

Enrollment No./Seat No.:

GUJARAT TECHNOLOGICAL UNIVERSITY

BBA - SEMESTER - IV EXAMINATION - WINTER 2025

Subject Code: 1540103

Date: 15-11-2025

Subject Name: Fundamentals of Financial Management

Time: 2:30 PM TO 5:00 PM

Total Marks: 70

Instructions

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**
- 4. USE of SIMPLE calculators AND non-programmable scientific calculators are permitted.**

Q. No.	Question Text and Description	Marks
Q.1	Explain the below Term ;(Attempt any seven) (a) Financial management. (b) Time value of money (c) Compounding. (d) Net Present Value (NPV). (e) Inventory management? (f) Cost of equity (g) IRR (h) Preference shares	14
Q.2	Multiple Choice Questions (All Compulsory)	14
1	Which of the following is NOT a finance function? A. Investment Decision) B. Financing Decision C. Dividend Decision D. Marketing Decision	
2	What is the primary goal of financial management A. Profit Maximization B. Cost Minimization C. Shareholder Wealth Maximization D. Revenue Growth	
3	What does the concept of time value of money imply? A. Money has the same value over time. B. A rupee today is worth more than a rupee tomorrow C. Money depreciates over time D. Future money is worth more than present money.	
4	Which technique is NOT a Discounted Cash Flow (DCF) method? A. Net Present Value (NPV) B. Payback Period	

- C. Internal Rate of Return (IRR) D. Profitability Index (PI)

5

The IRR of a project is the discount rate at which:

- A. The project's NPV is zero. B. The project's cash inflows exceed cash outflows.
C. The project becomes unprofitable D. The profitability index equals zero

6

What is the Economic Order Quantity (EOQ) used for?

- A. Minimizing inventory holding costs. B. Maximizing inventory purchase costs.
C. Calculating inventory turnover ratios D. Reducing financial risk.

7

What does WACC stand for?

- A. Weighted Average Cost of Capital B. Weighted Allocation of Cash Costs
C. Wide Area Capital Calculation D. Weighted Aggregate Cost of Capital

8

What does the cost of debt represent?

- A. The rate of return required by equity shareholders. B. The interest rate paid by the company on its borrowings.
C. The weighted average return on all sources of finance. D. The market rate for preference shares.

9

In capital budgeting, the Profitability Index (PI) is calculated as:

- A. $\frac{\text{Total Cash Inflows}}{\text{Total Cash Outflows}}$ B. $\frac{\text{Present Value of Cash Inflows}}{\text{Initial Investment}}$
C. $\frac{\text{Initial Investment}}{\text{Present Value of Cash Inflows}}$ D. $\frac{\text{Net Present Value}}{\text{Discount Rate}}$

10 **Which capital budgeting method uses accounting profits instead of cash flows?**

- A. NPV B. ARR (Accounting Rate of Return)
C. IRR D. Payback Period

11

Preference shareholders typically receive:

- A. Dividends only if equity shareholders are paid first. B. Fixed dividends before equity shareholders.
C. No fixed dividends D. Dividends based on market performance

12

Which inventory management technique minimizes total inventory costs?

- A. FIFO B. LIFO
C. EOQ (Economic Order Quantity) D. JIT (Just in Time)

13

Which is NOT a cost associated with inventory management?

- A. Ordering Cost B. Marketing Cost
C. Carrying Cost D. Stock-out Cost

- | | | |
|------------|---|-------------------------------|
| 14 | Which of the following components is NOT included in the calculation of WACC? | |
| | A. Cost of Debt | B. Cost of Equity |
| | C. Risk-Free Rate | D. Cost of Preference Capital |
| Q.3 | (a) What are the primary objectives of financial management? Explain with suitable examples of current time. | 07 |
| | (b) Suppose you are finance manager, Write a detail note on Scope of Finance Function with suitable example if any. | 07 |
| | OR | |
| Q.3 | (a) Discuss the importance of the time value of money in financial decision-making in 21 st century. | 07 |
| | (b) Calculate the present value (PV) of ₹10,000 received after 5 years at a discount rate of 8% which was invested by Mr. A. | 07 |
| Q.4 | (a) Discuss the advantages and disadvantages of raising capital through debentures. | 07 |
| | (b) Why is NPV considered a superior capital budgeting technique compared to Payback Period? | 07 |
| | OR | |
| Q.4 | (a) Explain the various capital budgeting techniques and their relevance in decision-making | 07 |
| | (b) A project requires an initial investment of ₹50,000 and generates cash inflows of ₹20,000, ₹15,000, and ₹10,000 for the next three years. The discount rate is 10%. Calculate the NPV. | 07 |
| Q.5 | (a) Define the cost of capital and explain its significance in financial planning. | 07 |
| | (b) A firm has the following capital structure:
Equity: ₹5,00,000; Cost = 12%
Debt: ₹3, 00,000; Cost = 8% (Tax rate = 30%)
Calculate WACC. | 07 |
| | OR | |
| Q.5 | (a) What is Weighted Average Cost of Capital? Explain its importance. | 07 |
| | (b) Annual demand for a product is 6,000 units. The ordering cost is ₹250 per order, and the holding cost is ₹20 per unit per year. Calculate EOQ. | 07 |