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MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION: DECEMBER- 2024
SEMESTER - II
Sub.: Financial Management (MBA204)

Date : 26/12/2024**Total Marks : 60****Time: 2.00pm to 4.30pm**

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

- Q. 1. Write Short notes on (Any Three) (15)**
1. Objectives of Financial Management
 2. Functions of Finance Manager
 3. Capital Budgeting
 4. Factors affecting working capital
 5. Capital Structure
- Q. 2. Answer in detail (Any One) (10)**
1. How does understanding business finance contribute to effective resource allocation and risk management within a company?
 2. Describe the investment decision process and its importance in financial management.
- Q. 3. Answer in detail (Any One) (10)**
1. How does a finance manager contribute to strategic planning and decision-making processes?
 2. Why is financial statement analysis important for stakeholders in understanding a company's financial health?
- Q. 4. Answer in detail (Any One) (10)**
1. Explain the Payback Period method for assessing the profitability of investment projects. How does it account for the time value of money?
 2. Explain the Profitability Index (PI) method and its interpretation in project evaluation.
- Q. 5. Fairy Ltd. is considering investing in a new manufacturing project that requires an initial capital outlay of ₹50,00,000. The project has an expected life of five years and is projected to generate annual cash flows of ₹12,00,000. The company's required rate of return is 10%. Additionally, the project is estimated to have a salvage value of ₹5,00,000 at the end of its life. The company's finance team uses various tools to evaluate the project's feasibility, including Payback Period, Net Present Value (NPV), and Internal Rate of Return (IRR). After calculating, the team finds: (15)**
- Payback Period: 4.17 years
 - NPV: ₹5,20,000
 - IRR: 12%

While the NPV and IRR suggest the project is profitable, the slightly long payback period raises concerns for management. The team must decide whether to approve the project or explore alternatives.

Questions:

1. Define Payback Period, NPV, and IRR and explain their importance in project evaluation.
 2. Interpret the project's financial metrics and evaluate its feasibility.
 3. Recommend whether Fairy Ltd. should approve the project, justifying your decision based on the provided metrics.
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