

SEAT No. \_\_\_\_\_

[26 &amp; A-12]

SARDAR PATEL UNIVERSITY

BBA[ISM] IIIrd SEM [CBCS] [REGULAR &amp; NC]

SATURDAY 25<sup>TH</sup> NOVEMBER, 2017

FINANCIAL MANAGEMENT I [UM03CBBS05]

2.00 PM TO 4.00 PM

MARKS: 60

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

Q1B. Explain the Goals of Financial Management in detail. [07]

OR

Q1. Explain the following finance functions in detail. [15]

- Investment Decision
- Financing Decision
- Dividend Decision
- Liquidity Decision.

Q2. What is Cost of Capital? Explain Cost of Debt, Cost of Equity Share Capital, and Cost of [15]

Preference Share Capital and Retained Earnings.

OR

Q2A. Following information is available with regard to the capital structure of Bombay Breweries Ltd. [07]

Sources of Fund	Amount [Rs.]	After Tax Cost of Capital
Equity Share Capital	350000	0.12
Retained Earnings	200000	0.10
Preference share Capital	150000	0.13
Debentures	300000	0.09

You are required to calculate the weighted average Cost of Capital.

Q2B. Write Short note on the following: [08]

- Historical cost and Future Cost
- Specific Cost and Composite Cost
- Average Cost and Marginal Cost

Q3A. Define Capital Budgeting with the Techniques of Capital Budgeting in detail. [08]

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

OR

(P.T.O.)

- Q3. Bombay Company is considering an investment proposal to install new milling controls at a Cost of Rs. 50000. The machine has a life expectancy of Five years and no salvage value. The Tax rate is 35%. Assume the firm uses SLM depreciation and the same is allowed for tax purpose. The estimated Cash Flows before Depreciation and Tax from the investment proposal are as Follows. Cost of Capital @10% p.a. [15]

Years	CFBT [Rs.]
1	10000
2	10692
3	12769
4	13462
5	20385

- Compute: 1. Pay Back Period  
2. Average Rate of Return  
3. Net Present Value  
4. Profitability Index.

- Q4A. What is Working Capital Management? Explain the Factors affecting Working Capital in detail. [08]

- Q4B. Write a note on "CHORE COMMITTEE" [07]

OR

- Q4 From the following information extracted from the books of a manufacturing company [15]

Compute the Operating Cycle period and Working Capital required.

Particulars	Amount [Rs.]
Period covered	365 days
Average period allowed by suppliers	16 days
Average Total of Debtors outstanding	48000
Raw material consumption	440000
Total Production cost	1000000
Total Cost of Sales	1050000
Sales for the year	1600000
Value of Average Stock maintained:	
Raw Material	32000
Work in Progress	35000
Finished Goods	26000

X