



BRAINWARE UNIVERSITY

Term End Examination 2023-2024

Programme – BBA-Hons-2023/BBA(DM)-Hons-2023

Course Name – Financial Management

Course Code - BBA20103/BBD20103

(Semester II)

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 the process of evaluating and selecting long-term investment projects.
- | | |
|-----------------------|-----------------------|
| a) Capital budgeting | b) Cost accounting |
| c) Financial analysis | d) Performance review |
- (ii) Predict the technique used to evaluate investment projects by calculating the present value of future cash flows.
- | | |
|----------------------|----------------------------|
| a) Payback period | b) Internal rate of return |
| c) Net present value | d) Profitability index |
- (iii) Identify the approach that considers the time value of money when evaluating investment projects.
- | | |
|--------------------------|----------------------------------|
| a) Simple payback method | b) Discounted cash flow analysis |
| c) Payback period | d) Accounting rate of return |
- (iv) Predict the method that measures the profitability of an investment project by calculating the ratio of net present value to the initial investment.
- | | |
|----------------------|----------------------------|
| a) Payback period | b) Internal rate of return |
| c) Net present value | d) Profitability index |
- (v) Identify the concept that represents the difference between the present value of cash inflows and outflows of an investment project.
- | | |
|----------------------|----------------------------|
| a) Payback period | b) Internal rate of return |
| c) Net present value | d) Profitability index |
- (vi) Predict the technique that focuses on the time it takes for a project's cumulative cash flows to equal its initial investment.
- | | |
|-------------------|----------------------------|
| a) Payback period | b) Internal rate of return |
|-------------------|----------------------------|

- c) Net present value
 (vii) Identify the method that discounts future cash flows to their present value using a specified discount rate.
 a) Payback period
 c) Net present value
 (viii) Identify the basis for maximizing shareholder wealth.
 a) Profit maximization
 c) Value maximization
 (ix) Sketch which of the following is a measure of the cost of equity.
 a) Dividend yield
 c) Price-to-earnings ratio
 (x) Determine the element that the Capital Asset Pricing Model (CAPM) does not take into account.
 a) Risk-free rate
 c) Firm's tax rate
 (xi) Calculate WACC(weighted average cost of capital).
 a) Cost of debt and cost of equity
 c) Cost of debt, cost of equity, and cost of preference shares
 (xii) Choose the correct statement about the cost of retained earnings.
 a) It is equal to the cost of equity
 c) It is generally lower than the cost of new equity
 (xiii) Examine which of the following is NOT a way to calculate equity costs.
 a) Dividend Discount Model (DDM)
 c) Arbitrage Pricing Theory (APT)
 (xiv) Examine the options that do not involve calculating the cost of equity.
 a) Capital budgeting decisions
 c) Working capital management
 (xv) Determine the statement that is true regarding the relationship between risk and the cost of capital.
 a) Higher risk is always associated with a higher cost of capital
 c) Risk has no impact on the cost of capital
- d) Profitability index
 b) Internal rate of return
 d) Profitability index
 b) Revenue maximization
 d) Cost minimization
 b) Earnings per share
 d) Capital gains yield
 b) Market risk premium
 d) Beta coefficient of the asset
 b) Cost of equity and cost of preference shares
 d) Cost of debt, cost of equity, and cost of retained earnings
 b) It is higher than the cost of debt
 d) It is not relevant in the calculation of WACC
 b) Bond Yield Plus Risk Premium Approach
 d) Payback Period Method
 b) Dividend policy decisions
 d) Financial reporting
 b) Higher risk is always associated with a lower cost of capital
 d) The relationship between risk and cost of capital varies depending on the market conditions

Group-B

(Short Answer Type Questions)

3 x 5=15

2. Compare the payback period method and the net present value method of capital budgeting. (3)
 3. Describe the time value of money. (3)
 4. Illustrate the concept of return in finance. (3)
 5. 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)
 6. Evaluate the implications of MM theory in financial decision-making. (3)
- OR**
- Differentiate between cost of debt and cost of equity. (3)

Group-C
(Long Answer Type Questions)

5 x 6=30

7. Analyse how the risk-free rate influences the calculation of the cost of equity. (5)
8. Discuss the factors that influence a company's dividend policy. (5)
9. Examine how a company's earnings stability affect its dividend policy. (5)
10. Describe the impact of dividend policy on the company's cost of capital. (5)
11. 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)
12. Evaluate the value of the share if the dividend growth is zero percent. Dividend now is Rs. 4.48 and equity capitalization rate is 17%. (5)

OR

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