

[9 & A-7]

Sardar Patel University

BBA (ISM) III Semester Examination

Wednesday, 07th December 2016

Time: 02:00 P.M. to 04:00 P.M.

UM03CBBS05: Financial Management-I

Total Marks: 60

- Q-1 A. What is finance management? Discuss the scope of financial management with appropriate example. [10]
 B. Explain the objective of financial management. [05]

OR

- Q-1 A. Explain the finance function of the financial manager. [08]
 B. Define finance management. Explain importance of financial management. [07]

- Q-2 A. CHACHA Ltd issued 5 % debenture of Rs.50,000 and having tax rate of 20% find out cost of debenture(KD). When [08]
 1. Debentures are issued at par.
 2. Debentures are issued at 10% premium.
 3. Debentures are issued at 10% Discount.
 B. Write the importance of cost of capital. [07]

OR

- Q-2 A. From the following information calculate the WACC. As per the book value and Market Value. [10]

Sources	Book Value	Market Value	Cost
Debenture	4,00,000	3,80,000	5%
Preference Share	1,00,000	1,10,000	8%
Equity Share	6,00,000	9,00,000	15%
Retained earning	2,00,000	3,00,000	13%

- B. Discuss various concept of cost of capital. [05]
- Q-3 RBI wants to purchase a new machine which will cost of Rs.1,00,000/- have a life of 5 years. [15]
 The following Net cash flow after tax of the project is as follows.

YEAR	1	2	3	4	5
CFADT	30,000	40,000	50,000	70,000	80,000

Company use straight line method for depreciation. The hurdle rate is 30 %.

Compute : 1. PBP, 2. ARR, 3. NPV, 4. PI, 5. IRR

OR

- Q-3 A. What is capital budgeting Decision? Evaluate the Net Present Value (NPV) and Pay Back period (PBP) methods. [10]
 B. Discuss the process of capital budgeting. [05]

[P.T.O]

[10]

Q-4 A. A Performa Cost sheet of Priyansh company provides the following particulars.

Particular	Amount(Rs.)
Raw material	80
Direct labour	30
Overheads	60
Total cost	170
Profit	30
Selling Price	200

The additional information is as under.

1. Raw material in stock on average is 1 month.
2. Material in process (Completion stage is 50%), on average ½ month
3. Finish goods in stock on avg. is 1 month.
4. Credit allowed by suppliers is 1 month.
5. Credit allowed by debtors is 2 month.
6. Average time-lag in payment of wages is 4 weeks and 1 month in overheads.
7. ¼ of the sales is sold against cash. Cash in hand and bank is 3,65,000.

You are requiring preparing statement showing the working capital needed to finance level of activity 1, 04,000 units of production. You may assume that production is carried on evenly throughout the year, and wages and overheads accrue similarly. For calculation purpose 4 weeks may be taken as equivalent to a month.

B. What is working capital? Explain factors determining working capital requirements in brief.

[05]

OR

Q-4 A. Discuss in brief the various sources of working capital financing.

[10]

B. Write a note on operating cycle.

[05]

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