

**Dr. Babasaheb Ambedkar Open University**  
**Term End Examination July – 2026**

|              |                        |            |                      |
|--------------|------------------------|------------|----------------------|
| Course       | : BBA                  | Date       | : 08-07-2026         |
| Subject Code | : BBACC401             | Time       | : 03:00pm to 05:15pm |
| Subject Name | : Financial Management | Duration   | : 02.15 Hours        |
|              |                        | Max. Marks | : 70                 |

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Answer the following Questions: Marks

Q-1 Explain the Objectives of Financial Management. 14

**OR**

Q-1 Explain the importance of sources of finance.

Q-2 A company has the following capital structure: 14

| Source                   | Amount (₹) |
|--------------------------|------------|
| Equity Share Capital     | 4,00,000   |
| Preference Share Capital | 3,00,000   |
| Debentures               | 3,00,000   |

Additional Information:

- Market price per equity share = ₹ 80
- Dividend just paid ( $D_0$ ) = ₹ 6
- Growth rate = 4%
- Preference dividend = 12 % on 100 shares
- Market price of preference share = ₹ 90
- Interest on debentures = 10%
- Net proceeds of debentures = ₹ 100
- Tax rate = 30%

Required:

- ✓ Calculate Cost of Equity ( $K_e$ )
- ✓ Calculate Cost of Preference Shares ( $K_p$ )
- ✓ Calculate Cost of Debt ( $K_d$  - after tax)
- ✓ Calculate WACC

**OR**

Q-2 Explain various factors affecting Capital Structure.

Q-3 The Capital structure of the Progressive Corporation consists of equity share capital of Rs. 10,00,000 (Shares of Rs. 100 each) and Rs. 10,00,000 in 10% debentures. Sales increased by 20% from 1,00,000 units to 1,20,000 units. The selling price is Rs. 10 per unit, variable costs amount to Rs 6 per unit, and fixed expenses amount to Rs 2,00,000. 14

The income tax rate is assumed to be 50%.

(a) You are required to calculate the degree of operating leverage at 1,00,000 units and 1,20,000 units.

(b) Comment on the behavior of operating leverage in relation to increasing Production from 1,00,000 units to 1,20,000 units.

**OR**

Q-3 Discuss various determinants of Working Capital.

|                |                                                                                                                                                                                                                 |           |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>Q-4</b>     | Explain the importance of Cash Management.                                                                                                                                                                      | <b>14</b> |
| <b>OR</b>      |                                                                                                                                                                                                                 |           |
| <b>Q-4</b>     | What is Inventory? Explain the nature of inventory.                                                                                                                                                             |           |
| <b>Q-5 (A)</b> | Write a Short Note: (Any Three)                                                                                                                                                                                 | <b>09</b> |
| <b>1</b>       | Scope of Time Value of Money                                                                                                                                                                                    |           |
| <b>2</b>       | Limitations of Financial Leverage                                                                                                                                                                               |           |
| <b>3</b>       | Discounted Cash Flow (DCF) Methods                                                                                                                                                                              |           |
| <b>4</b>       | Objectives of Receivables Management                                                                                                                                                                            |           |
| <b>5</b>       | Factors Affecting Financial Planning                                                                                                                                                                            |           |
| <b>(B)</b>     | MCQs                                                                                                                                                                                                            | <b>05</b> |
| <b>1</b>       | The present value (PV) of a future cash flow decreases when:<br>(a) Interest rate decreases<br>(b) Time period decreases<br>(c) Interest rate increases<br>(d) Time period decreases and rate decreases         |           |
| <b>2</b>       | One major limitation of receivables management is:<br>(a) Blocking of working capital<br>(b) Increase in cash balance<br>(c) Reduction in expenses<br>(d) Faster cash inflow                                    |           |
| <b>3</b>       | Financial planning in a business primarily helps in:<br>(a) Increasing employee satisfaction<br>(b) Forecasting financial needs and arranging funds<br>(c) Reducing marketing expenses<br>(d) Avoiding taxation |           |
| <b>4</b>       | Green finance mainly supports<br>(a) Short-term profits<br>(b) Speculative trading<br>(c) Environment-friendly projects<br>(d) High-risk investments                                                            |           |
| <b>5</b>       | Crypto assets are<br>(a) Physical assets<br>(b) Government-issued currencies<br>(c) Digital assets using cryptography<br>(d) Paper securities                                                                   |           |

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