



Seat No. : _____

NM-127

November-2025

B.B.A./BS (B.B.A.), Sem.-III

DSC-C-231 : Fundamentals of Financial Management (NEP 2020)

Time : 2:00 Hours]

[Max. Marks : 50

Instruction : Show necessary working notes.

1. (A) Discuss the scope of Financial Management in brief. 5
1. (B) Mr. Ruchir wants to invest ₹ 15,000 for 4 years. He has 2 options : 5
 - (i) Quarterly compounding at 12% rate of interest.
 - (ii) Annual compounding at 13% rate of interest.Which option is better ?

OR

1. (A) Discuss the concept of Profit Maximization and Wealth Maximization. 5
1. (B) Mr. Dhawal has borrowed ₹ 6,00,000 from a bank at 16% rate of interest. The loan is to be repaid in equal annual installments across 6 years. 5

Prepare a loan amortization schedule.
2. (A) Discuss any Five factors affecting working capital needs. 5
2. (B) Discuss the objectives of Cash Management. 5

OR

2. (A) Write a note on : 'Optimum Credit Policy'. 5
2. (B) The following details are available in respect of a firm : 5
 - (i) Annual requirement of inventory 6,00,000 units
 - (ii) Purchase price per unit ₹ 6
 - (iii) Cost of placing an order ₹ 50
 - (iv) Carrying cost 10%

Calculate Economic Order Quantity and Number of orders each year.

3. Calculate Operating, Financial and Combined leverage under Situation I and Situation II as well as Financial Plan A and B. 10

Production and Sales	15,000 units
Selling Price	₹ 100 per unit
Variable cost	50% of selling price
Fixed Cost :	
Under Situation I	₹ 2,40,000
Under Situation II	₹ 3,60,000

Capital Structure :

Financial Plan	Plan A	Plan B
Equity	6,00,000	3,00,000
Debt at 20%	6,00,000	9,00,000
Total	12,00,000	12,00,000

OR

3. (A) XYZ Co. is planning to raise ₹ 30,00,000 capital for a new project. Two options are available. 5
- Option 1 : Issue equity shares of ₹ 10 each
- Option 2 : Issue equity shares and 15% debentures in ratio 4:1
- If the Tax rate is 40%, calculate indifference point between option 1 and option 2.
3. (B) Write a note on Financial Break-Even Point. 5
4. Ruchir Ltd. is considering purchase of a new plant costing ₹ 6,00,000. The company estimates maintenance cost of ₹ 40,000 each year. The working life of the plant is estimated to be 5 years, its scrap value is ₹ 1,00,000. The cash flow before depreciation taxes and maintenance are as follows : 10

Year	₹
1	1,40,000
2	2,00,000
3	3,00,000
4	4,50,000
5	6,00,000

Company charges depreciation using Straight Line Method and taxes rate is 50%. Assuming discount rate of 10%, calculate Average rate of Return and Net Present Value of the project.

Present value of Rupee 1 for the first five years at 10% discount rate is as under :

0.909, 0.826, 0.751, 0.683 and 0.621

OR

4. (A) A company wants to implement an expansion project. It will require an Investment of ₹ 30,00,000. It will yield Profit Before Tax of ₹ 5,00,000 every year. Life of project is 3 years and tax rate is 50%. 5
- Calculate the Pay- Back Period of this project.
- If the minimum required payback period is 2 years, should the Project be accepted ?
4. (B) Write a note on 'Internal Rate of Return' method of Capital Budgeting. 5
5. Attempt any **TEN** out of **Twelve** : 10
- (1) If Net Present Value is positive, then Profitability Index is greater than 1.
(True/ False)
- (2) The leverage associated with financing activities is called _____ leverage.
(A) Operating (B) Financing
(C) Combined (D) None of the above
- (3) % change in EBIT/ % change in Sales is formula of _____ leverage.
(A) Operating (B) Financial
(C) Combined (D) None of the above
- (4) Financial Management involves _____ decisions.
(A) Investment (B) Financing
(C) Dividend (D) All of the above
- (5) Internal audit and control are a function of _____. (Treasurer / Controller)

- (6) With _____ technique, the amount of present cash can be converted into an amount of cash equivalent in future. (Compounding/ Discounting)
- (7) Define : Leverage
- (8) Compound interest is called on total of principal amount plus interest amount. (True/ False)
- (9) _____ approach is more practical and realistic approach of finance function. (Traditional/ Modern)
- (10) Define : Annuity
- (11) A project with _____ pay-back period should be selected. (Shorter/ Longer)
- (12) _____ method of Capital Budgeting considers time value of money. (Pay-Back period/ Average Rate of Return / Profitability Index)
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