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EXAMINATION: MAY - 2025

SEMESTER - IV

Sub.: Principles of Finance (BBA23-414FM)

Date : 23/05/2025

Total Marks : 60

Time: 2.00 pm to 4.30 pm

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

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

1. Which of the following is a key difference between the traditional and modern approach to finance?

a) Traditional focuses on fund utilization, modern on fund procurement	b) Traditional focuses on procurement, modern on wealth maximization
c) Traditional uses technology, modern does not	d) Both approaches focus equally on profit maximization
2. is a limitation of using debentures as a source of finance?

a) Dividends are mandatory	b) Interest payments are mandatory, even during losses
c) High dilution of ownership	d) Unavailability for large capital needs
3. is the main advantage of reserves and surplus as a source of finance.

a) Involves external approvals	b) No additional cost of raising funds
c) Mandatory interest payment	d) Temporary funding solution
4. Which of the following is a consequence of under-capitalization?

a) High market value of shares	b) Decreased returns on investment
c) Low investor confidence	d) High fixed costs
5. High dilution of ownership for the entrepreneur is a limitation of financing.

a) Venture Capital	b) Government Loan
c) Bonds	d) None of the given

Q. 2. State True / False (05)

1. Making strategic decisions on fund allocation is the role of the finance manager in an organization.

a) True	b) False
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2. In case of under-capitalization available capital is not sufficient to meet operational needs.

a) True	b) False
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3. Bonus shares are issued to existing shareholders.

a) True	b) False
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4. Equity Shares get fluctuating rate of dividend.

a) True	b) False
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5. Low cost of capital with minimal risk is a feature of an optimal capital structure.

a) True	b) False
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Q. 3. Write Short notes on (Any Three) (15)

1. Scope of Financial Management
2. Debenture features as a source of financing

3. Over Capitalization
4. Criteria for determining an ideal Capital Structure
5. Leasing

Q. 4. Answer in detail (Any Two) (20)

1. Explain in detail the primary functions of financial management and how these functions are interrelated.
2. Explain the various types of external sources of finance and discuss their advantages and limitations.
3. Explain importance, characteristics, and the benefits of Micro Finance.
4. “Wealth Minimization is better option than Profit Maximization” Justify this statement

Q. 5. In recent years, the financial industry has undergone significant transformations driven by technology, sustainability, and innovative investment strategies. Companies are rapidly adopting digital finance, sustainable investing, and decentralized finance (DeFi) to optimize their financial operations. This case study explores how businesses are leveraging these trends to enhance financial performance and adapt to a dynamic economic landscape. (15)

Royal Corporation, a multinational firm, recently transitioned to digital finance solutions by integrating artificial intelligence (AI) and blockchain into its financial operations. AI-driven predictive analytics has improved cash flow management, while blockchain ensures secure and transparent transactions. The adoption of digital banking and automated financial processes has increased operational efficiency and reduced costs.

With growing environmental concerns, Venus Ltd. has shifted its focus to sustainable finance. The firm now prioritizes Environmental, Social, and Governance (ESG) investments, allocating significant funds to renewable energy projects and ethical businesses. By incorporating ESG metrics into investment decisions, Venus Ltd. has not only improved financial returns but also enhanced its corporate reputation.

The rise of decentralized finance (DeFi) has disrupted traditional banking models. PQR Technologies, a fintech startup, has embraced DeFi by providing blockchain-based lending and borrowing solutions. Through smart contracts, the company enables peer-to-peer transactions without intermediaries, reducing costs and increasing accessibility to financial services. This shift has democratized finance and attracted a new wave of tech-savvy investors.

The financial landscape is evolving with digital finance, sustainable investing, and DeFi leading the transformation. Companies that embrace these trends gain competitive advantages by improving efficiency, attracting ethical investors, and expanding financial accessibility. As these innovations continue to reshape the industry, businesses must stay agile and adopt forward-thinking financial strategies.

Questions:

1. How has Royal Corporation benefited from digital finance and automation?
2. Why has Venus Ltd. focused on ESG investments?
3. What is a key advantage of DeFi for PQR Technologies?