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BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.) (071)
EXAMINATION: DECEMBER - 2025
SEMESTER - IV
Sub.: Principles of Finance (BBA23-414FM)

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. The primary objective of financial management is to _____
 - a) Increase sales volume
 - b) Maximize shareholders' wealth
 - c) Minimize employee costs
 - d) Increase production capacity
2. Which of the following is considered a long-term source of finance?
 - a) Bank overdraft
 - b) Trade credit
 - c) Debentures
 - d) Bills payable
3. Floating of new shares for the first time is known as _____
 - a) Bonus Issue
 - b) Rights Issue
 - c) Initial Public Offer (IPO)
 - d) Secondary Issue
4. Over-capitalization occurs when _____
 - a) Earnings are more than capital employed
 - b) Capital employed is more than required
 - c) There are no profits
 - d) Assets are undervalued
5. Which of the following relates to the decision regarding allocation of profits?
 - a) Investment decision
 - b) Financing decision
 - c) Dividend decision
 - d) Capital budgeting

Q. 2. State True / False (05)

1. Financial planning helps in avoiding wastage of financial resources.
a) True b) False
2. Equity shareholders receive fixed dividends annually.
a) True b) False
3. Capital structure refers to the mix of long-term debt and equity.
a) True b) False
4. Venture capital is suitable for low-risk businesses only.
a) True b) False
5. Retained earnings are an internal source of finance.
a) True b) False

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

1. Role of Finance Manager in a modern business
2. Features of an Ideal Capital Structure
3. Advantages of Retained Earnings
4. Difference between Owned Capital and Borrowed Capital
5. Concept of Wealth Maximization

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

1. Explain the various long-term sources of finance available to a company and evaluate their merits and demerits.
2. Discuss the concept of Capital Budgeting and explain its importance in financial decision-making.
3. Describe the meaning, causes and effects of Over-Capitalization and Under-Capitalization.
4. Illustrate the relationship between risk and return in financial management with suitable examples.

Q. 5. Case Study (15)

Aurora Textiles Ltd. is a growing garment manufacturing company. Over the years, it has expanded rapidly but without proper financial planning. The management relied heavily on short-term loans and paid little attention to budgeting and cash flow control. As a result, the company started facing liquidity issues and rising interest costs. To address the situation, the board appointed Ms. Kavita as the new Finance Manager. She conducted a financial analysis and introduced structured budgeting, redefined capital structure, reduced dependency on short-term borrowings, and focused on improving profitability and cash management. Within a year, the company stabilized its financial health and improved investor confidence.

Questions

1. Identify the main financial problems faced by Aurora Textiles Ltd. before Kavita's appointment.
 2. Analyze the financial strategies implemented by Kavita and how they contributed to stabilization.
 3. Discuss the significance of financial planning in ensuring long-term sustainability of the company
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