

Home Assignment

BBA 3rd Semester

Financial Management

- Each Question carries 10 marks.
- Students have to attempt any one of the following.
- The last date of submission through LMS portal is **02/11/2026**.
- The word limit is 250-300 words.

A. Riya has saved ₹20,000 from her pocket money and part-time work. She wants to use this money wisely. She has three options:

1. Buy a new mobile phone.
2. Start a small online business, such as selling handmade cards, snacks, or college merchandise.
3. Keep the money in a savings account or fixed deposit.

Riya asks for your help as a “financial management advisor.” Imagine you are Riya’s financial advisor. Prepare a short advice note for her for the following questions:

1. Which option would you suggest to Riya and why?
(You may choose any option, but give at least two reasons with proper explanation.)
2. Identify the type of financial decision involved in your suggestion.
(Is it mainly an investment decision, financing decision, or dividend decision? Explain briefly.)
3. If Riya chooses to start a small business, should she focus only on earning quick profit, or should she also think about long-term growth and reputation? Explain in simple words.
4. Explain briefly one risk and one benefit associated with your suggestion.

B. Arihan Pvt. Ltd. wants to invest ₹2,00,000 in one project. The company has two options:

Particulars	Project A: Stationery Counter	Project B: Mobile Accessories Counter
Initial investment	₹2,00,000	₹2,00,000
Year 1 cash inflow	₹60,000	₹50,000
Year 2 cash inflow	₹70,000	₹70,000
Year 3 cash inflow	₹80,000	₹90,000
Year 4 cash inflow	₹50,000	₹60,000

The company's cost of capital is 10% and Present Value Factors at 10%.

Required:

1. Calculate the Payback Period for Project A and Project B.
(Find the time taken by each project to recover the initial investment of ₹2,00,000.)
2. Calculate the Net Present Value (NPV) for Project A and Project B at 10%.
(Use the present-value factors given below.)

Year	PV Factor
1	0.909
2	0.826
3	0.751
4	0.683

3. Decide which project the company should accept based on their Payback period and Net Present Value calculated above. Explain the reason for your decision in detail.

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