



**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 questions 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

- (14) Cause of under - capitalization are \_\_\_\_\_.  
 (A) Excellent performance  
 (B) Conservative dividend policy  
 (C) High retention ratio  
 (D) All the above
- (15) Firm's risk is indicated by \_\_\_\_\_.  
 (A) Capital (B) Capitalization  
 (C) Composite leverage (D) None of the above
- (16) If operating leverage is 2 and financial leverage is 3.  
 Combined leverage will be \_\_\_\_\_.  
 (A)  $2+3=5$  (B)  $2-3=-1$   
 (C)  $2\times 3=6$  (D)  $\frac{2}{3}$
- (17) Which one is an off balance sheet source of finance ?  
 (A) Venture capital (B) Leasing  
 (C) Reserve and surplus (D) Trade credit
- (18) From tax benefit view point the security finance to be  
 chosen is :  
 (A) Equity shares  
 (B) Preference shares  
 (C) Debentures  
 (D) All the above
- (19) Public deposits can't be accepted for more than \_\_\_\_\_.  
 (A) 1 year (B) 3 years  
 (C) 2 years (D) 5 years
- (20) Venture capital is \_\_\_\_\_.  
 (A) Risk free capital  
 (B) Risky capital  
 (C) Short term capital  
 (D) High risk long term capital

- 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**      **10**  
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**