

**SARDAR PATEL UNIVERSITY**  
**B.B.A. (General) (III Semester) Examination**  
**Thursday, 1<sup>st</sup> December 2016**  
**2.00 pm - 4.00 pm**  
**UM03CBBA02 : FINANCIAL MANAGEMENT - I**

**Total Marks: 60**

**Note :** Figures to the right indicate full marks of the Question.

Q.1 What is Financial Management ? Discuss its scope and importance in management of business. (15)

**OR**

Q.1 Compare and contrast the objective of maximizing earnings with that of maximizing wealth. (15)

Q.2 Give overview of Indian Financial System and explain structure and players of capital market. (15)

**OR**

Q.2 Narrate: Sources of Long term - instruments of Financing. (15)

Q.3 What is Financial Planning ? Explain its characteristics and factors affecting. (15)

**OR**

Q.3 Give meaning of capitalisation and discuss causes, effects and remedies to under capitalisation. (15)

Q.4

(A) Explain Process of Capital Budgeting. (03)

(B) A company is considering two investment projects. Each requires investment of Rs. 5,00,000. The net profits (before depreciation) of both the projects are projected as follows: (12)

At the end of year	Project No.1	Project No. 2
1	125000	250000
2	187500	250000
3	187500	62500
4	125000	62500

Determine using NPV method which of the two projects is preferable. cost of capital is 5%.

**OR**

Q.4

(A) Explain significance of capital budgeting in financial management. (03)

(B) Calculate the accounting rate of return for project 'X' and 'Y' from the following data. (12)

Particulars		Project X	Project Y
Initial investments (Rs.)		40000	50000
Expected life in years		4	5
Estimated Salvage value (Rs.)		2000	6000
Estimated Profit after tax (Rs.)			
Year	1	8000	10000
	2	10000	20000
	3	20000	20000
	4	12000	6000
	5	-	2000
	Total	50000	58000

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