



**Institute of Management
JK Lakshmipat University, Jaipur
EVEN SEMESTER MID TERM EXAMINATION I -2019**

BBA/BCOM (IV Sem.)
Subject Code: FN 08
MM: 20 Marks

Business Finance
Time: 1.5 Hours

Instructions:

- a) *All questions are compulsory.*
- b) *There are varied patterns of the question. Read the question very carefully.*
- c) *Questions in section A carries half marks only.*

Section A

1. A capital project is producing NIL NPV. This situation is represented by which of the following:
 - A. Profitability Index = 1 and IRR > Cost of Capital
 - B. Profitability Index > 1 and IRR = Cost of Capital
 - C. Profitability Index = 1 and IRR = Cost of Capital
 - D. Profitability Index < 1 and IRR > Cost of Capital
2. Pay back method has the following challenges for it to be used in the capital budgeting exercise:
 - A. It is neither based on Time Value of Money (TVM) nor on cash flows.
 - B. It is based on TVM, but not on cash flows.
 - C. It is not based on TVM, but on cash flows.
3. If a company wants to increase its return and has stable cash flows from the project, _____ source of financing is the best choice.
4. If a company raises fund by issuing equity shares in the market, it will be part of _____ decision of business finance.

Section B

1. What is profit maximization and wealth maximization? According to you which objective is superior one over another. Give logical facts to support your answer. (2.5 marks)
2. Function of financial management is not only to provide funds but their effect utilization too. This requires the finance manager to take three important decisions. Elaborate. (2.5 marks)

P.T.O.