SSR DEGREE AND PG COLLEGE(Autonomous)

Department of BBA

BBA II YEAR – FINANCIAL MANAGEMENT Sem-III (INTERNAL–I)

I. Multiple Choice Questions (25)

1. The primary objective of Financial Management is:
a) Profit Maximization
b) Wealth Maximization
c) Sales Maximization
d) Production Maximization
Answer: b) Wealth Maximization

2. Which of the following is a major financial decision?
a) Investment Decision
b) Production Decision
c) Personnel Decision
d) Marketing Decision
Answer: a) Investment Decision

3. The decision regarding the acquisition of long-term assets is known as:
a) Financing Decision
b) Dividend Decision
c) Investment Decision
d) Working Capital Decision
Answer: c) Investment Decision

4. Wealth maximization is generally measured by:
a) Sales Revenue
b) Market Value of Shares
c) Total Production
d) Gross Profit
Answer: b) Market Value of Shares

5. The process of determining the requirement of funds and their sources is called:
a) Financial Planning
b) Capital Budgeting
c) Cost Accounting
d) Budgetary Control
Answer: a) Financial Planning

6. The concept that ₹1 today is worth more than ₹1 received in the future is called:
a) Opportunity Cost
b) Time Value of Money
c) Marginal Cost

d) Historical Cost
Answer: b) Time Value of Money

7. The process of finding the present value of future cash flows is called:
a) Compounding
b) Discounting
c) Capitalization
d) Amortization
Answer: b) Discounting

8. The process of finding the future value of present money is called:
a) Discounting
b) Compounding
c) Capital Budgeting
d) Valuation
Answer: b) Compounding

9. Capital Budgeting is mainly concerned with:
a) Short-term investments
b) Long-term investment decisions
c) Day-to-day expenses
d) Working capital management
Answer: b) Long-term investment decisions

10. Which of the following is a traditional method of Capital Budgeting?
a) NPV
b) IRR
c) Payback Period
d) Profitability Index
Answer: c) Payback Period

11. NPV stands for:
a) Net Profit Value
b) Net Present Value
c) Net Payment Value
d) Net Production Value
Answer: b) Net Present Value

12. If NPV of a project is positive, the project should generally be:
a) Rejected
b) Accepted
c) Ignored
d) Postponed
Answer: b) Accepted

13. Which method considers the time value of money?
a) Payback Period
b) Accounting Rate of Return
c) Net Present Value

d) Average Profit Method
Answer: c) Net Present Value

14. Long-term finance is generally required for:
a) Purchase of stationery
b) Day-to-day expenses
c) Acquisition of fixed assets
d) Payment of petty cash
Answer: c) Acquisition of fixed assets

15. Which of the following is a source of long-term finance?
a) Trade Credit
b) Equity Shares
c) Outstanding Expenses
d) Bills Payable
Answer: b) Equity Shares

16. Debenture holders are:
a) Owners of the company
b) Creditors of the company
c) Employees of the company
d) Promoters of the company
Answer: b) Creditors of the company

17. Capital Structure refers to the proportion of:
a) Current assets and current liabilities
b) Fixed assets and current assets
c) Debt and equity in total capital
d) Sales and profits
Answer: c) Debt and equity in total capital

18. The use of debt in the capital structure creates:
a) Operating Leverage
b) Financial Leverage
c) Sales Leverage
d) Production Leverage
Answer: b) Financial Leverage

19. The cost of borrowed funds is known as:
a) Cost of Equity
b) Cost of Preference Capital
c) Cost of Debt
d) Cost of Retained Earnings
Answer: c) Cost of Debt

20. WACC stands for:
a) Weighted Average Cost of Capital
b) Working Average Cost of Capital
c) Weighted Annual Cost of Capital

d) Working Asset Cost of Capital
Answer: a) Weighted Average Cost of Capital

21. Dividend is generally paid to:
a) Debenture holders
b) Creditors
c) Equity shareholders
d) Suppliers
Answer: c) Equity shareholders

22. The portion of earnings distributed to shareholders is called:
a) Retained Earnings
b) Dividend
c) Capital Reserve
d) Provision
Answer: b) Dividend

23. The proportion of earnings retained in the business is known as:
a) Dividend Payout Ratio
b) Retention Ratio
c) Debt Ratio
d) Equity Ratio
Answer: b) Retention Ratio

24. Which of the following is a factor affecting Dividend Policy?
a) Stability of Earnings
b) Colour of the company's logo
c) Number of employees only
d) Office location only
Answer: a) Stability of Earnings

25. According to the Dividend Irrelevance Theory, dividend policy does not affect:
a) Production
b) Market value of the firm
c) Number of employees
d) Sales volume
Answer: b) Market value of the firm

II. FILL IN THE BLANKS – 25

1. Financial Management is concerned with the procurement and effective ________ of funds.
   Answer: Utilization
2. The main objective of modern Financial Management is ________ maximization.
   Answer: Wealth
3. The decision relating to the acquisition of assets is called ________ decision.
   Answer: Investment

4. The decision relating to the sources of funds is called ________ decision.
   Answer: Financing
5. The decision relating to distribution of profits is called ________ decision.
   Answer: Dividend
6. The value of money changes with ________.
   Answer: Time
7. The process of converting present value into future value is called ________.
   Answer: Compounding
8. The process of converting future value into present value is called ________.
   Answer: Discounting
9. The rate used to calculate present value is called the ________ rate.
   Answer: Discount
10. An equal amount received or paid at regular intervals is called an ________.
    Answer: Annuity
11. Capital Budgeting deals mainly with ________ investment decisions.
    Answer: Long-term
12. ________ Period is a traditional Capital Budgeting technique.
    Answer: Payback
13. NPV stands for Net ________ Value.
    Answer: Present
14. A project with positive NPV is generally ________.
    Answer: Accepted
15. IRR stands for Internal Rate of ________.
    Answer: Return
16. Equity shares represent the ________ capital of a company.
    Answer: Ownership
17. Debenture holders are considered the ________ of the company.
    Answer: Creditors
18. The combination of debt and equity is known as ________ structure.
    Answer: Capital
19. The use of fixed-cost sources of finance results in ________ leverage.
    Answer: Financial
20. The cost of borrowed funds is called Cost of ________.
    Answer: Debt
21. WACC stands for Weighted ________ Cost of Capital.
    Answer: Average
22. The portion of profit distributed to shareholders is called ________.
    Answer: Dividend
23. The portion of profit retained in the business is called ________ earnings.
    Answer: Retained
24. The ratio of dividend to earnings is called the Dividend ________ Ratio.
    Answer: Payout
25. Walter's Model and Gordon's Model are related to ________ policy.
    Answer: Dividend

III. DESCRIPTIVE QUESTIONS – 10

Unit – I: Nature & Scope of Financial Management

1. Define Financial Management. Explain its **nature, scope and objectives**.

2. Explain the **major financial decisions** taken by a Finance Manager.

3. Distinguish between **Profit Maximization and Wealth Maximization**. Explain why wealth maximization is considered a superior objective.

Unit – II: Time Value of Money & Capital Budgeting

4. What is **Time Value of Money**? Explain its importance in financial decision-making.

5. Explain the concepts of **Present Value, Future Value, Compounding and Discounting**.

6. Define **Capital Budgeting** and explain its importance and various techniques.

7. Explain the **Payback Period, Accounting Rate of Return and Net Present Value methods** of Capital Budgeting.

Unit – III: Long-Term Finance, Capital Structure, Cost of Capital & Dividend Policy

8. Explain the **various sources of Long-Term Finance** available to a business organization.

9. Define **Capital Structure** and explain the factors determining an **optimum Capital Structure**.

10. Explain **Cost of Capital and Dividend Policy**. Discuss the major factors affecting Dividend Policy decisions.