



MAT-010-001302

Seat No. _____

B. B. A. (Sem. III) (CBCS) Examination

October / November – 2016

Financial Management - I

Faculty Code : 010

Subject Code : 001302

Time : $2\frac{1}{2}$ Hours]

[Total Marks : 70

- 1 Define financial management. Discuss in detail traditional and modern approach to the scope of financial management. 14

OR

- 1 Explain objectives of financial management. Justify the superiority of wealth maximization objective over profit maximization objective. 14

- 2 What is time value of money? What is rationale behind the concept of time value of money? Explain compounding and discounting techniques in detail. 14

OR

- 2 (a) Sunflower company limited is establishing a sinking fund to retire Rs. 10,00,000 10% debentures 10 years from today. The company plans to put a fixed amount into the fund each year for 10 years. The first payment will be made at the end of current year. The company anticipates that the fund will earn 8% a year. What equal annual contributions must be made to accumulate Rs. 10,00,000, 10 years from now? 7

- (b) A limited company borrows from a commercial bank Rs. 20,00,000 at 12% rate of interest to be paid in equal annual end-of-year installments. What would the size of the installment be ? Assume the repayment period is 5 years. 7

- 3 What is investment decision ? What is capital budgeting? 14
Discuss characteristics and process of capital budgeting. Also
explain any two capital budgeting techniques in detail.

OR

- 3 Parivartan Instruments is considering two mutually exclusive 14
projects A and B, Following details are available to you :
(Rs. in lakhs)

	Project A	Project B
Project Cost	700	700
Cash inflows : Year 1	100	500
Year 2	200	400
Year 3	300	200
Year 4	450	100
Year 5	600	100
Total	1650	1300

Assume no residual value at the end of the fifth year :

In respect of each of the two project, calculate

- (a) Net Present Value, using 10% discount rate;
(b) Profitability Index, using 15% discount rate.
- 4 What is financial structure? What is capital structure? 14
What is an ideal capital structure ? Explain features of an
ideal capital structure. Also discuss different patterns of
capital structure.

OR

- 4 Define and differentiate financial structure and capital 14
structure. Discuss in detail factors affecting capital structure.
- 5 Explain in detail characteristics, merits and demerits of 14
(a) Equity shares
(b) Debentures.

OR

- 5 Write a note on :
(a) Bridge finance. 7
(b) Operating leverage and financial leverage. 7