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

Course	:	**PGDF**	**Date**	:	**18-Jul-19**
Subject Code	:	**PGDF-102**	**Time**	:	**03:00pm to 06:00pm**
Subject Name	:	**Financial Management**	**Duration**	:	**03 Hours**
			Max. Marks	:	**70**

Section A

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

1. What is Working Capital? Explain Types of Working Capital.
2. Discuss Factors Determining Working Capital.
3. Explain the types of leverage.
4. Bhagavti Stores Ltd. has a total capitalization of the 10 lakhs entirely of equity shares of Rs. 50 each. It wishes to raise another Rs. 5 lakhs for expansion through one of its two possible financial plans, i) All equity shares of Rs, 50 each ii) All debentures carrying 9% interest. Assume EBIT (Earnings before Interest and Tax) at Rs. 1,40,000 and Income Tax 50%. Calculate financial leverage and the Earnings per Share (EPS) of these financial plans.
5. Explain in brief Role and Functions of Finance Manager.

Section B

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

1. Explain Advantages of Financial Planning.
2. Difference between Forward Contract and Future Contract.
3. Write a note on Capital Structure Theories.
4. Discuss Objectives of Financial Management.
5. Write a short note on Financial Management and Economics.
6. Explain any 3 types of capital.

Section C

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

1 _____assets should be managed efficiently for safeguarding the firm against the risk of liquidity.

A Current B Fixed
C Variable D None of above

2 _____is one of the main functions of finance manager

A marketing B Funds raising
C Finance D All of above

3 _____combine the attributes of equity shares and debentures.

A bonds B equity shares
C bonus shares D Preference shares

4 _____are pure debentures without a feature of conversion

A NCDs B FCDs

C TCDs D KCDs

5 The cost of capital is _____as being composed of several elements.

A Visualized B determinant

C Variable D Fixed

6 Investors will demand _____rate because of the increased risk

A higher interest B Lower interest

C Average interest D Fixed interest

7 The shareholder‟s return in terms of EPS or ROE is affected by leverage which also increases financial _____

A Return B Risk

C Investment D None of above

8 _____is maintained as the medium to carry on operations at any time

A Permanent Working Capital B Working Capital

C Capital D Gross working capital

9 In simple words, _____ is a force applied at a particular point to get the desired result

A Asset B Leverage

C Liabilities D Debt

10 Speculative motives play a big role in holding the cash by the _____

A corporate B Incorporate

C Financer D MNCs

Part – B (Do as Directed) (10)

True and False.

1 Terminal cash flow is Components of Cash Flows.

2 Net cash flow = Revenues – Expenses

3 Employee benefit planning is one of the Types of Planning.

4 The typical forward contracts are for 1 month, 3 months or 6 months.

5 EFR means External Fund Receipt.

6 Nature of business is a factors affecting working capital.

7 ACP stands for Average collection period.

8 Speculative Motive is a Factor for Efficient Cash Management.

9 It is easy to understand, calculate and communicate is advantage of Pay Back Method.

10 IRR means Internal Rate of Return**.**