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**PRESIDENCY
UNIVERSITY**

BENGALURU

School of Commerce

Mid - Term Examinations - November 2024

Semester: V

Date: 04-11-2024

Course Code: BBA2030

Time: 9:30am - 11:30am

Course Name: Financial Management

Max Marks: 50

Program: BBB, BBD, BBE, BBF

Weightage: 25%

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2marks.

5Qx2M=10M

- | | | | | |
|----------|---|----------------|----------|------------|
| 1 | Define capital budgeting. | 2 Marks | R | C01 |
| 2 | State the role of internal auditor in the organizational structure of finance. | 2 Marks | R | C01 |
| 3 | Outline the significance of profit maximization. | 2 Marks | R | C01 |
| 4 | Recall the importance of compounding techniques in time value of money concept. | 2 Marks | U | C02 |
| 5 | Describe the features of a debenture. | 2 Marks | U | C02 |

Part B

Answer ALL Questions. Each question carries 10 marks.

4QX10M=40M

- 6 Marvin Organics pvt ltd. is a small, sustainable farming business that specializes in organic produce. After two successful years in operation, the owner is looking to expand the business by investing in new equipment and increasing marketing efforts to attract more customers. However, the owner needs to create a comprehensive financial plan to ensure that these investments do not jeopardize the company's current cash flow or operational stability. You as their manager, explain financial planning & its importance. **10 Marks R CO1**

OR

- 7 You are a financial consultant for Irwin Innovations, a technology startup that is experiencing rapid growth. The company is seeking to raise capital to fund new product development and market expansion. The leadership team is debating between issuing shares (equity) or debentures (debt) to investors. They are unsure about the key differences between the two and the long-term impact on the company's financial health and control structure. Write the differences between shares & debentures. **10 Marks U CO2**

- 8 Careerhigh Education is a medium-sized educational consulting firm that specializes in providing career counseling and training programs. The company has been experiencing growth but is facing challenges in managing its finances effectively due to increased operational costs and fluctuating revenues. The owner has decided to hire a finance manager to oversee financial operations and develop strategies for sustainable growth. Explain the role of a finance manager to an organization. **10 Marks R CO1**

OR

- 9 Wakefine Furnishings is a growing retail company specializing in eco-friendly and sustainable home decor. As the company prepares for the upcoming fiscal year, the management team recognizes the need for a sound financial plan to navigate potential market fluctuations, manage cash flow effectively, and support strategic growth initiatives. You as their CFO, explain the characteristics of sound financial planning. **10 Marks R CO1**

- 10 Compare two companies in terms of its financial, operating leverages and combined leverage. Interpret the results of the firms. **10 Marks U CO3**

Particulars	Ram Ltd	Rahim Ltd
Sales	30,00,000	40,00,000
Variable cost	18,00,000	20,00,000
Fixed cost	Rs.6,00,000	Rs.7,00,000
Interest	Rs.1,00,000	Rs.1,50,000

OR

- 11** What is the Future value of the following cash flow streams after 10 years? **10 Marks U CO2**
The discount rate is 9 per cent. (Cash flow amount in Rs.)

End of the year	Stream A	Stream B	Stream C
1	800	100	1000
2	800	300	900
3	800	500	800
4	800	700	700
5	800	900	600
6	800	1200	500
7	800	1400	400
8	800	1600	300
9	800	1800	200
10	800	2000	100

- 12** Calculate the Future value of Rs.4000 for Mr. A, Rs. 6000 for Mr. B & Rs.8000 for Mr.C, which is invested for 4 years and the interest on it is compounded at 12% p.a. Find out the compounded value for half yearly and quarterly. **10 Marks U CO2**

OR

- 13** Calculate the present value of the following series of payments made at the end of each year for a period of 5 years at 8% discount rate. **10Marks U CO2**

Cash flow at the end of 1st year – Rs.2,000

Cash flow at the end of 2nd year – Rs.4,000

Cash flow at the end of 3rd year – Rs.6,000

Cash flow at the end of 4th year – Rs.8,000

Cash flow at the end of 5th year – Rs.10,000

Calculate the future value of Rs.7000 invested for 5 years at a rate of interest of 15% compounded half yearly & quarterly.