

TILAK MAHARASHTRA VIDYAPEETH, PUNE
BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.)

EXAMINATION: DECEMBER- 2024

SEMESTER - V

Sub.: Principles of Finance (BBA22-514FM)

Date : 23/12/2024

Total Marks : 60

Time: 10.00 am To 12.30 pm

Instructions: 1) All questions are compulsory.
 2) Figures to the right indicate full marks.

Q. 1. Choose the most appropriate option. (05)

1. What is the primary objective of financial management under the modern approach?
 - a) Wealth maximization
 - b) Profit maximization
 - c) Cost reduction
 - d) Debt management
2. What is an external source of finance?
 - a) Funds obtained from outside the company
 - b) Funds generated internally within the company
 - c) Profits retained in the business
 - d) Sale of old assets
3. Capital structure refer to
 - a) Distribution of dividends to stakeholders
 - b) The mix of debt and equity in a company's financing
 - c) Allocation of profits to shareholders
 - d) The process of issuing bonus shares
4. What is one remedy for over-capitalization?
 - a) Issue additional shares
 - b) Increase operating costs
 - c) Reduce debt and repurchase shares
 - d) Avoid paying dividends
5. What is venture capital primarily used for?
 - a) Financing public sector enterprises
 - b) Providing loans to small-scale farmers
 - c) Issuing shares in the stock market
 - d) Funding startups and high-risk businesses

Q. 2. State True / False (05)

1. Investment decision focus on allocating resources to profitable projects.
 - a) True
 - b) False
2. Free shares issued to existing shareholders is termed as bonus issue.
 - a) True
 - b) False
3. Debentures is a fixed liability of a company.
 - a) True
 - b) False
4. The main advantage of leasing for businesses is lower upfront costs and tax benefits.
 - a) True
 - b) False
5. Managing and investing pooled funds on behalf of investors is the role of a mutual fund manager.
 - a) True
 - b) False

Q. 3. Write Short notes on (Any Three) (15)

1. Nature and Scope of Finance Function
2. Equity Shares as a source of finance
3. Define Capital Structure and its significance
4. Venture Capital and its significance for startups
5. Nature and types of Mutual Funds

Q. 4. Answer in detail (Any Two)

(20)

1. Discuss the role and responsibilities of a Finance Manager in detail. How does a finance manager contribute to an organization's success?
2. Analyze the role of bank borrowings in financing business operations. Explain the types of loans available and their pros and cons.
3. Define Capital Structure. Discuss the criteria and key determinants that businesses use to determine their capital structure.
4. Explain Microfinance in detail. Discuss its nature, scope, and significance for the underprivileged section of society.

Q. 5. Mr. Awasthi is from a well established business family. After completing his engineering he started Prakash Ltd. in the year 2015. Prakash Ltd. is working for renewable energy. It secures funding through venture capital, allowing it to scale its operations quickly. Additionally, the company uses leasing to acquire expensive equipment without making large upfront payments. Prakash Ltd. also collaborates with microfinance institutions to support rural energy projects. **(15)**

The company invests surplus funds in mutual funds for better returns and liquidity. Over time, Prakash Ltd. becomes a leader in its sector by effectively using these modern financial tools. The company started to expend more on CSR activities. Considering the future need of skilled labour the company started to interact with few engineering colleges for campus placements. The company also started on the job training and internship programmes.

Questions:

1. Elaborate the role of microfinance in rural development projects?
2. How did venture capital and leasing benefit the company?
3. The company invested in mutual funds as part of its financial strategy, do you feel it is a correct action?
