

Dr. Babasaheb Ambedkar Open University
Term End Examination January - 2026

Course : MBA
Subject Code : MBA02C203
Subject Name : Financial Management

Date : 18/02/2026
Time : 03:00pm to 05:15pm
Duration : 02.15 Hours
Max. Marks : 70

Q-1 Explain the functions of financial management. **14**

Or

The required return on SENSEX is 15 percent. The beta of the share of City Union Bank is 1.5. The required return on the City Union Bank is 20 percent. The expected dividend growth on City Union Bank is 6 percent. The price per share of City Union Bank is INR 86. What is the expected dividend per share of City Union Bank next year? What will be the combined effect of the following on the price of share?

- (a) The inflation premium increases by 3 percent.
- (b) The decrease in the degree of risk-aversion reduces the differential between the return on market portfolio and the risk-free return by one-fourth.
- (c) The expected growth rate of dividend on City Union Bank decrease to 3 percent.
- (d) The beta of stock A falls to 1.2.

Q-2 Explain the Factors Affecting the Capital Structure. **14**

Or

Explain the Determinants of Working Capital Management.

Q-3 Explain the risk analysis techniques of capital budgeting. **14**

Or

Explain the different motives of holding cash.

Q-4 Explain the ABC system of inventory control in detail. **14**

Or

Explain the elements of receivables management/decision areas.

Q-5 (A) Write a short note (any three) **09**

Importance of cost of capital.
 Advantages and Disadvantages of IRR.
 Dividend Stability Policy.
 Criticism of MM approach.
 Scope of financial management.

(B) Select the correct response for each of the following questions. **05**

- 1** The annual interest on a bond in relation to its prevailing market price is called its:
 (a) Coupon rate (b) Promised yield (c) Current yield (d) Yield to maturity
- 2** Capital budgeting is part of -----
 (a) Investment decision (b) Working capital management
 (c) Capital structure (d) Marketing management
- 3** Idle cash leads to increase in ...
 (a) Profitability (b) Liquidity (c) Both (d) None of the above
- 4.** In FSN, S stands for...
 a. Silver moment b. Stand alone c. Slow moving d. Sure moving
- 5** Walter model assumes that for financing future investments, a firm will rely only on
 (a) Debentures (b) Term loans (c) Retained earnings (d) External equity
