



AAH-010-001402 Seat No. _____

Second Year B. B. A. (Sem. IV) (CBCS) Examination

April/May - 2016

402 : Financial Management - II

(New Course)

Faculty Code : 010

Subject Code : 001402

Time : **2.30** Hours]

[Total Marks : **70**

Instructions : (1) Choose correct option given under each MCQ. Write in your answer book.
(2) Question 2 to 5 are short descriptive. Each question carries 10 marks.

1 MCQs : **20**

(1) Permanent working capital should be financed by _____.
(A) Long term funds (B) Short term funds
(C) Internal funds only (D) Equity capital only

(2) Which of the following is not a component of gross working capital _____.
(A) Receivables (B) Inventories
(C) Marketable securities (D) Advances received

(3) Working capital need will decline if operating cycle period is _____.
(A) Reduced (B) Increased
(C) Stable (D) Fluctuating

(4) Cash conversion cycle is also called _____.
(A) Cash profit (B) Net operating cycle
(C) Gross operating cycle (D) Cash flow analysis

(5) Idle cash may cost _____.
(A) Profitability (B) Security cost
(C) Purchasing power loss (D) All of the above

(6) Which one of the following is not included in receivables ?
(A) Credit sale of goods (B) Credit sale of fixed asset
(C) Bills receivables (D) Sundry debtors

(7) Tool for economical procurement of inventory is _____.
(A) EOQ (B) ABC Analysis
(C) Re-order level (D) Safety stock level

(8) Inventory control Tools are _____.
(A) ABC Analysis (B) VED Analysis
(C) FSN Analysis (D) All the above

(9) Cost of capital aims at _____.
(A) Maintaining value of firm
(B) Increase value of firm
(C) Decrease value of firm
(D) None of the above

(10) Problems faced in determination of cost of capital are _____.
(A) Conceptual (B) Practical
(C) Both (A) and (B) (D) None

(11) Which of the following factors is not relevant in calculating cost of debt capital _____.
(A) Floatation cost (B) Premium or discount
(C) Tax Rate (D) Growth factor

(12) Which of the following sources of capital may have implicit cost element _____.
(A) Equity shares (B) Preference shares
(C) Debentures (D) None of the above

(13) In narrow sense, the term capitalization excludes _____.
(A) Current liabilities (B) Reserve and surplus
(C) Net worth (D) Long term debts

2 What is working capital ? Explain its various types ? **10**

OR

2 Discuss various elements of cash budget. **10**

3 Describe various facts of receivables management. **10**

OR

3 Write a brief note on: ABC Analysis. **10**

4 Define the term 'Cost of capital' and explain its importance in financial management. **10**

OR

4 Juhi company raised preference share capital of Rs. 50,000 by issue of 10% preference shares of Rs. 10 each. Calculate the cost of preference capital when they are issued.

(1) 10% premium and

(2) At 10% discount.

5 What is capitalization ? How is it computed ? Give illustration. **10**

OR

5 Write a brief note on under capitalization ? **10**

6 What are the sources of short term finance ? **10**

OR

6 What is term loan and project finance ? What are its sources ? **10**