

Dr. Babasaheb Ambedkar Open University
Term End Examination July – 2021

Course	: BBAR/DBAR	Date	: 28-July-2021
Subject Code	: BBAR/DBAR-202	Time	: 01:00pm to 03:00pm
Subject Name	: Financial Management	Duration	: 02 Hours
		Max. Marks	: 50

Section A

Answer the following (Attempt any two) (20)

1. Explain the finance functions in detail.
2. “Financial Management is a Scientific Art”. Discuss.
3. A company is considering a new project for which the investment data are as follows:
Capital outlay Rs. 2,00,000 Depreciation 20% p.a. Forecasted annual income before charging depreciation but after all other charges, are as follows:
Year Rs.
1 1,00,000
2 1,00,000
3 80,000
4 80,000
5 40,000
4,00,000
On the basis of the available data, set out calculation, illustrating and comparing the following method of evaluating the return :-
a) Payback method b) Rate of return investment c) Internal rate of return.
4. What did you understand by techniques of Financial Management? Name and explain some of them.

Section B

Answer the following (Attempt any three) (15)

1. Describe objectives of Financial Management.
2. Explain Interrelationship between Investment Financing and Dividend Decisions.
3. Spice jet airlines issued 20,000 10% preference share of Rs. 100 each. Cost of issue is Rs.2 per share. Calculate cost of preference capital if these shares are issued (a) at premium of 10%. (b) at a discount of 5%.
4. What do you understand by liquidity decision?
5. Rohan Ltd: share beta factor is 1.40. The risk free rate of interest on government securities is 9%. The expected rate of return on company equity shares is 16%. Calculate cost of equity capital based on capital asset pricing model

Section C

Part – A (Multiple Choice Questions)

- 1 The following is(are) the external source(s) of cash (10)
A Long terms loans B Short term borrowings
C Issue of new shares D All of the above
- 2 The total cost that arises when the quantity produced is increased by one unit is called
A Average Cost B Marginal Cost
C Fixed Cost D Unit Cost

- 3 Current assets are also referred to as
 A Working Capital B Investment
 C Inventory D Live Stock
- 4 Carriage Inward is normally debited to _____
 A Profit and Loss account B Manufacturing Account
 C Marketing Account D None of the above
- 5 The standard liquid ratio is
 A 2:1 B 1:2
 C 1:1 D 1:3
- 6 In the calculation of return on shareholders investments the referred investment deals with
 A All reserves B Preference and equity capital only
 C All appropriations D All of the above
- 7 Which of the following is an advantage of standard costing?
 A Measuring efficiency B Facilitates cost control
 C Determination of variance D All of the above
- 8 The following item is shown in profit and loss appropriation account.
 A Dividends declared B Discount of issue of shares
 C Non-operating expenses D Current Asset
- 9 The assets of a business can be classified as
 A Only fixed assets B Only current assets
 C Fixed and current assets D None of the above
- 10 Which of the following is the test of the long term liquidity of a business?
 A Interest coverage ratio B Stock turnover ratio
 C Operating ratio D Current ratio

Part – B (Do as Directed)

(05)

- 1 Ratio Analysis
 2 Dividend Decision
 3 Prepaid Expenses
 4 Net Worth
 5 Return on Investment
