



BRAINWARE UNIVERSITY

Term End Examination 2023-2024

Programme – BBA-2022

Course Name – Financial Management

Course Code - BBAC403

(Semester IV)

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 core function of financial management.

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|----------------------------|------------------------------|
| a) Marketing analysis | b) Human resource management |
| c) Finance decision-making | d) Product development |

(ii) Identify the approach that emphasizes the importance of maximizing profits in financial decision-making.

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|-------------------------|-----------------------|
| a) Traditional Approach | b) Modern Approach |
| c) Behavioral Approach | d) Strategic Approach |

(iii) Select the scope of financial management.

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|--|--|
| a) Managing personal finances only | b) Managing finances in non-profit organizations |
| c) Managing finances in business organizations | d) Managing finances in government agencies |

(iv) Choose which concept of time value of money is based on the principle of

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|--|--|
| a) Money has different values in different countries | b) Money has the same value over time |
| c) Money has more value in the future than it does today | d) Money has more value today than it does in the future |

(v) Identify the meaning of present value.

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|--|--------------------------------------|
| a) The value of an investment at a future date | b) The value of money in the present |
| c) The value of money in the future | d) The value of money in the past |

(vi) Identify the meaning of systematic risk .

- | | |
|--|---|
| a) Risk associated with a specific company or industry | b) Risk associated with the overall market or economy |
| c) Risk associated with government regulations | d) Risk associated with changes in interest rates |

- (vii) Recognise the need of CAPM model.
- a) To calculate the cost of debt
 b) To calculate the cost of equity
 c) To calculate the weighted average cost of capital
 d) To calculate the cost of retained earnings
- (viii) Interpret the Internal Rate of Return (IRR).
- a) The rate at which the project breaks even
 b) The rate at which the project generates positive cash flows
 c) The discount rate that makes the net present value of a project's cash flows equal to zero
 d) The percentage return on the initial investment
- (ix) Select the technique used to evaluate capital budgeting projects by comparing the present value of cash inflows to the initial investment.
- a) Accounting Rate of Return
 b) Net Present Value
 c) Internal Rate of Return
 d) Payback Period
- (x) Identify the principle underlying Capital Budgeting.
- a) Maximizing short-term profits
 b) Minimizing long-term costs
 c) Selecting investment projects that maximize shareholder wealth
 d) Minimizing taxes
- (xi) Select the cost component used in computing the overall cost of capital.
- a) Interest Expense
 b) Dividend Payment
 c) Retained Earnings
 d) Market Value of Equity
- (xii) Explain the concept of Cost of Retained Earnings.
- a) The cost of equity capital generated internally
 b) The cost of issuing new shares
 c) The cost of long-term debt
 d) The cost of preferred stock
- (xiii) Explain Capital Structure.
- a) The mix of equity and debt financing used by a firm
 b) The total amount of capital invested in a company
 c) The process of issuing dividends to shareholders
 d) The process of raising funds for long-term investments
- (xiv) State the concept of Financial Distress in relation to Capital Structure.
- a) The process of raising funds for short-term investments
 b) The inability of a firm to meet its financial obligations
 c) The mix of equity and debt financing used by a firm
 d) The total amount of capital invested in a company
- (xv) Recognize the analysis that examines the relationship between EBIT and EPS.
- a) EBIT-EPS analysis
 b) Combined leverage analysis
 c) Dividend Policy Decision
 d) Modigliani-Miller approach

Group-B

(Short Answer Type Questions)

3 x 5=15

2. Define the nature of financial management. (3)
3. Define wealth maximization. (3)
4. Summarize the calculation of the cost of preference shares. (3)
5. Explain dividend policy. (3)
6. Calculate the payback period for an investment with an initial outlay of Rs.40,000 and annual cash flows of Rs.10,000. (3)

OR

- Calculate the cost of capital for a company with a debt of Rs.1,200,000 and equity of Rs.800,000, where the cost of debt is 7% and the cost of equity is 11%. (3)

Group-C
(Long Answer Type Questions)

5 x 6=30

7. Describe how financial objectives align with broader organizational goals and stakeholder interests. (5)
8. Estimate the cost of redeemable debt for bonds with a face value of Rs. 500, a coupon rate of 8% and a maturity value of 3 years, and currently selling for Rs. 560 . The bonds have 3 years until maturity. (5)
9. A project requires an initial investment of Rs. 50,000 and is expected to generate cash flows of Rs. 20,000 annually for 5 years. It is assumed that the discount rate is 10%. Calculate the Profitability Index (PI) of the project and analyse whether the project is accepted or not. (5)
10. Illustrate the factors that influence a firm's dividend decisions. (5)
11. State the principles involved in long-term investment decisions. (5)
12. A project requires an initial investment of Rs. 1,00,000 and is expected to generate cash flows of Rs. 40,000, Rs. 50,000, and Rs. 60,000 over the next three years. It is assumed that the discount rate is 10%. Calculate the NPV of the project and analyze whether the project is accepted or not. (5)

OR

Evaluate the impact of effective working capital management on a firm's profitability and liquidity. (5)
