

## Faculty of Business Management

BBA II-Year, CBCS-IV Semester Backlog Examinations, Dec/Jan 2019-20

## PAPER: FUNDAMENTALS OF FINANCIAL MANAGEMENT

Time: 3 hours

Max Marks: 80

## Section-A

- I. Answer any FIVE of the following questions (5x4=20 Marks)
1. Risk return trade off
  2. Terminal cash Flows
  3. NI approach
  4. Stock Split
  5. Permanent Vs. Temporary working capital
  6. Wealth Maximisation
  7. Meaning of capital structure
  8. NOI approach

## Section-B

- II. Answer the following questions (5x12=60 Marks)
9. (a) Describe the nature and scope of financial management.  
(OR)  
(b) Explain the concept of time value of money with examples.
  - 10.(a) Describe the methods of appraisal of long term investment projects.  
(OR)  
(b) Swanson Industries has four potential projects all with an initial cost of Rs.20,00,000. The capital budget for the year will only allow Swanson industries to accept one of the four projects. Given the discount rates and the future cash flows of each project, which project should they accept under NPV method?

Cash Flows	Projects M Rs.	Projects N Rs.	Projects O Rs.	Projects P Rs.
Year 1	5,00,000	6,00,000	10,00,000	3,00,000
Year 2	5,00,000	6,00,000	8,00,000	5,00,000
Year 3	5,00,000	6,00,000	6,00,000	7,00,000
Year 4	5,00,000	6,00,000	4,00,000	9,00,000
Year 5	5,00,000	6,00,000	2,00,000	11,00,000
Discount Rate	6%	9%	15%	22%

- 11.(a) Describe the MM Hypothesis of Capital Structure along with Propositions I and II.

(OR)