Dr. Babasaheb Ambedkar Open University
Term End Examination July – 2023

Course	:	BBA	**Date**	:	31-Jul-23
Subject Code	:	BBA-402(NEW)	**Time**	:	12:45pm to 03:00pm
Subject Name	:	Financial Management	**Duration**	:	02.15 Hours
			Max. Marks	:	70

Section A

Answer the following (Attempt any three) (30)

1. A company issued Rs 100 /- Debenture at par carrying coupon rate of 10%. Cost of issue was 3%. Debentures are redeemable at par after 6 years. Calculate Kd (Cost of Debenture) assuming that issue cost cannot be claimed as tax deductible expenses. Applicable Tax Rate is 30%. Calculate the Cost of Debentures.
2. Explain the Modigliani- Miller Hypothesis.
3. Describe the Types of Working Capital.
4. Discuss the overview of Derivatives.
5. Explain the Changing Role of Finance Manager.

Section B

Answer the following (Attempt any four) (20)

1. Write a short note on Capital Budgeting Techniques.
2. Describe the Initial Public Offer.
3. From the following data calculate financial, operating and combined leverage
   Sales: 10,000 units Rs 25 per unit as the selling price Variable cost: Rs. 5 per unit Fixed cost. Rs, 30,000 Interest cost: Rs. 15,000
4. Explain the Reasons for Holding Cash.
5. What are the Advantages of Financial Planning?
6. Describe the difference between Forward Contract and Future contract.

Section C
Part – A (Multiple Choice Questions) (10)

1 The firm should select only those capital investment proposals whose net present value is

   A Equal   B negative

   C positive   D None of these

2 Any fluctuation in is magnified on the earning per share (EPS) by operating trading on Equity

   A earnings before interest and tax   B Earning after interest and tax

   C A and B both   D None of these

3 _____are the excess of income over the expenditure of the companies for a year.

   A Cash   B Profit

   C A and B both   D None of these

4 The _____ is the optimal order size that results in the lowest total of order and carrying cost for an item of inventory given its expected usage, carrying cost and ordering cost.
   A LIFO   B Economic Order Quantity
   C Economic Order   D EOQ determines

5 _____ on debentures or Term loans has to be paid whether there is any profit or not.
   A Payment   B Dividend
   C Interest   D None of these

6 An economic analysis may tell the company to replace a machine say after _____ years.
   A 1   B 5
   C 10   D 12

7 _____ includes spending money on the basic necessities like food, shelter, and clothing.
   A Saving   B Investment
   C Consumption   D None of these

8 The _____ are most modern financial instruments in hedging risk.
   A Swaps   B Derivatives
   C Options   D None of these

9 The _____ assumes that if the sales have to go up then the investments in all assets should proportionately go up.
   A FER Model   B EFR Model
   C REE Model   D REP Model

10 A _____ is available for calculating EFR but it is advisable to understand the fundamentals behind it.
   A formula   B Mathode
   C A and B both   D None of these

Part – B (Do as Directed)   **(10)**

1 The finance manager should take the investment and finance decisions in consonant to the_____.

2 _____ are converted into shares as per the terms of the issue with regard to price and time of conversion.

3 The use of the _____ sources of funds, such as debt and preference capital with owners equity in the capital structure is described as financial leverage or training on equity.

4 What is Yield to Maturity?

5 How many Steps in Financial Planning?

6 What is zero Coupon Bond?

7 What is Accruals?

8 What is convertible Security?

9 What is Optimal Capital Structure?

10 What is Capital budgeting?

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