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SEAT No. _____

[A-6/A-7]

SARDAR PATEL UNIVERSITY
BBA (GENERAL) SEMESTER – IV EXAMINATION (NC – 2010 BATCH)

2018

Wednesday, April, 11
10.00 a.m. TO 12.00 pm

FINANCIAL MANAGEMENT
UM04CBBA01/06

Total Marks: 60

Q1 Define financial management. Discuss the managerial and routine functions of the financial manager. [15]

OR

Q 1[a] Give an overview of the Indian financial system and briefly explain the constituents of the system. [10]

[b] Explain the features of equity shares. [05]

Q 2[a] Define financial planning. Explain factors affecting financial planning. [10]

[b] What are the remedies of under-capitalization? [05]

OR

Q 2 What is over-capitalization? Discuss the causes and remedies of over-capitalization. [15]

Q 3 Define working capital, explain the types of working capital & discuss factors affecting working capital decision. [15]

OR

Q 3 ABC Ltd. newly started company wishes to prepare a cash budget from January. Prepare a cash budget for the six months from the following information. [15]

Months	Sales	Materials	Wages	Overheads	
				Production	Selling
Jan	20,000	20,000	4,000	3,200	800
Feb	22,000	14,000	4,400	3,300	900
Mar	28,000	14,000	4,600	3,400	900
Apr	36,000	22,000	4,600	3,200	900
May	30,000	20,000	4,000	3,200	900
June	40,000	25,000	5,000	3,600	1,200

- Cash balance on 1st Jan was Rs.10,000.
- A new machinery is to be installed at Rs.20,000 on credit, to be repaid by two equal installments in March and April.
- Sales commission @ 5% on total sales to be paid within a month following actual sales.
- Rs.10,000 being the amount of second call may be received in March. Share premium amounting to Rs.2,000 is also obtainable with the second call.
- Period of credit allowed by suppliers 2 months.
- Period of credit allowed to customers 1 month.
- Delay in payment of overheads 1 month.
- Delay in payment of wages half a month.

Assume cash sales to be 50% of total sales.

Q 4[a] What is a capital budgeting decision? Why is it one of the most important decisions of finance? [10]

[b] Explain the various types of capital budgeting decisions. [05]

①

C.P.T.O.)

OR

Q 4 A company is considering an investment proposal to purchase a machine costing [15]
Rs.2,50,000. The machine has a life expectancy 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(CFBT)
from the machine are as follows:

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

Calculate:

1. Pay-back period
2. Average rate of return
3. Net Present Value & Profitability Index at 10% discount rate.

-X-X-X-X-X-X-X-X-X-X-X-