

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**BBA Summer 2022-23 Examination**

**Semester: 3**  
**Subject Code: 06101203**  
**Subject Name: Financial Management-I**

**Date: 17/03/2023**  
**Time: 2.00 pm to 4.30 pm**  
**Total Marks: 60 Marks**

**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. Which of the following is types of working capital?

- |                             |                                 |
|-----------------------------|---------------------------------|
| a Permanent working Capital | b Semi Variable Working Capital |
| c Variable Working Capital  | d All of the above              |

2. In which method it is assumed that each cash inflow received is reinvested in another business at certain rate of interest?

- |              |                         |
|--------------|-------------------------|
| a IRR method | b Payback Method        |
| c NPV method | d Terminal Value method |

3. Find the amount that Rs. 20,000 will become after 5 years at compound interest at 20% calculate annually.

- |             |             |
|-------------|-------------|
| a Rs.48,500 | b Rs.49,767 |
| c Rs.50,732 | d Rs.47,967 |

4. A firm should hold \_\_\_\_\_ balance of cash.

- |        |           |
|--------|-----------|
| a More | b Idle    |
| c Less | d Optimum |

5. Operating leverage is calculated by \_\_\_\_\_.

- |                     |                |
|---------------------|----------------|
| a EBIT/EBT          | b EBT/EPS      |
| c CONTRIBUTION/EBIT | d CONTRIBUTION |

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

- 1 Economic Order Quantity
- 2 Leverage
- 3 Time Value of Money
- 4 Net Present Value
- 5 Wealth Maximization

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

1. List down any 2 points of differences between operating leverage and financial leverage.

1. Compute the present value of perpetuity of Rs. 800 per annum, providing discount rate at 10%.
2. List down the techniques of capital budgeting.
3. Provide Formula: EOQ
4. Explain Time value of Money Concept with example.

**Q. 2 answer the following questions.**

1. (a) Explain in Brief: Functions of Financial Management. (04)  
(b) Explain in Brief: Functions of Treasurer. (03)

2. Company is contemplating to purchase a machine. Two machines A and B are available, each costing Rs. 1,50,000. Discount rate to be considered is 10 %. Cash inflows after tax are expected as follows. (08)

Year	Machine A	Machine B
1	45,000	15,000
2	60,000	45,000
3	90,000	60,000
4	30,000	90,000
5	30,000	60,000

Indicate which machine would be profitable using following methods of ranking investment proposals.

1. Payback period method
2. Average rate of return
3. Net present value method

Present value of a rupee at 10% discount is as follows:

0.9091	0.8264	0.7513	0.6830	0.6209
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**Q. 3 Answer the following questions.**

- A). Discuss factors affecting the working capital requirement of a business? (07)  
B) Attempt following two question (each question 4 marks)

(I) Suppose that Daxa wants to accumulate Rs. 21,875 at the end of 4 years from now. So how much would be the deposit each year if the interest rate is 6% provided.

**Future Value Interest Factors for a One-Dollar Annuity Compounded value factor**

Year	1%	2%	3%	4%	5%	6%
1	1.0000	1.0200	1.0300	1.0400	1.0500	1.0600
2	2.0100	2.0200	2.0300	2.0400	2.0500	2.0600
3	3.0301	3.0604	3.0909	3.1216	3.1525	3.1836
4	4.0604	4.1216	4.1836	4.2465	4.3101	4.3746

(ii) What would be the present value of a sum of Rs. 80,000 deposited in a bank for a period of 6 years at 10% rate of interest?

**Future Value Interest Factors for One Dollar Compounded value Factor**

Year	6%	7%	8%	9%	10%
3	1.1910	1.2250	1.2597	1.2950	1.3310
4	1.2625	1.3108	1.3605	1.4116	1.4641
5	1.3382	1.4026	1.4693	1.5386	1.6105
6	1.4185	1.5007	1.5869	1.6771	1.7716

**Q.4 Attempt any two questions. (7.5 marks each)**

1. Explain the motives for holding cash and evaluate the same from your point of view.
2. Define Working Capital and discuss in detail different types of working capital.
3. A tube mill earns before interest & tax is 15,000. It has 8% debentures of Rs. 25,000, 10% preference shares of Rs. 20,000 and 1000 equity shares of Rs. 10,000. Tax rate is 50%. Assuming EBIT being 24,000 & 6,000, find out given data: (a) EPS (b) Degree of Financial Leverage.
4. What do you mean by Capital Budgeting? Discuss various types of Capital Budgeting in details