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SEAT No.

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SARDAR PATEL UNIVERSITY
B.B.A. (ITM) (SEMESTER: III) EXAMINATION

2018

Monday, 26th November

02:00 P.M. To 04:00 P.M.

UM03EBBI05: FINANCIAL MANAGEMENT & SERVICES – I

Total Marks: 60

Note: 1. Figure to the right indicate full marks of question.

2. All questions carry equal marks.

3. Working notes are the part of answer.

Q-1 (A) Define the term capitalization and explain the causes of over capitalization. [10]

(B) "The main function of financial was confined to the procurement of fund."- [05]

Discuss this statement in light with traditional function of Finance.

OR

Q-1 (A) Describe the significance of Financial Management in the present era of cut throat competition. [09]

(B) Difference between over capitalization and under capitalization. [06]

Q-2 Kalavati Limited wants to purchase a machine. The particulars are as under: [15]

Capital Investment Rs. 3,00,000

Depreciation at 20%

Require Rate of Return is 20%

Tax rate at 50%.

The expected cash flow before depreciation and tax are as under:

Year	1	2	3	4	5
Cash Flow (Rs.)	210000	210000	180000	180000	120000
DF @ 20%	0.833	0.694	0.579	0.482	0.402

Calculate PBP, ARR, NPV and PI

OR

Q-2 (A) Capital Budgeting is the total process of generating, evaluating, selecting and follow-up of capital expenditure alternatives."- Explain this statement with reference to process of capital budgeting. [09]

(B) Discuss the types of capital budgeting decision. [06]

Q-3 (A) Explain the challenges faced by financial service sector. [09]

(B) Differentiate between equity share and preference share. [06]

OR

①

(P.T.O.)

- Q-3 (A) Define the term capital market and money market and list out money market instrument and explain any two of it. [09]
- (B) Give meaning of financial services and discuss its features. [06]
- Q-4 (A) Define the cost of capital and explain its significance in financial decision making. [09]
- (B) Explain the following concept of cost: [06]
1. Average Cost and Marginal Cost
 2. Explicit Cost and Implicit Cost

OR

- Q-4 (A) The capital structure of Ram Fin Tec limited as on 31st March, 2018 is as follows: [09]

Source of Fund	Amount (Rs.)
1,00,000 equity share capital of Rs. 10 each	40,00,000
Reserve and Surpluses	8,00,000
14% Debentures of Rs. 100 each.	12,00,000

The company paid equity dividend at 20% last year. As the company is a market leader with good future, dividend is likely to grow by 5% every year. The equity shares are now traded at Rs. 80 per share in stock exchange. Income tax rate is applicable at 50%. You are required to calculate Weighted Average Cost of Capital.

- (B) Krunal Machine work limited issued at par 4000, 12% preference shares of Rs. 100 each. These shares are redeemable after 10 years at a premium of 5%. The cost of issue is Rs. 3 per share. find out cost of preference share capital. [06]
- What would be the cost, if these shares are issued at 4% discount?

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