

Roll No.

Question Booklet Number

O. M. R. Serial No.

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351282

B. B. A. (Fourth Semester) EXAMINATION, 2022-23

FINANCIAL MANAGEMENT

Paper Code

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Questions Booklet
Series

B

Time : 1:30 Hours]

[Maximum Marks : 75

Instructions to the Examinee :

परीक्षार्थियों के लिए निर्देश :

1. Do not open the booklet unless you are asked to do so.
 2. The booklet contains 100 questions. Examinee is required to answer 75 questions in the OMR Answer-Sheet provided and not in the question booklet. All questions carry equal marks:
 3. Examine the Booklet and the OMR Answer-Sheet very carefully before you proceed. Faulty question booklet due to missing or duplicate pages/questions or having any other discrepancy should be got immediately replaced.
1. प्रश्न-पुस्तिका को तब तक न खोलें जब तक आपसे कहा न जाए।
 2. प्रश्न-पुस्तिका में 100 प्रश्न हैं। परीक्षार्थी को 75 प्रश्नों को केवल दी गई OMR आन्सर-शीट पर ही हल करना है, प्रश्न-पुस्तिका पर नहीं। सभी प्रश्नों के अंक समान हैं।
 3. प्रश्नों के उत्तर अंकित करने से पूर्व प्रश्न-पुस्तिका तथा OMR आन्सर-शीट को सावधानीपूर्वक देख लें। दोषपूर्ण प्रश्न-पुस्तिका जिसमें कुछ भाग छपने से छूट गए हों या प्रश्न एक से अधिक बार छप गए हों या उसमें किसी अन्य प्रकार की कमी हो, तो उसे तुरन्त बदल लें।

(Remaining instructions on the last page)

(शेष निर्देश अन्तिम पृष्ठ पर)

(Only for Rough Work)

1. Marginal cost of capital is the cost of :
 - (A) Additional Sales
 - (B) Additional Funds
 - (C) Additional Interests
 - (D) None of the above
2. In case the firm is all-equity financed, WACC would be equal to :
 - (A) Cost of Debt
 - (B) Cost of Equity
 - (C) Neither (A) nor (B)
 - (D) Both (A) and (B)
3. In order to calculate Weighted Average Cost of weights may be based on :
 - (A) Market Values
 - (B) Target Values
 - (C) Book Values
 - (D) All of the above
4. Firm's Cost of Capital is the average cost of :
 - (A) All sources
 - (B) All borrowings
 - (C) Share capital
 - (D) Share Bonds and Debentures
5. An implicit cost of increasing proportion of debt is :
 - (A) Tax should would not be available on new debt.
 - (B) P. E. Ratio would increase.
 - (C) Equity shareholders would demand higher return.
 - (D) Rate of Return of the company would decrease.
6. Cost of capital may be defined as :
 - (A) Weighted Average cost of all debts
 - (B) Rate of Return expected by Equity Shareholders
 - (C) Average IRR of the Projects of the firm
 - (D) Minimum Rate of Return that the firm should earn
7. Minimum Rate of Return that a firm must earn in order to satisfy its investors, is also known as :
 - (A) Average Return on Investment
 - (B) Weighted Average Cost of Capital
 - (C) Net Profit Ratio
 - (D) Average Cost of Borrowing

8. Operating leverage arises because of :
 - (A) Fixed Cost of Production
 - (B) Fixed Interest Cost
 - (C) Variable Cost
 - (D) None of the above
9. Dividend irrelevance argument of MM Model is based on :
 - (A) Issue of Debentures
 - (B) Issue of Bonus Share
 - (C) Arbitrage
 - (D) Hedging
10. CAPM stands for :
 - (A) Capital Asset Pricing Model
 - (B) Capital Amount Printing Model
 - (C) Capital Amount Pricing Model
 - (D) Capital Asset Printing Model
11. What does future value interest factor take ?
 - (A) Discounting rate
 - (B) Inflation rate
 - (C) Compounding rate
 - (D) Deflation rate
12. What does the underwriter take up ?
 - (A) A fixed part of the issued capital
 - (B) The unregistered portion of the agreed capital
 - (C) The guaranteed part or can refuse it
 - (D) The unfixed part of the issued capital
13. Among the following options which one is not included in money market security ?
 - (A) Treasury bills
 - (B) Certificate deposit
 - (C) Commercial paper
 - (D) National savings certificate
14. is concerned with the acquisition, financing, and management of assets with some overall goal in mind.
 - (A) Financial Management
 - (B) Profit Maximization
 - (C) Agency Theory
 - (D) Social Responsibility
15. is concerned with the maximization of a firm's earnings after taxes.
 - (A) Shareholder wealth maximization
 - (B) Profit maximization
 - (C) Stakeholder maximization
 - (D) EPS maximization
16. What is the most appropriate goal of the firm ?
 - (A) Shareholder wealth maximization
 - (B) Profit maximization
 - (C) Stakeholder maximization
 - (D) EPS maximization

17. Which of the following is a financial statement that states items on a cash basis ?
- (A) The income statement
 - (B) The balance sheet
 - (C) The statement of cash flows
 - (D) None of the above
18. The ability of a firm to convert an asset to cash is called :
- (A) Liquidity
 - (B) Solvency
 - (C) Return
 - (D) Marketability
19. Which of the following financial statements is also known as a statement of financial position ?
- (A) Balance sheet
 - (B) Statement of cash flows
 - (C) Income statement
 - (D) None of the above
20. Which of the following refers to recording the routine transactions and day-to-day record keeping of an enterprise ?
- (A) Financial accounting
 - (B) Bookkeeping
 - (C) Tax accounting
 - (D) Cost and Management accounting
21. Which of the following involves determining the cost of certain business activities and interpreting cost information ?
- (A) Management accounting
 - (B) Cost accounting
 - (C) Financial accounting
 - (D) Bookkeeping
22. Which of the following provides information that is intended primarily for use by internal management in decision making required to run the business ?
- (A) Financial accounting
 - (B) Management accounting
 - (C) Cost accounting
 - (D) Tax accounting

23. The long-run objective of financial management is to :
- (A) maximize earnings per share
 - (B) maximize the value of the firm's common stock
 - (C) maximize return on investment
 - (D) maximize market share
24. The market price of a share of common stock is determined by :
- (A) The board of directors of the firm
 - (B) The stock exchange on which the stock is listed
 - (C) The president of the company
 - (D) Individuals buying and selling the stock
25. The main point of financial management in a firm is :
- (A) The creation of value for shareholders
 - (B) The dollars profits earned by the firm
 - (C) The minimization of the amount of taxes paid by the firm
 - (D) The number and types of products or services provided by the firm
26. The decision, function of financial management can be broken down into the decisions :
- (A) Financing and investment
 - (B) Investment, financing, and asset management
 - (C) Financing and dividend
 - (D) Capital budgeting, cash management, and credit management
27. If an investor may have to sell a bond prior to maturity and interest rates have risen since the bond was purchased, the investor is exposed to :
- (A) interest rate risk
 - (B) the coupon effect
 - (C) a perpetuity
 - (D) an indefinite maturity
28. Interest rates and bond prices :
- (A) sometimes move in the same direction, sometimes in opposite directions
 - (B) have no relationship with each other (i.e., they are independent)
 - (C) move in opposite directions
 - (D) move in the same direction

29. The likely rate of return on a bond if bought at its current market price and held to maturity :
- (A) Yield to maturity
 - (B) Capital gains yield
 - (C) Coupon yield
 - (D) Current yield
30. Following type of risk is preventable through good diversification :
- (A) Portfolio risk
 - (B) Unsystematic risk
 - (C) Total risk
 - (D) Portfolio risk
31. An "aggressive" common stock would have a "beta" :
- (A) Equal to zero
 - (B) Greater than one
 - (C) Equal to one
 - (D) Less than one
32. Permanent working capital means :
- (A) Is the amount of current assets required to meet a firm's long-term minimum needs
 - (B) Includes accounts payable
 - (C) Includes fixed assets
 - (D) Varies with seasonal needs
33. Net working capital refers to :
- (A) Current assets
 - (B) Total assets minus fixed assets
 - (C) Current assets minus current liabilities
 - (D) Current assets minus inventories
34. Marketable securities are primarily :
- (A) Long-term equity securities
 - (B) Short-term equity securities
 - (C) Long-term debt instruments
 - (D) Short-term debt instruments
35. An increase in the firm's receivable turnover ratio means that :
- (A) It has initiated more liberal credit terms.
 - (B) Cash sales have decreased.
 - (C) It is collecting credit sales more quickly than before.
 - (D) Inventories have increased.
36. If capital is to be rationed for only the current period, a firm should most likely first consider selecting projects by descending order of :
- (A) Internal rate of return (IRR)
 - (B) Profitability index (PI)
 - (C) Payback period (PBP)
 - (D) Net present value (NPV)

37. The method provides correct rankings of mutually exclusive projects, when the firm is not subject to capital rationing :

- (A) Internal rate of return (IRR)
- (B) Profitability index (PI)
- (C) Payback period (PBP)
- (D) Net present value (NPV)

38. The investment proposal with the greatest relative risk would have :

- (A) The lowest opportunity loss likelihood
- (B) The highest standard deviation of net present value
- (C) The highest expected value of net present value
- (D) The highest coefficient of variation of net present value

39. Probability-tree examination is best used when cash flows are likely to be :

- (A) Associated to the cash flows in previous periods
- (B) Risk-free
- (C) Independent over time
- (D) Known with certainty

40. If two projects are completely independent (or unrelated), the measure of correlation between them is :

- (A) 0
- (B) 2
- (C) 4
- (D) 5

41. A stock dividend :

- (A) does not change the value of stockholder's equity.
- (B) decreases the value of stockholder's equity
- (C) increases the value of stockholder's equity.
- (D) None of the above

42. The reason of a stock split is typically to :

- (A) decrease the number of shares outstanding
- (B) bring down the stock price into a lower trading range
- (C) increase the investor's wealth
- (D) reduce of threat of takeover

43. A firm may repurchase its own stock because :

- (A) The firm has inadequate capital budgeting alternatives.
- (B) It will increase shareholder's wealth.
- (C) It provides positive information about the firm.
- (D) All of the above

44. Which of the following have ownership interest in the firm ?

- (A) Preferred stockholders
- (B) Common stockholders
- (C) Bondholders
- (D) All of the above

45. The principal value of a bond is called the :

- (A) The par value
- (B) The maturity value
- (C) The coupon rate
- (D) None of the above

46. The is the stated interest rate at the time the bond was issued.

- (A) Coupon rate
- (B) Yield to maturity
- (C) Effective rate
- (D) Internal rate of return

47. Firms generally decide to call their bonds when interest rates :

- (A) There is no relationship between interest rates and the call provision
- (B) Drop
- (C) Rise
- (D) Remain the same

48. An advantage of debt financing is :

- (A) Does not dilute owner's earnings
- (B) The use of debt, up to a point, lowers the firm's cost of capital
- (C) Interest payments are tax deductible
- (D) All of the above

49. Leveraged takeovers rely on to purchase a firm.

- (A) Debt
- (B) Equity
- (C) Cash
- (D) None of the above

50. refers to the mix of a firm's capitalization and includes long-term sources of funds.

- (A) Leverage
- (B) Capital structure
- (C) Debt mix
- (D) Owner's equity

51. To increase a given present value, the discount rate should be adjusted :

- (A) Upward
- (B) Downward
- (C) Keep as it is
- (D) None of the above

52. Higher the level of financial gearing :

- (A) Greater will be the risk
- (B) Lower will be the risk
- (C) Risk will be constant
- (D) None of the above

53. The date by which a shareholder must be recorded as the shareowner in order to receive a declared dividend is called the :

- (A) Ex-rights date
- (B) Ex-dividend date
- (C) Date of record
- (D) Date of payment

54. The target payout ratio is :
- (A) Firm's preferred rate of dividend growth
 - (B) The inverse of a firm's equity multiplier
 - (C) The preferred number of dividend payments per year divided by 12
 - (D) A firm's long-term desired dividend-to-earnings ratio
55. The difference between the highest and lowest prices at which a stock has sold is called the stocks ?
- (A) Average price
 - (B) Bid-ask spread
 - (C) Trading range
 - (D) Opening price
56. The fact that flotation costs can be significant is justification for :
- (A) firm to issue larger dividends than their closest competitors
 - (B) maintaining a constant dividend policy even when profits decline significantly
 - (C) maintaining a high dividend policy
 - (D) maintaining a low dividend policy and rarely issuing extra dividends
57. Which of the following are not commonly used measures of leverage in financial analysis ?
- (A) Operating Leverage
 - (B) Financial Leverage
 - (C) Combined Leverage
 - (D) Matrix Leverage
58. is the ratio of net operating income before fixed charges to net operating income after fixed charges.
- (A) Financial Leverage
 - (B) Operating Leverage
 - (C) Operation Leverage
 - (D) Fiscal Leverage
59. There is no operating leverage if there is no :
- (A) Profit
 - (B) Sales
 - (C) Fixed cost
 - (D) EPS
60. A firm's degree of total leverage (DTL) is equal to its degree of operating leverage its degree of financial leverage (DFL) :
- (A) Plus
 - (B) Minus
 - (C) Divided by
 - (D) Multiplied by

61. Which of the following analyzes the accounts receivable, inventory, and accounts payable cycles in terms of a number of days ?
- (A) Operation cycle
 - (B) Current asset cycle
 - (C) Operating cycle
 - (D) Business cycle
62. is the cost that has already been incurred for financing a particular project.
- (A) Future Cost
 - (B) Historical Cost
 - (C) Implicit Cost
 - (D) Opportunity Cost
63. The risk-free rate subtracted from the expected market return is considered as :
- (A) Country risk
 - (B) Diversifiable risk
 - (C) Equity risk premium
 - (D) Market risk premium
64. The manner in which an organization's assets are financed is referred to as its :
- (A) Capital structure
 - (B) Financial structure
 - (C) Asset structure
 - (D) Owner's structure
65. Which of the following is not included in the capital structure ?
- (A) Long-term debt
 - (B) Preferred stock
 - (C) Current assets
 - (D) Retained earnings
66. Internal sources of finance do not include :
- (A) Retained earnings
 - (B) Ordinary shares
 - (C) Better management of working capital
 - (D) Trade credit
67. Which type of material is classified as 'A' type in ABC analysis ?
- (A) High price, more quantity
 - (B) High price, less quantity
 - (C) Low price, more quantity
 - (D) Low price, less quantity
68. A store ledger is a record of receipts, issues, and closing balances of material by entering :
- (A) Quantity only
 - (B) Quantity and value
 - (C) Value only
 - (D) Quality only

69. A, B, C analysis is :
- (A) a system of profit planning
 - (B) a technique of financial analysis
 - (C) a technique of inventory control
 - (D) a technique of profit determination
70. The term cash includes :
- (A) Cash and Bank Balances
 - (B) All the Current Assets
 - (C) All the Current Liabilities
 - (D) None of the above
71. A project would normally be under taken if its net present value is :
- (A) Negative
 - (B) Exactly the same as the NPV of existing projects
 - (C) Positive
 - (D) Zero
72. The project is viable when Benefit Cost Ratio is :
- (A) One
 - (B) One or more than one
 - (C) Two
 - (D) Two or more than two
73. Zero-Coupon Bonds are bonds is-sued at and redeemed at par :
- (A) Face value to discount
 - (B) Discount to face value plus premium
 - (C) Par to the discounted value
 - (D) Discount to face value
74. is an arrangement to have debts collected by a third party entity for a fee.
- (A) Factoring
 - (B) Aging
 - (C) Forming
 - (D) Crediting
75. Accounts receivable are reported in the balance sheet :
- (A) At face value
 - (B) At a gross value
 - (C) At a net realizable value
 - (D) At net credit sales value
76. may also be offered for the early payment of dues.
- (A) Trade discounts
 - (B) Special discounts
 - (C) Both (A) and (B)
 - (D) Cash discounts

77. The objective of financial management is :
- (A) profit maximization
 - (B) wealth maximization
 - (C) assets maximization
 - (D) sales maximization
78. Maximisation of Shareholders Wealth is reflected in :
- (A) Sales Maximization
 - (B) Number of Shareholders
 - (C) Market Price of Equity Shares
 - (D) None of the above
79. What is not a part of Investment decision in financial management ?
- (A) Dividend Payout decision
 - (B) Working Capital Management
 - (C) Capital Budgeting Decisions
 - (D) Payable Management
80. Finance function involves :
- (A) Procurement of finance only
 - (B) Expenditure of funds only
 - (C) Safe custody of funds
 - (D) Procurement and effective utilization of funds
81. The objective of wealth maximization takes into consideration :
- (A) Risk related to uncertainty of returns
 - (B) Timing of expected returns
 - (C) Amount of returns expected
 - (D) All of the above
82. Which of the following is not a cash outflow for the firm ?
- (A) Depreciation
 - (B) Dividends
 - (C) Interest payments
 - (D) Taxes
83. Market Value of the firm is a result of :
- (A) Investment Decision
 - (B) Financing Decision
 - (C) Risk-Return Trade off
 - (D) None of the above
84. Time value of money explains that :
- (A) A unit of money received today is worth more than a unit received in future
 - (B) A unit of money received today is worth less than a unit received in future
 - (C) A unit of money received today and at some other time in future is equal
 - (D) None of the above

85. Time value of money facilitates comparison of cash flows occurring at different time periods by :
- (A) Compounding all cash flows to a common point of time
 - (B) Discounting all cash flows to a common point of time
 - (C) Using either of (A) or (B)
 - (D) Neither (A) nor (B)
86. Discounting technique is used to find out :
- (A) Terminal Value
 - (B) Compounded Value
 - (C) Present Value
 - (D) Future Value
87. Time value of money is an important concept of finance because it takes into account :
- (A) Risk
 - (B) Time
 - (C) Compound Interest
 - (D) All of the above
88. External sources of finance do not include :
- (A) Overdrafts
 - (B) Debentures
 - (C) Leasing
 - (D) Retained Earnings
89. Internal sources of capital are those that are :
- (A) generated through outsiders such as suppliers
 - (B) generated through loans from commercial banks
 - (C) generated through issue of shares
 - (D) generated within the business
90. Capital budgeting is a part of :
- (A) Investment decision
 - (B) Working capital management
 - (C) Marketing management
 - (D) Capital structure
91. Future Value of annuity is :
- (A) Equal to Annuity Amount
 - (B) Less than Annuity Amount
 - (C) Compound Value Annuity Factor
 - (D) None of the above
92. A profitability index (PI) of .95 for a project means that
- (A) The project's costs (cash outlay) are (is) less than the present value of the project's benefits
 - (B) The project's NPV is positive
 - (C) The project's NPV is negative
 - (D) None of the above

93. Cash inflows from a project include :
- (A) tax shield of depreciation
 - (B) after tax operating profits
 - (C) raising of funds
 - (D) Both (A) and (B)
94. The net initial investment is divided by uniform increase in future cashflows to calculate :
- (A) Discounting period
 - (B) Investment period
 - (C) Payback period
 - (D) Earning period
95. The rate of return to cover risk of investment and decrease in purchasing power as a result of inflation is classified as :
- (A) Nominal rate of return
 - (B) Accrual accounting rate of return
 - (C) Real rate of return
 - (D) Required rate of return
96. Which of the following is a risk factor in capital budgeting ?
- (A) Industry specific risk factors
 - (B) Competition risk factors
 - (C) Project specific risk factors
 - (D) All of the above
97. In case of risky projects, the required rate of return would generally be :
- (A) Higher
 - (B) Lower
 - (C) Same as for others
 - (D) None of the above
98. Which of the following sources of funds has an Implicit Cost of Capital ?
- (A) Equity Share Capital
 - (B) Preference Share Capital
 - (C) Debentures
 - (D) Retained earnings
99. Interest offered on Government securities is also known as :
- (A) Risk-free Rate of Interest
 - (B) Maximum Rate of Return
 - (C) Rate of Interest on Fixed Deposits
 - (D) None of the above
100. Which of the following cost of capital require tax adjustment ?
- (A) Cost of Equity Shares
 - (B) Cost of Preference Shares
 - (C) Cost of Debentures
 - (D) Cost of Retained Earnings

4. Four alternative answers are mentioned for each question as—A, B, C & D in the booklet. The candidate has to choose the correct answer and mark the same in the OMR Answer-Sheet as per the direction :

Example :

Question :

Q. 1 (A) (B) (C) (D)

Q. 2 (A) (B) (C) (D)

Q. 3 (A) (B) (C) (D)

Illegible answers with cutting and over-writing or half filled circle will be cancelled.

5. Each question carries equal marks. Marks will be awarded according to the number of correct answers you have.
6. All answers are to be given on OMR Answer sheet only. Answers given anywhere other than the place specified in the answer sheet will not be considered valid.
7. Before writing anything on the OMR Answer Sheet, all the instructions given in it should be read carefully.
8. After the completion of the examination candidates should leave the examination hall only after providing their OMR Answer Sheet to the invigilator. Candidate can carry their Question Booklet.
9. There will be no negative marking.
10. Rough work, if any, should be done on the blank pages provided for the purpose in the booklet.
11. To bring and use of log-book, calculator, pager and cellular phone in examination hall is prohibited.
12. In case of any difference found in English and Hindi version of the question, the English version of the question will be held authentic.

Impt. : On opening the question booklet, first check that all the pages of the question booklet are printed properly. If there is any discrepancy in the question Booklet, then after showing it to the invigilator, get another question Booklet of the same series.

4. प्रश्न-पुस्तिका में प्रत्येक प्रश्न के चार सम्भावित उत्तर—A, B, C एवं D हैं। परीक्षार्थी को उन चारों विकल्पों में से सही उत्तर छोटना है। उत्तर को OMR आन्सर-शीट में सम्बन्धित प्रश्न संख्या में निम्न प्रकार भरना है :

उदाहरण :

प्रश्न :

प्रश्न 1 (A) (B) (C) (D)

प्रश्न 2 (A) (B) (C) (D)

प्रश्न 3 (A) (B) (C) (D)

अपठनीय उत्तर या ऐसे उत्तर जिन्हें काटा या बदला गया है, या गोले में आधा भरकर दिया गया, उन्हें निरस्त कर दिया जाएगा।

5. प्रत्येक प्रश्न के अंक समान हैं। आपके जितने उत्तर सही होंगे, उन्हीं के अनुसार अंक प्रदान किये जायेंगे।
6. सभी उत्तर केवल ओ. एम. आर. उत्तर-पत्रक (OMR Answer Sheet) पर ही दिये जाने हैं। उत्तर-पत्रक में निर्धारित स्थान के अलावा अन्यत्र कहीं पर दिया गया उत्तर मान्य नहीं होगा।
7. ओ. एम. आर. उत्तर-पत्रक (OMR Answer Sheet) पर कुछ भी लिखने से पूर्व उसमें दिये गये सभी अनुदेशों को सावधानीपूर्वक पढ़ लिया जाये।
8. परीक्षा समाप्ति के उपरान्त परीक्षार्थी कक्ष निरीक्षक को अपनी OMR Answer Sheet उपलब्ध कराने के बाद ही परीक्षा कक्ष से प्रस्थान करें। परीक्षार्थी अपने साथ प्रश्न-पुस्तिका ले जा सकते हैं।
9. निगेटिव मार्किंग नहीं है।
10. कोई भी रफ कार्य, प्रश्न-पुस्तिका के अन्त में, रफ-कार्य के लिए दिए खाली पेज पर ही किया जाना चाहिए।
11. परीक्षा-कक्ष में लॉग-बुक, कैलकुलेटर, पेजर तथा सेल्युलर फोन ले जाना तथा उसका उपयोग करना वर्जित है।
12. प्रश्न के हिन्दी एवं अंग्रेजी रूपान्तरण में भिन्नता होने की दशा में प्रश्न का अंग्रेजी रूपान्तरण ही मान्य होगा।

महत्वपूर्ण : प्रश्नपुस्तिका खोलने पर प्रथमतः जाँच कर देख लें कि प्रश्न-पुस्तिका के सभी पृष्ठ भलीभाँति छपे हुए हैं। यदि प्रश्नपुस्तिका में कोई कमी हो, तो कक्षनिरीक्षक को दिखाकर उसी सिरिज की दूसरी प्रश्न-पुस्तिका प्राप्त कर लें।