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

Course **BBAR/DBAR** Date 26-July-23 Time **Subject Code BBAR-202/DBAR-202** 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. Explain the objectives of financial Management. 2. Discuss the determinants of dividend policy in detail. 3. Explain the components of cash flows. 4. Write a brief note about Inventory Management. 5. What are the Elements of cost of capital? **Section B Answer the following (Attempt any four)** (20)1. Explain the role and functions of finance Manager. 2. Discuss the need for issuing convertible debentures 3. What do you mean by Certificate of Deposit (CDs)? 4. Discuss the CAPM and Capital Structure. 5. Explain the risk associated with leverage. Discuss the Conservative approach. 6. Section C Part - A (Multiple Choice Questions) (10)What is/are the features of cash credit? 1 Borrowing Limit Credit Period В Collateral Security All of above 2 What is the advantage of letter of credit? Highly customizable Safety A В A and B both None of above 3 Decision making involves; A Financial decisions В Investment decisions Working capital decisions D All of above 4 Maximization objectives includes; Α Sales Growth В All of above Return on Investment D 5 The concepts of microeconomics helps; Price fixation Determination of capacity and operating levels, A and B both None of Above 6 The important techniques used in capital investment appraisal; A Payback period method Accounting rate of return method

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All of Above

Profitability index method

7	Considering the cost of capital, the cost of equity capital is higher than any other form			
	of capital as;			
	A	The high cost of issue.	В	The equity shareholders enjoy voting rights
	C	Equity dividends are tax deductible expenses	D	A and B both
8	Full form of WACC			
	A	Weighted accounting cost of capital	В	Weighted average cost of capital
	C	Weighted accounting cost of capital Inventories	D	All of above
9	Deb	t Equity Ratio =		
	A	Debt /Equity	В	Equity /Debt
	C	A and B both	D	None of Above
10	The operating cycle consists ofs		sta	ages:
	A	Four	В	Five
	C	Seven	D	Ten

Part – B (Do as Directed)

(10)

State whether the following statements are true or false

- 1 Companies hold inventories basically for 3 motives.
- 2 Companies never extend credit to dealers to build long term relationships with them or to reward them for their loyalty.
- The Economic Order Quantity (EOQ) determines the order size which will minimize the total inventory cost.
- 4 The two essential components of capital structure of a company are debt and equity.
- 5 The marginal cost of funds is the cost of the next increments of capital raised by the firm.
- 6 The historical cost and future cost are the same cost.
- 7 Sinking fund is fund created to accumulate the specified amount of sum in a future by way of regular periodic payment for some specific purpose.
- 8 The concept of future value is very morden concept
- 9 A bill of exchange an instrument in writing.
- 10 Endorser is the person who transfers rights of payment.
