

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**BBA Winter 2021 - 22 Examination**

Semester:03

Subject Code: 06101203

Subject Name: Financial Management – I

Date: 25/09/2021

Time: 02:00 pm to 04:30 pm

Total Marks: 60

**Instructions**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as Directed.

A). Multiple choice type questions/Fill in the blanks. (Each of 1 mark) (05)

1. Mohan had taken freehold land on lease enjoyable in perpetuity. If the rent is Rs.20,000 p.a. and the rate of interest is 10%. p.a. What will be the value of perpetuity?

- |             |             |
|-------------|-------------|
| a) 2,00,000 | c)20,00,000 |
| b)1,20,000  | d)20,000    |

2 At Internal Rate of return, NPV becomes equal to \_\_\_\_\_

- |      |                      |
|------|----------------------|
| a) 1 | c) 0                 |
| b)-1 | d) none of the above |

3The quantity being ordered at which the ordering cost and inventory carrying cost will be minimum is called\_\_\_\_\_.

- |                  |                           |
|------------------|---------------------------|
| a) Minimum Level | c)Economic Order Quantity |
| b) Maximum Level | d)None of the above       |

4 \_\_\_\_\_ Leverage is associated with investment activities of the business firm.

- |              |                    |
|--------------|--------------------|
| a) Combined  | c) Financial       |
| b) Operating | d)all of the above |

5 Financial Break-Even Point is the level of EBIT at which EPS becomes equal to

- |        |      |
|--------|------|
| a) 10  | c) 0 |
| b) 1.5 | d) 1 |

B).Define the following. (Each of 1 mark) (05)

1. Perpetuity
2. Operating Leverage
3. Internal Rate of return
4. Working capital
5. Financial BEP

C).Direct questions. (Each of 1 mark) (05)

1. Define Operating Cycle.
2. List down the types of working capital.
3. Give four names of capital budgeting techniques.
4. Write a formula: a. Profitability Index    b. Average rate of return
5. What is indifference point?

Q.2 Answer the following questions.

A) Explain role of financial manager in details. (07)

B) NDT Ltd. Purchases 2,000 units of a particular item per year at unit cost of Rs.20 , the ordering cost is Rs. 50 and the inventory carrying cost is 25% of unit cost. Find out the Economic Order Quantity and total cost including purchasing cost. (08)

If a 3% discount is offered by supplier for purchases in lots of 1,000 units or more, should the company accept given proposal?

Q.3 Answer the following questions.

A) In order to identify risk position Kundar Ltd. has supplied following data:

Share Capital = Rs. 5,00,000 consisting of 50,000 shares of Rs. 10 each

Sales = Rs. 10,00,000

Variable cost = 60% of sales

Fixed Operating Cost = 2 lakhs

10 % Debentures =Rs.10,00,000

Calculate: a. Operating Leverage      b. Financial Leverage      c. Combined Leverage.

d. EPS

e. Change in EPS as a result of 5% increase in sales

(07)

B) Explain types of working capital management in details with diagram.

(08)

Q.4 Attempt any two questions. (Each of 7.5 mark)

(15)

1) Define Financial Management and discuss in detail the objectives of Financial Management.

2) Texas Ltd. is considering two projects Project A and Project B for investment Purpose. Initial Investment of Project A is Rs. 2,00,000 and Project B is Rs. 2,00,000.

Year	Project A	Project B
1	35,000	2,18,000
2	80,000	10,000
3	90,000	10,000
4	75,000	4,000
5	20,000	3,000

a) Calculate NPV and IRR of both the Project.

b) Which project would you recommend to the company?

3) Prakash Ltd. has provided following information from February 2017 to August 2017.

Considering same prepare cash budget from 1<sup>st</sup> April 2017 to 31<sup>st</sup> June 2017. Cash Balance as on 1<sup>st</sup> April is Rs. 25,000.

(Amount in Rs.)

Month	Sales	Purchase	Wages	Manufacturing Expenses	Office Expenses	Selling Expenses
February	1,80,000	1,24,000	12,000	3,000	2,000	2,000
March	1,92,000	1,44,000	14,000	4,000	1,000	4,000
April	1,08,000	2,43,000	11,000	3,000	1,500	2,000
May	1,74,000	2,46,000	12,000	4,500	2,000	5,000
June	1,26,000	2,68,000	15,000	5,000	2,500	4,000
July	1,40,000	2,80,000	17,000	5,500	3,000	4,500
August	1,60,000	3,00,000	18,000	6,000	3,000	5,000

Addition Information :

- 50% of credit sales are realized in the month following the month of sale and remaining 50% in the second month following the sale.
- Credit Period allowed from Supplier is 1 month
- Lag in payment of Manufacturing expenses is ½ month
- Lag in payment of other expenses is 1 month.

4) Avani Chemicals Ltd. consider to purchase one of the following machines :

Particulars	Machine A	Machine B
Economic Life	3 years	3 years
Capital Investment	Rs. 1,00,000	Rs. 1,00,000
Earning After Tax (in Rs.)		
First Year	Rs. 80,000	Rs. 20,000
Second Year	Rs. 60,000	Rs. 70,000
Third Year	Rs. 40,000	Rs. 1,00,000

Evaluate both the alternatives using below mentioned methods :

- a. Pay Back Period
- b. Average Rate of Return method
- c. Net Present Value method @ 10%