

[A-1]

SEAT No. \_\_\_\_\_

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## SARDAR PATEL UNIVERSITY

B.B.A. (ITM) (SEMESTER: V) (N.C.) EXAMINATION (4 Years) (2010 Batch)

Thursday, 22<sup>nd</sup> November, 2018

10:00 A.M. To 12:00 P.M.

## UM05EBBI03: PRINCIPLES OF FINANCIAL MANAGEMENT

Total Marks: 60

Note: 1. Figure to the right indicate full marks of question.

2. All questions carry equal marks.

3. Working notes are the part of answer.

- Q-1 (A) What is Financial Management? Explain role of financial manager. [10]  
 (B) Write note on: e-Finance. [05]

OR

- Q-1 What are the objectives of financial management? Discuss it in details. [15]

- Q-2 Define the term capitalization and explain the causes and effects of over capitalization. [15]

OR

- Q-2 Calculate the Operating Leverage and Financial Leverage and Combined Leverage from the following data under situation I and II and financial plan A & B. [15]

Installed Capacity	4000 units
Actual Production and Sales	75% of the capacity
Selling Price	Rs. 30 per unit
Variable Cost	Rs. 15 per unit
<b>Fixed Costs:</b>	
Under situation I	Rs. 15,000
Under situation II	Rs. 20,000

**Capital Structure:**

Particular	A (Rs.)	B (Rs.)
Equity	10000	15000
Debt (Rate of Interest at 20%)	10000	5000
	<b>20,000</b>	<b>20,000</b>

- Q-3 (A) Define the capital budgeting. Explain the steps of capital budgeting. [10]  
 (B) Differentiate between NPV and IRR [05]

OR

- Q-3 Jatin limited is considering an investment proposal to purchase a machine costing Rs. 2,50,000. The machine has expected life of 5 years and no salvage value. The company's tax rate is 40%. The firm uses straight line method of depreciation. The estimated cash flows before tax and after depreciation from machine are as follows: [15]

Year	1	2	3	4	5
CFBT (Rs.)	60,000	70,000	90,000	1,00,000	1,50,000

The discounting factor is at 10%.

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Calculate PBP, ARR, NPV, PI.

- Q-4 (A) Define the capital structure and explain the factors affecting the pattern of capital structure decision. [15]

OR

- Q-4 (A) Two firm J and N are identical in all respects except that the firm J has 10% Rs. 50,000 debentures. Both firms have the same EBIT amounting to Rs. 10,000. The equity capitalization rate of J is 16% while firm N is 12.5%. The following details of the two firms is given below: [09]

Particulars	J	N
EBIT	10000	10000
Less: Interest	5000	---
NI	5000	10000
Ke	16%	12.5%
S	31250	80000
B	50000	----
V	81250	80000

An investor holds 10% investment in share of firm J. Show the process of arbitrage and the benefits available to the investor.

- (B) Discuss the Significance of capital; budgeting. [06]

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