

[27/A-12]

SEAT No. _____

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SARDAR PATEL UNIVERSITY

B.B.A.(General) (THIRD SEMESTER) EXAMINATION

Thursday, 22nd November, 2018.

02.00 p.m. to 04.00 p.m.

FINANCIAL Management - I (UM03CBBA02)

Total Marks: 60

NOTES- 1. Figures to the right indicate full marks of each question.

2. Answer should be precise and to the point.

3. All working notes are part of the answer.

1(a) What is Financial Management? Why is Maximization of Wealth a better goal than maximizing Profit? 8

(b) "The importance of Financial Management has increased in Modern Times." Elucidate. 7

OR

1(a) What is finance Function? Discuss the Executive and Routine Finance Functions in an organization? 8

(b) Write note on: "Position of Finance functions in Indian Companies". 7

2(a) What is Indian Financial system? Explain the role of Financial system in Country's Economic development. 8

(b) Distinguish between Money Market and capital Market. 7

OR

2(a) What is Financial Market ? Briefly explain functions of Money Market and Capital Markets. 7

(b) Write short notes on:
1. Equity Shares- as a Sources of long term Instrument. 4
2. Call Money Market. 4

3(a) What is Financial Planning? Explain the Features and limitations of Financial Planning. 8

(b) What is Under-capitalization? Suggest measures to correct Under-capitalization. 7

OR

3(a) Explain the meaning and causes of Over-capitalization. Discuss clearly the remedies of Over-capitalization. 8

(b) What is Capitalization? Explain the Cost and Earning Theory of Capitalization. 7

4(a) Explain the Procedure of Capital Budgeting. 6

(b) A Project cost Rs.90,000. The estimated Annual Cash inflows (CFAT) during its 5 years life are Rs.40,000, Rs.30,000 Rs.20,000, Rs. 10,000 and Rs.5000 respectively. 3

Find out Pay Back Period.

(1)

(P.T.O.)

.....2

(c) A Project Cost Rs.5,00,000, scrap value Rs. 1,00,000, life 5 years and Annual average income before depreciation and tax Rs. 1,44,000. Assuming tax rate at 50% and depreciation on straight line method.

6

Find out Accounting / Average Rate of Return (ARR).

OR

4 Mercedes Ltd. is considering investing in a New Plant Costing Rs.60,00,000. Forecasted annual income before Depreciation and Tax (CFBT) is as follow:

15

Year	Income (Rs.)
1	30,00,000
2	33,00,000
3	24,00,000
4	27,00,000
5	20,00,000

Depreciation is by SLM, salvage value of the plant is Rs.5,00,000 and taxation at 50% of net income. The cost of capital of the company is 10%. You are required to evaluate the programme according to each of the following method.

1. Pay back period.
2. Accounting Rate of Return.
3. Net present value method.
4. Profitability Index method.

Answer the following questions in brief.

— X —
 (2)