



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 14 and modern approach to the scope of financial management.

OR

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

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

OR

2 (a) Sunflower company limited is establishing a sinking 7 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?

(b) A limited company borrows from a commercial bank 7 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.

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

OR

3 Parivartan Instruments is considering two mutually exclusive 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? What is an ideal capital structure ? Explain features of an ideal capital structure. Also discuss different patterns of capital structure. 14

OR

4 Define and differentiate financial structure and capital structure. Discuss in detail factors affecting capital structure. 14

5 Explain in detail characteristics, merits and demerits of

- (a) Equity shares
- (b) Debentures. 14

OR

5 Write a note on :

- (a) Bridge finance. 7
- (b) Operating leverage and financial leverage. 7