

**BACHELOR OF BUSINESS ADMINISTRATION
FOURTH SEMESTER
FINANCIAL MANAGEMENT
BBA – 401**

**SET
B**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

1. 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
2. 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
3. In order to calculate Weighted Average Cost of weights may be based on:
 - a. Market Values
 - b. Target Values
 - c. Book Values
 - d. All of the above
4. The net initial investment is divided by uniform increase in future cash flows to calculate
 - a. Discounting period
 - b. Investment period
 - c. Payback period
 - d. Earning period
5. Working capital is also known as:
 - a. Operating capital
 - b. Nominal capital
 - c. Current asset capital
 - d. Capital relating to main project
6. What are the aspects of working capital?
 - a. Cash management
 - b. Inventory management
 - c. Receivable management
 - d. All of the above
7. _____ refers to fund that company uses it for day to day operation.
 - a. Working capital
 - b. Variable capital
 - c. Fixed capital
 - d. None of the above
8. What are the things that constitute inventory?
 - a. Raw material
 - b. Work in progress
 - c. Finished goods
 - d. All of the above
9. Negative working capital means:
 - a. Current liabilities exceeds current assets
 - b. Current assets exceed current liability
 - c. When current liability is equal to current asset
 - d. None of the above

10. Firm's Cost of Capital is the average cost of:
 - a. All sources
 - b. All borrowings
 - c. Share capital,
 - d. Share Bonds & Debentures
11. Objective of financial management is
 - a. Profit maximization
 - b. Wealth maximization
 - c. Assets maximization
 - d. Sales maximization
12. Maximization of Shareholders Wealth is reflected in
 - a. Sales Maximization
 - b. Number of Shareholders
 - c. Market Price of Equity Shares
 - d. None of the above
13. The objective 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
14. What is not a part of Investment decision in financial management?
 - a. Dividend Payout decision
 - b. Working Capital Management
 - c. Capital Budgeting Decisions
 - d. Payable Management
15. Which of the following is not a cash outflow for the firm?
 - a. Depreciation
 - b. Dividends
 - c. Interest payments
 - d. Taxes
16. Discounting technique is used to find out
 - a. Terminal Value
 - b. Compounded Value
 - c. Present Value
 - d. Future Value
17. Time value of money is an important concept of finance because it takes into account:
 - a. Risk
 - b. Time
 - c. Compound interest
 - d. All of the above
18. MM Model argues that dividend is irrelevant as:
 - a. The value of the firm depends upon earning power
 - b. The investors buy shares for capital gain,
 - c. Dividend is payable after deciding the retained earnings
 - d. Dividend is a small amount
19. Capital Decisions are:
 - a. Reversible
 - b. Irreversible
 - c. Unimportant
 - d. All the above
20. Weighted Average Cost of Capital is generally denoted by
 - a. K_e
 - b. K_0
 - c. k_d
 - d. K_p

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. a) Elucidate the types of financial function decision. 5+5=10
b) Explain the objective of financial management in light of profit making and wealth maximizing.
2. Explain the Organization of Finance Function with help of flow diagram. 10
3. Mr. Ashok is considering to invest Rs 350000 in hardware business. The cash inflows during the 1st, 2nd and 3rd year are expected to be 125000,150000, and 170000. Calculate the IRR (Note discount rate 10% and 15%). 10
4. a) Explain IRR (Internal Rate of Return) with its advantage and disadvantages. 5+5=10
b) Write difference between NPV & IRR
5. XYZ Company supplied the following information and requested you to compute the cost of capital based on book value and market value. 10

Sources of funds	Book Value	Market Value	After tax cost
Equity capital	5,00,000	525,000	0.055
long term debt	5,00,000	550,000	0.053
short term debt	10,00,000	24,00,000	0.10
Total	20,00,000	34,75,000	

6. a) Explain the term Capital Structure and its importance. 5+5=10
b) Elucidate the theory of NET INCOME APPROACH.
7. Mehta company Ltd. is expecting an annual EBIT of Rs 200,000. The company has Rs 5,00,000 in 10% Debenture. The cost of equity capital is 12.5%. Compute the value of the firm using Net Income Approach. 10
8. a) Explain working capital management. 2+4+4=10
b) write short notes on:
i) Equity share
ii) Preference share

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