



## BRAINWARE UNIVERSITY

**Term End Examination 2024-2025**  
**Programme – BBA(BA)-Hons-2024**  
**Course Name – Financial Management**  
**Course Code - BBB20202**  
**( Semester II )**

*Library*  
Brainware University  
398, Ramkrishnapur Road, Barasat  
Kolkata, West Bengal-700125

**Full Marks : 60**

**Time : 2:30 Hours**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

### **Group-A**

(Multiple Choice Type Question)

1 x 15=15

1. Choose the correct alternative from the following :

- (i) Identify a major aspect of financial decision-making.
  - a) Choosing an office location
  - b) Selecting a supplier
  - c) Determining the capital structure
  - d) Deciding marketing campaign
- (ii) Select a primary concern of working capital management.
  - a) Managing long-term debts
  - b) Controlling daily financial operations
  - c) Setting long-term investment goals
  - d) Defining corporate mission
- (iii) Locate the area that financial management does not directly influence.
  - a) Dividend decisions
  - b) Production scheduling
  - c) Investment decisions
  - d) Financing choices
- (iv) Identify the primary responsibility of a financial manager.
  - a) Managing payroll processing
  - b) Making financing and investment decisions
  - c) Overseeing customer feedback
  - d) Handling supplier negotiations
- (v) Locate the correct interpretation of a discount rate in present value calculations.
  - a) The rate at which money loses value over time
  - b) The rate used to convert future values to present values
  - c) The rate of inflation in an economy
  - d) The rate at which interest is paid annually
- (vi) Identify the cost of preference shares in the presence of flotation cost.
  - a) Dividend / Net proceeds
  - b) Dividend / Market price
  - c) (Dividend + Growth) / Price
  - d) Dividend \* Tax Rate
- (vii) Identify how flotation costs affect the cost of new equity.
  - a) Increases it
  - b) Decreases it

- c) No effect  
 (viii) Cite how a higher beta affects the cost of equity in CAPM.  
 a) Increases  
 c) No impact  
 (ix) Cite the formula for cost of equity using CAPM.  
 a)  $R_f + \beta(R_m - R_f)$   
 c)  $R_m - R_f$   
 (x) Identify how cost of equity is impacted if risk-free rate increases.  
 a) Increases  
 c) No effect  
 (xi) Predict which method is best for mutually exclusive projects.  
 a) Net Present Value  
 c) Profitability Index  
 (xii) Choose the effect of a high debt ratio on dividend policy.  
 a) Higher dividends  
 c) No effect  
 (xiii) Predict why companies announce special dividends.  
 a) To replace stock dividends  
 c) To reduce liabilities  
 (xiv) Predict which situation supports a higher dividend payout.  
 a) High growth opportunities  
 c) Stable earnings  
 (xv) Select the correct option, \_\_\_\_\_ is NOT a component of the cost of capital.  
 a) Cost of debt.  
 c) Cost of preference shares
- d) Doubles it  
 b) Decreases  
 d) Becomes negative  
 b)  $R_f + (R_m - R_f) / \beta$   
 d)  $\beta(R_m - R_f)$   
 b) Decreases  
 d) Becomes zero  
 b) Payback Period  
 d) Internal Rate of Return  
 b) Lower dividends  
 d) Increases stock price  
 b) To distribute excess profits  
 d) To lower stock price  
 b) Low profitability  
 d) High debt ratio  
 b) Cost of equity  
 d) Cost of retained earnings.

#### Group-B

(Short Answer Type Questions)

3 x 5=15

2. State the primary goal of financial management. (3)
3. Calculate the cost of debt. DEF Ltd. issued bonds with a face value of 1,000, paying an annual coupon rate of 6%. If the current market price of the bond is 950. (3)
4. Calculate the payback period and period for this investment when the Company XYZ invests 400,000 in a project. It expects annual cash flows of 150,000 for the next 3 years. (3)
5. Explain net income theory of capital structure. (3)
6. Evaluate the implications of MM theory in financial decision-making. (3)

**OR**

- Assess the risk-return trade-off in working capital management. (3)

#### Group-C

(Long Answer Type Questions)

5 x 6=30

7. Illustrate the concept of financial planning and its role in organizational success. (5)
8. Predict the impact of changes in discount rate on the net present value (NPV) of a project and discuss its implications for investment decisions. (5)
9. Discuss the impact of taxes on the cost of debt for a corporation. (5)
10. Explain the difference between cash dividends and stock dividends. (5)

11. Estimate the combined leverage. The following particulars are available : Sales Rs. 1,00,000 (5)  
Variable Cost Rs. 70,000 Fixed Cost Rs. 20,000 Long term loans Rs. 50,000 At 10 percent.
12. Evaluate the value of the share if the dividend growth is zero percent. Dividend now is Rs. 4.48 (5)  
and equity capitalization rate is 17%.

**OR**

Estimate how much money will you have in the account after 3 years if you Invest Rs. 10,000 (5)  
in a savings account that offers an annual compound interest rate of 5%.

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