

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

Course	: BBAR/DBAR	Date	: 13-07-2026
Subject Code	: BBAR/DBAR-202	Time	: 03:00pm to 05:15pm
Subject Name	: Financial Management	Duration	: 02.15 Hours
		Max. Marks	: 70

Section A

Answer the following (Attempt any three) (30)

1. Define financial management. Explain various finance functions in detail.
2. Debenture is a long term sources of finance Explain.
3. Explain the classification of Cost Capital in detail.
4. What is leverage? Explain several types of leverage in detail.
5. What is working capital? Explain various kinds of working capital.

Section B

Answer the following (Attempt any four) (20)

1. Write a short note factoring.
2. Explain Time value of money.
3. Explain Modigliani-Miller Hypothesis of capital structure.
4. The total requirement is 2000 units, Ordering cost per order is 40 and carrying cost per unit is 2, The EOQ will be.
5. Explain The Net Present Value in brief
6. What are the advantages of financial planning?

Section C

Part – A (Multiple Choice Questions)

(10)

- 1 Under liberal dividend policy _____ amount of profit is distributed as dividend.
A Maximum B Minimum
C Equal D None
- 2 Which of the following are several kinds of derivatives?
A Forward contract B Future contract
C Options D All of these
- 3 Any _____ process should be systematic, result-oriented and easy to follow.
A Marketing planning B Financial planning
C HRM planning D Production planning
- 4 _____ Technique of capital budgeting is also known as the benefit- cost ratio.
A Net present value B Internal rate of return
C Profitability Index D Average rate of return
- 5 The payments delayed by the customers will lead to _____ receivables.
A Increased B Decreased
C No effect on D Equal
- 6 _____ working capital is the amount of funds invested in the various components.
A Net B Gross
C Variable D Permanent

- 7 Formula to determine degree of operating leverage is
 - A Contribution/ EBT
 - B EBIT/ Contribution
 - C Contribution/ EBIT
 - D EBT/ Contribution
- 8 Treasury Bills are issued by _____
 - A SBI
 - B BOI
 - C BOB
 - D RBI
- 9 The _____ can be used as a tool to evaluate the financial performance of top management
 - A Cost of capital
 - B Capital structure
 - C Capital budgeting
 - D Capital
- 10 _____ is one of the long term objective of financial management
 - A Maximization of firms' profit
 - B Maximization of firms wealth
 - C Maximization of firms' loss
 - D Maximization of firms' expenses

Part – B (Do as Directed)

State whether the following statements are true or false

- 1 Dividend is that part of profit which is distributed by the company to the shareholders.
- 2 The derivatives are most modern financial instruments in hedging risk.
- 3 Income includes spending money on the basic necessities like food, shelter, and clothing.
- 4 Original value is considered for the calculation of monthly depreciation.
- 5 The pay back method (PB) is the traditional method of capital budgeting.
- 6 Networking Capital is the difference between current assets and current liabilities.
- 7 The concept of Interest is applicable to present value.
- 8 The firm should select only those capital investment proposals whose net present value is negative.
- 9 Preference shares have combined the attributes of equity shares and debentures.
- 10 The Net Income Approach (NI) assumes that the cost of debt and that of equity are independent to capital structure.
