[19/A-10] SEAT No.________ No. of Printed Pages : 2

SARDAR PATEL UNIVERSITY
BBA[ISM] IIIrd SEM [CBCS] [REGULAR & NC]
FINANCIAL MANAGEMENT I [UM03CBBS05]
Thursday, 29th November, 2018
2.00 PM TO 4.00 PM

MARKS: 60

Figures to the right indicate full marks.

Q1A. What is Financial Management? Explain the Importance of Financial Management in detail. [08]

Q1B. Explain the Dividend decision and Liquidity decision of Financial Management. [07]

OR

Q1A. Explain the Goals of Financial Management in detail. [08]

Q1B. Explain the Investment decision and Finance decision in Financial Management. [07]

Q2. [15]

Following is the Capital Structure of B. 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.]
Equity share Capital [Rs. 10 each]	90000	Combined of Equity and Retained earning Rs. 180000
Retained Earning	30000	
Preference Share Capital	20000	20000
Debentures	60000	60000

The after taxes Cost of different sources of finance are as follow:
Equity Shares - 14%, Retained Earning- 13%, Preference Shares -10%, Debentures- 5%.

OR

Q2. Write Notes on the following: [15]

A. Cost of Equity
B. Cost of Preference shares
C. Cost of Debt
D. Cost of Retained Earning
E. Weighted average Cost of Capital

Q3A. What is Capital Budgeting? Explain the Process of Capital Budgeting. [08]

Q3B. Explain the Techniques of Capital Budgeting in detail. [07]

OR

(P.T.O)

Q3. [15]

A company is considering the exclusive projects. It requires an initial investment of Rs. 50,000 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	22,000
3	28,000
4	25,000
5	30,000

Project should accept as per the PBP, ARR, NPV and PI techniques.

Q4 [15]

Jay Limited sells goods at a gross profit of 20%. It includes depreciation as a part of Cost of Production. The following figures for the 12 month period ending 31st March, current year are given to enable you to ascertain the requirements of working capital of the company on a cash cost basis. In Your working you are assumed that:

1. A safety margin of 15% will be maintained.
2. Cash is to be held to the extent of 50% of current liabilities.
3. There will be no work in progress.
4. Tax is to be ignored.
5. Finished goods are to be valued at manufacturing costs. Stocks of raw material and finished goods are kept at one month's requirements.

Sales at two months credit Rs. 2700000. Materials consumed [Suppliers credit is for 2 months] Rs. 675000. Wages [lag time half month] Rs. 540000. Manufacturing expenses outstanding at the end of the year [Cash expenses are paid one month in arrear] Rs. 60000. Total Administrative Expenses [paid as above] Rs. 180000. Sales promotion expenses [paid quarterly in advance] Rs. 90000.

OR

Q4A. What is Working Capital Management? Explain the Types of Working Capital. [10]

Q4B. Write a note on Operating Cycle. [05]

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