

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

EXAMINATION: MAY - 2025

SEMESTER - III

Sub.: Financial Management (BBA15-312)

Date : 29/05/2025

Total Marks : 60

Time: 2.00 pm to 4.30pm

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

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

1. The main objective of financial management is to maximize _____.
 - a) Revenue
 - b) Profit
 - c) Wealth
 - d) Expenses
2. The time value of money concept suggests that _____.
 - a) Money loses value over time
 - b) Money gains value over time
 - c) Money remains constant in value
 - d) None of these
3. _____ is used to evaluate the profitability of a project.
 - a) Capital budgeting
 - b) Cost structure
 - c) Asset valuation
 - d) None of these
4. Working capital management deals with _____.
 - a) Long-term financing
 - b) Managing current assets and liabilities
 - c) Profit allocation
 - d) None of these
5. The _____ ratio is used to assess a company's ability to pay its short-term liabilities.
 - a) Debt-equity
 - b) Current
 - c) Net Profit
 - d) Gross Profit

Q. 2. State True / False (05)

- Financial leverage increases the return on equity when the firm earns more on borrowed funds than the cost of debt.
a) True b) False
- The primary goal of a business should be to maximize its earnings per share (EPS).
a) True b) False
- Return on Investment (ROI) is an indicator of how efficiently a company utilizes its total assets.
a) True b) False
- The Payback Period method considers the time value of money in investment decisions.
a) True b) False
- Debt financing is more expensive than equity financing because of tax benefits.
a) True b) False

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

1. Functions of Financial Management
2. Importance of Cost of Capital
3. Liquidity Ratios
4. Advantages of Debt Financing
5. Factors Influencing Capital Structure

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

1. Define financial planning. Explain its significance in corporate decision-making.
2. Discuss various types of financial risks and how they are managed.
3. Explain leverage and its types. How does it impact financial performance?
4. What is Dividend Policy? Discuss its factors and impact on shareholder value.

Q. 5. Oxyzen Ltd. is planning to expand its business and requires an estimation of its cost of capital. As a financial analyst, you are asked to evaluate the following details: (15)

1. The capital structure consists of 60% equity and 40% debt.
2. The company's cost of debt is 8%, and the corporate tax rate is 30%.
3. The company's stock has a beta of 1.2, the risk-free rate is 5%, and the market risk premium is 6%.
4. The company recently paid a dividend of Rs. 4 per share, and the stock is trading at Rs. 80 per share.

Questions:

- a. Compute the after-tax cost of debt.
 - b. Use CAPM to calculate the cost of equity.
 - c. Determine the weighted average cost of capital (WACC).
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