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S.Y.B.B.A. (NEP) (Sem. - III) Examination November - 2025

Financial Management (Major - 2)

Time: 2 Hours] **[Total Marks: 50**

સૂચના : / Instructions	Seat No.:
(1) ઉપરોક્ત દર્શાવેલ વિગતો ઉત્તરવહી પર અવશ્ય લખવી. Fill up strictly the above details on your answer book (2) All the Questions are compulsory. (3) Figures to the right indicate full marks of the question. (4) Use of scientific calculators is not allowed. (5) Sketch neat and labelled diagram wherever necessary.	Student's Signature

Q. 1 **Answer in brief (Any five)** **10**

1. List out duties of Controller.
2. Define capital budgeting.
3. What is the importance of capital budgeting?
4. Enlist short-term sources of finance.
5. What do you mean by right shares?
6. What is working capital?
7. What is Default cost due to receivables?

Q. 2 A company is considering investment proposal to install a new machine. The machine will cost Rs. 40,000 and the expenses for installment amounts to Rs. 10,000. The life expectancy of a machine is 5 years and no salvage value. The company's tax rate is 55%.
The firm uses straight-line method of depreciation. The estimated cash flow is before depreciation and tax from the proposed investment proposal are as follows: **14**

Year	1	2	3	4	5
Cash flow(Rs.)	10,000	11,000	14,000	15,000	25,000
PV Factor @10%	0.909	0.826	0.751	0.683	0.621

Compute the following:

1. Pay-back period
2. Average rate of return
3. Net present value@10%discount rate
4. Profitability Index@10%discount rate

OR

Q. 2 (A) Discuss in detail all the functions of financial management. 7

(B) Explain how wealth maximization goal is superior to profit maximization goal of financial management. 7

Q. 3 Discuss in detail features of preference shares with advantages and disadvantages from company and investor point of view. **14**

OR

Q. 3 (A) Explain factors affecting working capital requirement 7

(B) The following information has been extracted from the records of a company: 7

Product Cost Sheet	**Rs. Per Unit**
Raw materials	45
Direct labour	20
Overheads	40
Total cost	105
Profit	15
Selling price	120

- Raw materials are in stock on an average of 2 months.
- The materials are in process on an average for 4 weeks. The degree of completion including raw material is 50%
- Finished goods stock on an average is for 1 month.
- Time lag in payment of wages and overheads is 2 weeks.
- Time lag in receipt of proceeds from debtors is 2 months.
- Credit allowed by suppliers is 1 month.
- 20% of the output is sold against cash.
- The company expects to keep a cash balance of Rs. 1,00,000.
- Consider one month equal to four weeks.

The company is planning to manufacture 1,44,000 units in the year. You are required to prepare a statement showing the working capital requirements of the company.

Q. 4 Attempt any three **12**

1. Nature of financial management
2. Capital rationing
3. Internal rate of return
4. Retained earnings
5. Credit policy variables