

SEAT No. _____

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SARDAR PATEL UNIVERSITY
BBA[ISM] IIIrd SEM [CBCS]
FINANCIAL MANAGEMENT I [UM03DBBS51]

Thursday, 7th January 2021

10.00 PM TO 12.00 PM

MARKS: 70

ATTEMPT ANY FOUR QUESTIONS FROM THE FOLLOWING
ALL QUESTIONS CARRY EQUAL MARKS

Q1A. What is Financial Management? Discuss the Importance of Financial Management in detail.

Q1B. Explain the Investment decision and Finance decision of Financial Management.

Q2A. Explain the Dividend decision and Liquidity decision of Financial Management.

Q2B. Explain the Goals of Financial Management in detail.

Q3. Following is the Capital Structure of D. K. Company Ltd. Calculate the overall cost of capital using Book value and Market Value weight.

Sources of Capital	Book Value [Rs.]	Market Value [Rs.]
8% Debentures of Rs. 100 each	1400000	Rs. 105 Per Debenture
12% Redemable Preference shares of Rs. 100 each	350000	Rs. 115 per Preference Share
Equity shares of Rs. 10 each	1750000	Rs. 20 per Equity Share
Total	3500000	

The after taxes Cost of different sources of finance are as follow:

Equity Shares – 16.31%, Preference Shares -12.58%, Debentures- 4.49%.

Q4. Write Notes on the following:

- Cost of Equity
- Cost of Preference shares
- Cost of Debt
- Cost of Retained Earning
- Weighted Average Cost of Capital

Q5A. What is Capital Budgeting? Discuss the Process of Capital Budgeting in detail

Q5B. Explain the Techniques of Capital Budgeting in detail.

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[P.T.O.]

Q6.

A company is considering the exclusive projects. It requires an initial investment of Rs. 80,000 and have a life of five years. The cost of capital of the company is 10% and tax rate is 50%. The depreciation is charged on straight-line method. The estimated net cash inflows (before depreciation and tax) of the projects are as follows:

Year	Project A
1	20,000
2	25,000
3	28,000
4	26,000
5	30,000

Evaluate the project through PBP, ARR, NPV and PI techniques.

Q7. A proforma cost sheet of a company provides the following particulars:

Particulars	Amount [Rs.]
Raw Material	80
Direct Labour	30
Overheads	60
Total Cost	170
Profit	30
Selling Price	200

The following further particulars are available:

Raw material in stock on average one month, Material in process [completion stage 50%] on average half a month, Finished Goods in stock on average one month. Credit allowed by supplier is one month, Credit allowed to debtors is Two months, Average time lag in payment of wages is 1.5 weeks and one month in overhead expenses, One fourth of the output is sold against cash, cash in hand and at bank is desired to be maintained at Rs. 365000. You are required to prepare a statement showing the working capital needed to finance a level of activity of 104000 units of production. You may assume that production is carried evenly throughout the year and wages and overheads accrue similarly.

Q8A. What is Working Capital Management? Explain the Types of Working Capital.

Q8B. Explain the factors affecting working capital management in detail

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