describe both the money resources available to governments, firms, or individuals, and the management of these funds.

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Question - 36:
What are the responsibilities of financial manager?

Ans:
financial manager is responsible for financing the firm and acts as an intermediary between the financial system's institutions and markets, on the one hand, and the enterprise, on the other.

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Question - 37:
Define Corporate Finance?

Ans:
Corporate finance describes the financial decisions of corporations. Its main objective is to maximize corporate value while reducing financial risk. The financial manager has responsibility for corporate finance decisions.

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