

PARUL UNIVERSITY
FACULTY OF LAW
I- B.B.A. LL.B. Summer 2018 – 19 Examination

Semester: 4
Subject Code: 17303282
Subject Name: Financial Management

Date: 18/04/2019
Time: 10.30 am to 1.00 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.**(15)**

(MCQ, True or False, Definitions, Explain terms) (1 marks each. All Compulsory)

1. Management of all matters related to an organization finances is called
 - a) Cash inflow and Outflow
 - b) Allocation of resources
 - c) Financial Management
 - d) Finance
2. Which of the following is not an element of financial management
 - a) Allocation of resources
 - b) Financial Planning
 - c) Financial Decision making
 - d) Financial Control
3. The most important goal of financial managements is
 - a) Profit maximization
 - b) Matching income and expenditure
 - c) Using business assets effectively
 - d) Wealth maximization
4. To achieve wealth maximization, the finance manager has to take careful decision in respect of
 - a) Investment
 - b) Financing
 - c) Dividend
 - d) All the above
5. Early in the history of finance, one of the important issue was:-
 - a) Liquidity
 - b) Technology
 - c) Capital Structure
 - d) Financing Option
6. Which of the following are microeconomic variables that help define and explain the discipline of finance?
 - a) Risk and return
 - b) Capital Structure
 - c) Inflation
 - d) All the above
- 7 Equity share
 - a) Have an unlimited life and voting rights and receive dividends
 - b) Have a limited life, with no voting rights but receive dividend
 - c) Have a limited life, and voting rights and receive dividends
 - d) Have an unlimited life, and voting rights but receive no dividends
- 8 External source of finance do not include :-
 - a) Debenture
 - b) Retained Earning
 - c) Overdraft
 - d) Leasing
9. Internal source of finance do not include
 - a) Better management of working capital
 - b) Ordinary Shares
 - c) Retained Earning
 - d) Trade Credit
10. Preference shares :-
 - a) Do not get dividends
 - b) Have no voting right
 - c) Are not part of company share capital
 - d) Receive Dividend
11. A debenture :-
 - a) Is a long term loan
 - b) Does not require securities
 - c) Is a short term loan
 - d) Inventory loans
12. Debt capital refers to :-
 - a) Money raised through the sale of shares
 - b) Funds raised by borrowing, must be repaid
 - c) Factoring accounts receivable
 - d) Inventory loans

13. Which of following cost of capital is required for adjusting tax ?
- a) Cost of Equity Shares
b) Cost of preference share
c) Cost of Debenture
d) Cost of Retained Earning
14. Financial leverage is calculated as
- a) EBIT / Contribution
b) EBIT/ EBT
c) EBIT/ Sales
d) EBIT/ Variables cost
15. Which of the following is correct ?
- a) $CL = OL + FL$
b) $CL = OL - FL$
c) $CL = OL * FL$
d) $CL = OL / FL$

Q.2 A) Write short notes on (Each of three mark)

(15)

1. Explain financial functions of the finance decision
2. Explain sources of finance
3. Explain meaning of venture capital and its characteristics
4. Sona Ltd issued 12 % irredeemable debenture at Rs. 103, at Rs 3 premium to its par value of Rs 100. The current market price of these debenture is Rs 94. If the company pays tax of 35%, What is the current cost of debenture?
5. XYZ & Co issues 2000 10% preference share of Rs 100 each at Rs 95 each. Calculate the cost of irredeemable preference share

Q.3 A) Explain the Role of Financial Executive

(08)

OR

A) ABC Ltd has the following list of assets and liabilities:

(08)

- Sundry Debtors - 50,000
- Inventories – 10,000
- Cash and Bank -30,000
- Loans and advance – 20,000
- Creditors -40,000
- Unclaimed Dividend – 5,000
- Proposed Dividend – 10,000

Find out Current Ratio, Quick Ratio and Working Capital.

B) Explain Owners Capital.

(07)

OR

B) ABC Ltd. has total sale of Rs 5,00,000 , variable cost Rs 1,50,000, Fixed Cost Rs 1,00,000.

(07)

Company has issued Rs 10,00,000 debentures at 10% interest rate.

Find operation leverage, Financial Leverage and Combined leverage.

Q.4 A) ABC Ltd has the following:

(07)

- Gross Profit 2,00,000
- Net Profit 1,50,000
- Sales 10,00,000
- Total Investment :- 25,00,000

Find out Gross Profit Ratio, Net Profit Ratio and Investment Turnover Ratio.

B) Answer the following (Each of two mark) (Any Four)

(08)

1. Difference between equity share and preference share
2. Difference between debenture and bond
3. Explain the Sources of financial data for analysis
4. Explain Business risk and Financial risk
5. What is wealth maximization?
6. What is Liquidity in business?