SARDAR PATEL UNIVERSITY [32& A-29] B.B.A. (GENERAL) (SEMESTER-III) EXAMINATION

Monday, 20th November 02:00 P.M. To 04:00 P.M.

UM03CBBA02: FINANCIAL MANAGEMENT-I

Total Marks: 60

- (1) Figures to the right indicate full marks of each question.
- (2) All questions carry equal marks.
- Q-1 "Wealth Maximization is superior objective than profit maximization objective of [11] financial management."- Explain.
 - (B) Write a note on: Risk Return Trade off

[04]

OR

- "The importance of financial management has increased in modern times." Elucidate. Q-1 (A) [09]
 - List out routine function of financial management and explain any three functions in [06] detail.
- Q-2 (A) Write a note on: 1. Treasury Bills 2. Call Money Market

[08]

Difference between Capital Market and Money Market.

[07]

OR

Q-2 Explain equity shares and debentures as long term source of finance.

[15]

Q-3 Define financial planning and explain the characteristics of a sound financial plan and [15] also discuss limitation of financial planning.

OR

Q-3 Explain meaning, causes and consequences of over capitalization.

[15]

(A) Jitendra limited is considering the purchase of one of the following machines. Relevant data regarding machines are as follow:

Particulars	Machine - X	Machine - Y 3 Years	
Estimated Life	3 Years		
Capital Cost	Rs. 90,000	Rs. 90,000	
Earnings After tax and Depreciation: Year-1	Rs. 20,000	Rs. 10,000	
Year-2	Rs. 25,000	Rs. 35,000	
Year-3	Rs. 20,000	Rs. 25,000	

The company follows straight line method of depreciation and no salvage value for both machines. Calculate:

- 1, PBP
- 2. ARR
- 3. NPV @ 10% cost of capital
- Write a note on: Pay Back Period Method (PBP) (B)

[03]

OR

Q-4 (A) Sanjay Company is considering investing in a project requiring a capital outlay of Rs. [12] 2,00,000. Forecasted annual cash flow after depreciation but before tax is as follows:

Year	1	2	3	4	5
Income (Rs.)	1,00,000	1,00,000	80,000	80,000	40,000

Depreciation @ 20% on original cost of assets and taxation at 50%. Cost of capital of the project is 10%. Evaluate the project on the basis of following methods:

- 1. Pay Back Period
- 2. Accounting Rate of Return
- 3. Net Present Value
- 4. Profitability Index
- 5. Internal Rate of Return
- (B) Difference between NPV and IRR

[03]

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