Dr. Babasaheb Ambedkar Open University
Term End Examination December – 2019

Course	**:**	**BBA**	**Date**	**:**	**10-Jan-2020**
Subject Code	**:**	**BBA-402(NEW)**	**Time**	**:**	**11:00am to 02:00pm**
Subject Name	**:**	**Financial Management**	**Duration**	**:**	**03 Hours**
			Max. Marks	**:**	**70**

Section A

Answer the following (Attempt any three) **(30)**

1. Discuss Average Rate of Return method of capital budgeting with merits and demerits.
2. A Company issues 40000 10% preference share of Rs.100 each. Cost of issue is Rs.2 per share. Calculate cost of preference share capital it these shares are issued (a) at 10% premium (b) at 5% discount
3. What is financial management? Explain scope of financial management
4. Discuss types of short term capital in brief.
5. Write different Capital structure theories with examples.

Section B

Answer the following (Attempt any four) **(20)**

1. Explain types of working capital in short.
2. Discuss various reasons for holding cash.
3. What is cost of capital? Explain classification of cost of capital
4. Draw the format of Cash Budget.
5. What are the disadvantages of financial planning.
6. Consider the following data of ABC ltd :
   Selling price per unit: Rs.60,
   Variable cost per unit: Rs.40
   Fixed cost: Rs. 200000
   Interest: Rs.100000,
   Tax rate 50%
   Calculate the three types of leverages if the number of units sold is 20000.

Section C

Part – A (Multiple Choice Questions) **(10)**

1 The only feasible purpose of financial management is

A	Wealth Maximization	B	Sales Maximization
C	Profit Maximization	D	Asset Maximization

2 Financial management process deals with

A	Investment	B	Financial Decision
C	Both	D	None

3 Agency cost consists of

A	Binding	B	Monitoring
C	Opportunity and structure cost	D	All

4 Finance Function comprises

A Safe custody of funds only B Expenditure of funds only

C Procurement of finance only D Procurement & effective use of funds

5 The objective of wealth maximization takes into account

A Amount of returns expected B Timing of anticipated returns

C Risk associated with uncertainty of returns D All

6 Financial management mainly focuses on

A Efficient management of every business

B Brand dimension

C Arrangement of funds

D All elements of acquiring and using means of financial resources for financial activities

7 If the nominal rate of interest is 10% per annum and there is quarterly compounding, the effective rate of interest will be:

A 10% per annum B 10.10% per annum

C 10.25% per annum D 10.38% per annum

8 Relationship between annual nominal rate of interest and annual effective rate of interest, if frequency of compounding is greater than one:

A Effective rate > Nominal rate B Effective rate < Nominal rate

C Effective rate = Nominal rate D None

9 Mr. X takes a loan of Rs 50,000 from HDFC Bank. The rate of interest is 10% per annum. The first installment will be paid at the end of year 5. Determine the amount of equal annual installments if Mr. X wishes to repay the amount in five installments.

A Rs 19500 B Rs 19400

C Rs 19310 D None

10 If nominal rate of return is 10% per annum and annual effective rate of interest is 10.25% per annum, determine the frequency of compounding:

A 1 B 2

C 3 D None

Part – B (Do as Directed) (10)

1 NPV

2 ARR

3 Profitability Index

4 EOQ

5 Working capital

6 Financial Plan

7 Operating cycle

8 Benefit cost ratio

9 Financial Leverage

10 IRR