

Roll No.-----

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(To be filled in the
OMR Sheet)

प्रश्नपुस्तिका क्रमांक
Question Booklet No.

O.M.R. Serial No.

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प्रश्नपुस्तिका सीरीज
Question Booklet Series

D

BBA (Fourth Semester) Examination, July-2022

BBA-402(N)

Financial Management

Time : 1:30 Hours

Maximum Marks-100

जब तक कहा न जाय, इस प्रश्नपुस्तिका को न खोलें

- K-349**
- निर्देश : —
1. परीक्षार्थी अपने अनुक्रमांक, विषय एवं प्रश्नपुस्तिका की सीरीज का विवरण यथास्थान सही- सही भरे, अन्यथा मूल्यांकन में किसी भी प्रकार की विसंगति की दशा में उसकी जिम्मेदारी स्वयं परीक्षार्थी की होगी।
 2. इस प्रश्नपुस्तिका में 100 प्रश्न हैं, जिनमें से केवल 75 प्रश्नों के उत्तर परीक्षार्थियों द्वारा दिये जाने हैं। प्रत्येक प्रश्न के चार वैकल्पिक उत्तर प्रश्न के नीचे दिये गये हैं। इन चारों में से केवल एक ही उत्तर सही है। जिस उत्तर को आप सही या सबसे उचित समझते हैं, अपने उत्तर पत्रक (O.M.R. ANSWER SHEET) में उसके अक्षर वाले वृत्त को काले या नीले बाल प्वाइंट पेन से पूरा भर दें। यदि किसी परीक्षार्थी द्वारा किसी प्रश्न का एक से अधिक उत्तर दिया जाता है, तो उसे गलत उत्तर माना जायेगा।
 3. प्रत्येक प्रश्न के अंक समान हैं। आप के जितने उत्तर सही होंगे, उन्हीं के अनुसार अंक प्रदान किये जायेंगे।
 4. सभी उत्तर केवल ओ०एम०आर० उत्तर पत्रक (O.M.R. ANSWER SHEET) पर ही दिये जाने हैं। उत्तर पत्रक में निर्धारित स्थान के अलावा अन्यत्र कहीं पर दिया गया उत्तर मान्य नहीं होगा।
 5. ओ०एम०आर० उत्तर पत्रक (O.M.R. ANSWER SHEET) पर कुछ भी लिखने से पूर्व उसमें दिये गये सभी अनुदेशों को सावधानीपूर्वक पढ़ लिया जाय।
 6. परीक्षा समाप्ति के उपरान्त परीक्षार्थी कक्ष निरीक्षक को अपनी ओ०एम०आर० शीट उपलब्ध कराने के बाद ही परीक्षा कक्ष से प्रस्थान करें।
 7. निगेटिव मार्किंग नहीं है।
- महत्वपूर्ण : — प्रश्नपुस्तिका खोलने पर प्रथमतः जाँच कर देख लें कि प्रश्नपुस्तिका के सभी पृष्ठ भलीभाँति छपे हुए हैं। यदि प्रश्नपुस्तिका में कोई कमी हो, तो कक्ष निरीक्षक को दिखाकर उसी सीरीज की दूसरी प्रश्नपुस्तिका प्राप्त कर लें।

1. Financial leverage is _____.
(A) $\text{EBIT}/100 \times \text{sales}$
(B) EBIT/EBT
(C) $\text{Sales}/\text{fixed asset}$
(D) $\text{Profit}/\text{sales} \times \text{capital}$
2. The cost of capital is the rate of return of a company must earn on investment to maintain _____.
(A) The value of the company
(B) The value of the company
(C) Price
(D) Product quality
3. The cost of debt capital is the ratio of interest payable on _____.
(A) Debenture
(B) Equity share capital
(C) Preference share capital
(D) Retained earning
4. Dividends are the _____ of a company distributed amongst members in proportion to their shares.
(A) Divisible profits
(B) Indivisible profits
(C) Reserves
(D) Assets with cash and bank
5. A sound dividend policy contains the _____ features.
(A) Stability
(B) Distribution of dividend in cash
(C) Gradually rising dividend ratio
(D) All of these

6. _____ enhance the market value of shares and therefore equity capital is not free of cost.
- (A) Face value
 - (B) Dividends
 - (C) Redemption value
 - (D) Book value
7. In _____ approach, the capital structure decision is relevant to the valuation of the firm.
- (A) Net income
 - (B) Net operating income
 - (C) Traditional
 - (D) Miller and Modigliani
8. When _____ is greater than zero the project should be accepted.
- (A) Internal rate of return
 - (B) Profitability index
 - (C) Net present value
 - (D) Modified internal rate of return
9. _____ is defined as the length of time required to recover the initial cash out-lay.
- (A) Payback-period
 - (B) Inventory conversion period
 - (C) Discounted payback-period
 - (D) Budget period
10. _____ refers to the amount invested in various components of current assets.
- (A) Temporary working capital
 - (B) Net working capital
 - (C) Gross working capital
 - (D) Permanent working capital

11. _____ refers to a firm holding some cash to meet its routine expenses that are incurred in the ordinary course of business.
- (A) Speculative motive
 - (B) Transaction motive
 - (C) Precautionary motive
 - (D) Compensating motive
12. _____ refers to the length of time allowed by a firm for its customers to make payment for their purchases.
- (A) Holding period
 - (B) Pay-back period
 - (C) Average collection period
 - (D) Credit period
13. Depreciation is included in cost in case of :
- (A) Pay back method
 - (B) NPV
 - (C) Accounting rate of return
 - (D) Present value index
14. Uses of funds include a (an) :
- (A) Decrease in cash
 - (B) Increase in any liability
 - (C) Increase in fixed assets
 - (D) Tax refund
15. Which of the following is NOT a cash outflow for the firm ?
- (A) Depreciation
 - (B) Dividends
 - (C) Interest payments
 - (D) Taxes

16. Which of the following would be considered a application of funds ?
- (A) A decrease in accounts receivable
 - (B) A decrease in cash
 - (C) An increase in account payable
 - (D) An increase in cash
17. All of the following influence capital budgeting cash flows EXCEPT :
- (A) Accelerated depreciation
 - (B) Salvage value
 - (C) Tax rate changes
 - (D) Method of project financing used
18. A capital investment is one that :
- (A) Has the prospect of long-term benefits
 - (B) Has the prospect of short-term benefits
 - (C) Is only undertaken by large corporations
 - (D) Applies only to investment in fixed assets
19. To increase a given present value, the discount rate should be adjusted :
- (A) Upward
 - (B) Downward
 - (C) No change
 - (D) Constant
20. In finance, “working capital” means the same thing as :
- (A) Total assets
 - (B) Fixed assets
 - (C) Current assets
 - (D) Current assets minus current liabilities

21. Spontaneous financing includes :
- (A) Accounts receivable
 - (B) Accounts payable
 - (C) Short-term loans
 - (D) A line of credit
22. Permanent working capital :
- (A) Varies with seasonal needs
 - (B) Includes fixed assets
 - (C) Is the amount of current assets required to meet a firm's long-term minimum needs
 - (D) Includes accounts payable
23. Net working capital refers to :
- (A) Total assets minus fixed assets
 - (B) Current assets minus current liabilities
 - (C) Current assets minus inventories
 - (D) Current assets
24. Market values are often used in computing the weighted average cost of capital because :
- (A) This is the simplest way to do the calculation
 - (B) This is consistent with the goal of maximizing shareholder value
 - (C) This is required in the U.S. by the Securities and Exchange Commission
 - (D) This is a very common mistake
25. The term "capital structure" refers to :
- (A) Long-term debt, preferred stock, and common stock equity
 - (B) Current assets and current liabilities
 - (C) Total assets minus liabilities
 - (D) Shareholder's equity

26. A critical assumption of the net operating income (NOI) approach to valuation is :
- (A) That debt and equity levels remain unchanged
 - (B) That dividends increase at a constant rate
 - (C) That k_0 remains constant regardless of changes in leverage
 - (D) That interest expense and taxes are included in the calculation
27. In Walter model formula D stands for :
- (A) Dividend per share
 - (B) Direct Dividend
 - (C) Dividend Earning
 - (D) None of these
28. In MM model MM stands for :
- (A) M. Khan and Modigliani
 - (B) Miller and M. Khan
 - (C) Modigliani and M. Khan
 - (D) Miller and Modigliani
29. The addition of all current assets investment is known as :
- (A) Net Working Capital
 - (B) Gross Working Capital
 - (C) Temporary Working Capital
 - (D) All of these
30. When total current assets exceeds total current liabilities it refers to :
- (A) Gross Working Capital
 - (B) Temporary Working Capital
 - (C) Both (A) and (B)
 - (D) Net Working Capital

31. Which of the following would not be financed from working capital ?
- (A) Cash float
 - (B) Accounts receivable
 - (C) Credit sales
 - (D) A new personal computer for the office
32. Which of the following working capital strategies is the most aggressive ?
- (A) Making greater use of short-term finance and maximizing net short term asset
 - (B) Making greater use of long-term finance and minimizing net short term asset
 - (C) Making greater use of short-term finance and minimizing net short term asset
 - (D) Making greater use of long-term finance and maximizing net short term asset
33. Which of the following is not the responsibility of financial management ?
- (A) Allocation of funds to current and capital assets
 - (B) Obtaining the best mix of financing alternatives
 - (C) Preparation of the firm's accounting statements
 - (D) Development of an appropriate dividend policy
34. The Presence of Taxes in capital budgeting analysis will cause _____.
- (A) The ARR to remain same
 - (B) The NPV to increase
 - (C) The IRR to decrease
 - (D) All of the above
35. _____ Means the basic criteria for the extension of credit to customers.
- (A) Credit standards
 - (B) Financial position
 - (C) Cash standards
 - (D) Living standards

36. MM model of dividend irrelevance uses arbitrage between :
- (A) Dividend and capital issue
 - (B) Dividend and bonus
 - (C) Profit and investment
 - (D) None of the above
37. Accounting rate of return is based on _____.
- (A) Life of the project
 - (B) Average expected profit
 - (C) Average cash profit
 - (D) Average past profit
38. Financial manager would play the role of _____ in area of finance.
- (A) Budget analyst
 - (B) Cash analyst
 - (C) Cash flow examiners
 - (D) Personal financial advisors
39. _____ policy refers to the procedure follow to collect accounts receivable after the expiry of the credit period.
- (A) Risk
 - (B) Collection
 - (C) Profit
 - (D) Management
40. Face value is the value stated on the face of the bond and is known as :
- (A) Redemption value
 - (B) Per value
 - (C) Intrinsic value
 - (D) Market value

41. Investors subscriptions are accounted as _____.
- (A) Cash
 - (B) Deposits
 - (C) Liabilities
 - (D) Unit capital
42. Residuals theory argues that dividend is as :
- (A) Passive decision
 - (B) Irrelevant decision
 - (C) Active decision
 - (D) Relevant decision
43. In case of risky projects the required rate of return would generally be :
- (A) Neutral
 - (B) Lower
 - (C) Moderate
 - (D) Higher
44. Financial manager would supervise on the following area :
- (A) Cost analyst
 - (B) Working capital advisor
 - (C) Financial accounting and auditing
 - (D) Cash flow advisor
45. Evaluation of firms credit policy can be done by computing expected _____ from it.
- (A) Net benefit
 - (B) Net loss
 - (C) Net profit
 - (D) Net cost

46. Bird in hand-argument is given by :
- (A) Residuals theory
 - (B) Walter model
 - (C) Mm model
 - (D) Gordon's model
47. PI of project is the ratio of present value of inflows to :
- (A) Total outflows
 - (B) Initial cost
 - (C) PV of outflows
 - (D) Total cash inflows
48. Objectives of financial planning are :
- (A) Determining capital structure
 - (B) Framing loan policies
 - (C) Determining cash requirement
 - (D) Determining finance ratio
49. According to the traditional approach what is the effect of increase in degree of leverage on the valuation of the firm :
- (A) Remains unaffected
 - (B) Increase first and then decrease
 - (C) Decreases
 - (D) Increases
50. Which of the following variable is not known in IRR ?
- (A) Discount rate
 - (B) Terminal inflows
 - (C) Life of the project
 - (D) Initial cash flows

51. The discount rate which force net present values to become zero is classified as :
- (A) Positive rate of return
 - (B) Negative rate of return
 - (C) External rate of return
 - (D) Internal rate of return
52. Capital composition of a company including long term, medium term and short term finances :
- (A) Capital gearing
 - (B) Capitalization
 - (C) Capital structure
 - (D) Financial structure
53. According NO1 theory, increase in EBIT will :
- (A) Increase the value of the firm
 - (B) Decreases the value of firm
 - (C) Not affect value
 - (D) Increase when debt is increased
54. Number of years forecasted to recover an original investment is classified as :
- (A) Payback period
 - (B) Forecasted period
 - (C) Original period
 - (D) Investment period
55. In proper capital budgeting analysis, we evaluate incremental :
- (A) Accounting income
 - (B) Cash flow
 - (C) Earnings
 - (D) Operating profit

56. ABC Analysis is used in :
- (A) Inventory Management
 - (B) Receivables Management
 - (C) Accounting Policies
 - (D) Corporate Governance
57. Which of the following is not incorporated in Capital Building ?
- (A) Tax-Effect
 - (B) Time Value of Money
 - (C) Required Rate of Return
 - (D) Rate of Cash Discount
58. All listed companies are required to prepare :
- (A) Funds Flow statement
 - (B) Cash Flow Statement
 - (C) Statement of Affairs
 - (D) All of the above
59. Capital budgeting techniques which considers the time value of money is based on:
- (A) Cash Flows of the organization
 - (B) Accounting Profit of the organization
 - (C) Interest Rate on Borrowings
 - (D) Last Dividend Paid
60. What should be the optimum Dividend payout ratio, when $r = 12\%$ and $Ke = 10\%$?
- (A) Zero
 - (B) 50%
 - (C) 12%
 - (D) 100%

61. The term Float is used in :
- (A) Receivable Management
 - (B) Cash Management
 - (C) Marketable Management
 - (D) Inventory Management
62. Dividend yield method the cost of equality is ascertained as a percentage of :
- (A) Expected dividend
 - (B) IRR
 - (C) WACC
 - (D) Expected profits
63. In the case of existing shares cost of equity is computed under dividend yield method by dividing dividend per share with :
- (A) Face value
 - (B) Market value
 - (C) Net proceeds
 - (D) None of these
64. The ratio between debt and equity in the total capitalization is called :
- (A) Capital gearing
 - (B) Capitalization
 - (C) Capital structure
 - (D) Financial structure
65. _____ theory says that the value of a firm will be different stages of growth.
- (A) Net income
 - (B) NOI
 - (C) MM theory
 - (D) Traditional theory

66. Redundant working capital means :
- (A) Optimum working capital
 - (B) Shortage of working capital
 - (C) Idle working capital
 - (D) None of these
67. Floating capital means :
- (A) Liquid capital
 - (B) Permanent working capital
 - (C) Redundant working capital
 - (D) Gross working capital
68. The appropriate objective of an enterprise is :
- (A) Maximization of sales
 - (B) Maximization of owners wealth
 - (C) Maximization of profits
 - (D) None of these
69. The job of finance manager is confined to :
- (A) Raising of funds
 - (B) Management of cash
 - (C) Raising of funds and their effective utilization
 - (D) None of the above
70. Financial decision involve :
- (A) Investment, financing and dividend decisions
 - (B) Investment, financing and sales decisions
 - (C) Financing, dividend and cash decisions
 - (D) None of the above

71. _____ refers to the risk associated with the capital structure composition.
- (A) Financial risk
 - (B) Operational risk
 - (C) Business risk
 - (D) Technological risk
72. When contribution is dividend with EBIT we get :
- (A) Operating leverage
 - (B) Financial leverage
 - (C) P/V ratio
 - (D) EPS
73. According to _____ the degree of leverage is irrelevant in determining the value of a firm.
- (A) MM theory
 - (B) Walter's model
 - (C) Baumol's model
 - (D) None of these
74. Net operating income (NOI) approach was propounded by _____.
- (A) Solomon Ezra
 - (B) David Durand
 - (C) Modigliani-Miller
 - (D) None of these
75. _____ theory is applicable only when the dividend pay-out ratio is 100%.
- (A) MM theory
 - (B) NOI theory
 - (C) Net income approach
 - (D) None of these

76. Which is the limitation of traditional approach of financial management ?
- (A) Ignores allocation of resources
 - (B) One sided approach
 - (C) More emphasis on long term problems
 - (D) All of these
77. The financial management is responsible for the :
- (A) Controlling of the Organization
 - (B) Organizing trading programs
 - (C) Recording the transaction
 - (D) Finance function of the firm
78. Financial management includes ____.
- (A) Measurement of performance
 - (B) Finance function
 - (C) Financial resources
 - (D) All of these
79. The arrangement of working capital and current assets can be done only by ____.
- (A) Short term sources
 - (B) Long term sources
 - (C) Cost of capital
 - (D) Financial plan
80. Which is the source of short term ?
- (A) Trade credit
 - (B) Short term bank finance
 - (C) Public deposits
 - (D) All of these

81. Which is the type of trade credit ?
- (A) Open account
 - (B) Bills of exchange
 - (C) Promissory note
 - (D) All of these
82. Stock is _____.
- (A) Current asset
 - (B) Fixed asset
 - (C) Fixed capital
 - (D) All of these
83. Earnings means _____.
- (A) Profit
 - (B) Loss
 - (C) Capital
 - (D) Reserve
84. Capital budgeting means _____.
- (A) Planning for capital asset
 - (B) Planning for sales
 - (C) Planning for cash
 - (D) Planning for profit
85. Capital budgeting is the process of making investment decisions in the _____.
- (A) Sales
 - (B) Sales planning
 - (C) Cash
 - (D) Capital expenditure

86. Capital budgeting is known as :
- (A) Cost of sales
 - (B) Capital expenditure
 - (C) Cost of product
 - (D) Profit
87. Capital budgeting is _____.
- (A) Related to long time
 - (B) Related to short time
 - (C) A profit
 - (D) A sales
88. Which is the element of capital budgeting decision ?
- (A) Long term effect
 - (B) Long term investment
 - (C) Capital expenditure
 - (D) Large investment
89. Capital budgeting process involves _____.
- (A) Final approval
 - (B) Performance review
 - (C) Establishing priorities
 - (D) All of these
90. Which is the step of capital budgeting process ?
- (A) Project generation
 - (B) Project evaluation
 - (C) Project selection
 - (D) Project execution

91. Which is the traditional method of capital budgeting ?
- (A) Payback period
 - (B) Pay out method
 - (C) Accounting method
 - (D) All of these
92. Which is the time adjusting method of capital budgeting ?
- (A) NPV method
 - (B) IRR method
 - (C) Profitability Index method
 - (D) All of these
93. Projects which yields the highest earnings are _____.
- (A) Selected
 - (B) Rejected
 - (C) Budgeted
 - (D) All of these
94. The present value of total cash inflows should be compared with present value of _____.
- (A) Cash inflows
 - (B) Cash outflows
 - (C) Investment
 - (D) Income
95. The proposal is rejected in case the profitability index is _____.
- (A) Less than one
 - (B) Less than zero
 - (C) Less than two
 - (D) Less than five

96. The interest rate on commercial paper is determined by _____.
(A) RBI
(B) SEBI and Market Force
(C) SBI
(D) Market Force
97. Factoring is a _____.
(A) Cost of sales
(B) Production plan
(C) Financial planning
(D) New financial service
98. _____ rate at which discounts the cash flows to zero.
(A) Payback period by economic order quantity
(B) Internal rate of return
(C) Cash flow
(D) None of these
99. Which ratio reveals how profitability of the owner's funds have been utilized by the firm ?
(A) Return on equity
(B) Current ratio
(C) Fixed asset ratio
(D) Debt equity ratio
100. Capital employed is _____.
(A) Assets + cash
(B) Shareholders funds + Long funds
(C) Cash + bank
(D) Bank

Rough Work / रफ कार्य

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1. Examinee should enter his / her roll number, subject and Question Booklet Series correctly in the O.M.R. sheet, the examinee will be responsible for the error he / she has made.
 2. **This Question Booklet contains 100 questions, out of which only 75 Question are to be Answered by the examinee. Every question has 4 options and only one of them is correct. The answer which seems correct to you, darken that option number in your Answer Booklet (O.M.R ANSWER SHEET) completely with black or blue ball point pen. If any examinee will mark more than one answer of a particular question, then the answer will be marked as wrong.**
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