20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The Simplified Turnover Method assesses working capital requirement at 25% of projected turnover.

TRUE

The method fixes total working capital assessment at 25% of the unit's projected turnover.

Question 2

Under the Simplified Turnover Method, the borrower's margin (net working capital) is 5% of projected turnover.

TRUE

The borrower contributes 5% of turnover as margin, with the bank funding the rest.

Question 3

The bank's finance under the Simplified Turnover Method is a minimum of 20% of projected turnover.

TRUE

Bank finance covers at least 20% of turnover, completing the 25% total gap with the borrower's 5%.

Question 4

The Simplified Turnover Method was proposed by the P.J. Nayak Committee.

TRUE

The P.J. Nayak Committee recommended this simplified assessment approach.

Question 5

The Simplified Turnover Method was originally meant for Small Scale Industries (SSI) requiring working capital finance from banks.

TRUE

It was designed to speed up and simplify credit assessment for small units.

Question 6

The operating cycle includes raw material, work-in-process, finished goods, and receivables stages.

TRUE

Cash moves through these stages before returning as collected sales proceeds.

Question 7

The MPBF (Tandon) method is generally more complex than the Simplified Turnover Method.

TRUE

MPBF requires detailed projections and suits medium to large borrowers, unlike the simple turnover rule.

Question 8

Under the Simplified Turnover Method, the assessment is based on projected turnover, not on profit.

TRUE

Using profit or capital instead of turnover as the base is a common exam error.

Question 9

The 20% minimum bank finance under this method can rise if the borrower's actual margin falls short of 5%.

TRUE

The 20% figure is a floor, so bank finance can exceed it when the borrower's contribution is lower.

Question 10

The Simplified Turnover Method is primarily intended for smaller working capital limits, such as MSME and SSI units.

TRUE

It is used where detailed financial assessment would not be cost-effective for the loan size.

Question 11

Under the Simplified Turnover Method, the bank funds 5% of turnover while the borrower contributes 20% as margin.

FALSE

It is the reverse: the borrower contributes 5% margin and the bank funds a minimum of 20%.

Question 12

The Simplified Turnover Method assesses working capital at 40% of projected turnover.

FALSE

The correct assessment figure under this method is 25% of projected turnover, not 40%.

Question 13

The Simplified Turnover Method was proposed by the Tandon Committee.

FALSE

It was proposed by the P.J. Nayak Committee; the Tandon Committee is associated with the MPBF method.

Question 14

The Simplified Turnover Method bases its calculation on the borrower's net profit rather than turnover.

FALSE

The calculation is based purely on projected sales turnover, never on profit or capital.

Question 15

The Cash Budget Method is simpler than the Simplified Turnover Method and needs no financial projections.

FALSE

The Cash Budget Method is actually the most complex of the common approaches, requiring detailed cash-flow projections.

Question 16

The Simplified Turnover Method is used for financing all bank loans regardless of size.

FALSE

It applies only to smaller credit limits, mainly for MSME and SSI units up to a specified ceiling.

Question 17

Under the Simplified Turnover Method, the borrower's margin contribution is fixed at 20% of turnover.

FALSE

The borrower's margin is 5% of turnover; 20% is the minimum share funded by the bank.

Question 18

The 20% bank finance under the Simplified Turnover Method is a fixed maximum that can never be exceeded.

FALSE

The 20% figure is a minimum, so actual bank finance can go higher, not a maximum cap.

Question 19

The operating cycle begins with receivables and ends with raw material purchase.

FALSE

The cycle actually starts with raw material and moves through work-in-process and finished goods to receivables.

Question 20

The Simplified Turnover Method was designed exclusively for large corporate borrowers with big loan limits.

FALSE

It was designed for Small Scale Industries and smaller units, not large corporate borrowers.