

**B.V. Patel Institute of Business Management, Computer & Information Technology,  
Uka Tarsadia University**

**1<sup>st</sup> Internal Examination – B.Com (computer Applications) 5<sup>th</sup> Semester**

**030100508 – CC8 Fundamentals of Financial Management**

**Max. Marks: 50**

**Date: 26/08/2017**

**Time: 2 hrs.**

---

Q: 1 Answer the following (any five) [10]

1. Define financial management.
2. State the scope of financial management.
3. What is meant by pre-emptive rights?
4. Which is the information required to calculate time value of money?
5. State the importance of time value of money.
6. Why preference share called hybrid security?

Q: 2 Answer the following (any two) [20]

1. In what ways is the wealth maximization objective superior to the profit maximization objective? Explain.
2. Calculate the following examples:
  - a. Mr. Vinay plans to send his son for higher studies after 10 years. He expects the cost of these studies to be Rs. 100,000/-. How much should he save annually to have a sum of Rs. 100,000/- at the end of 10 years, if the interest rate is 12%?
  - b. Calculate the 5 years hence of a deposit of Rs. 2,000 made today if the interest rate is (a) 10%, (b) 12% and (c) 15%.
3. At the time of his retirement, Mr. Jineshwar is given a choice between alternatives: (a) an annual pension of Rs. 10,000 as long as he lives; or (b) a lump sum amount of Rs. 50,000. If Mr. Jineshwar expects to live for 15 years and the interest rate is 15% which option appears more attractive?

Q: 3 Answer the following (any two) [20]

1. What functions are performed by the financial manager and finance department?
2. Explain important features of the ordinary share. Evaluate the ordinary share from the point of view of the company.
3. What is meant by debenture? Discuss the features of debentures. Also, state its advantages and disadvantages.

## Solution

a. .

$$FV = 100,000$$

$$n = 10$$

$$\text{rate} = 12\%$$

$$FV = A \times (CIVFA_{10, 12\%})$$

$$100,000 = A \times (17.549)$$

$$A = 100000/17.549$$

$$A = 5698.33$$

b.

$$PV = 2,000$$

$$n = 5$$

$$10\%, 12\% \text{ \& } 15\%$$

$$FV = PV \times (FVIF_{5, 10\%}) = 3222$$

$$FV = PV \times (FVIF_{5, 12\%}) = 3524$$

$$FV = PV \times (FVIF_{5, 10\%}) = 4002$$

3.

$$PV = 10,000$$

$$n = 15$$

$$\text{rate} = 15\%$$

$$FV = PV \times (PVIFA_{15, 15\%})$$

$$FV = 10,000 \times (5.847)$$

$$FV = 58,470/-$$

$$50000$$

$$15$$

$$15\%$$

$$PV = A \times (PVIFA_{15, 15\%})$$

$$50,000 = A \times (5.847)$$

$$A = 50,000/5.847$$

$$A = 8551.39$$