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MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION : MAY - 2025
SEMESTER - IV
Sub.: Financial Decision Analysis (MFM406)

Date : 22/05/2025**Total Marks : 60****Time: 10.00am to 12.30pm**

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 Analysis
 2. Risk Analysis in Investment Decisions
 3. Quantification of capital market expectations
 4. Taxation Effect on Profit
 5. Fundamental Components of Profit Planning
- Q. 2. Answer in detail (Any One) (10)**
1. How does financial analysis help in assessing the performance and stability of a company?
 2. Discuss how do investors specify their investment objectives and constraints, and why is this important in investment planning?
- Q. 3. Answer in detail (Any One) (10)**
1. Distinguish between different types of risks encountered in investment and business operations?
 2. Justify the statement “Financial planning support the implementation of strategic objectives”
- Q. 4. Answer in detail (Any One) (10)**
1. Discuss the criteria investors should consider when selecting a portfolio management service provider.
 2. Describe the scope of tax planning in the context of Indian business environments.
- Q. 5. (15)**
- Rishi Capital is a SEBI-registered portfolio management firm managing over ₹4,000 crores in assets for institutional clients including pension funds, mutual funds, and high-net-worth individuals. The firm is known for its conservative and data-driven approach to portfolio management, with a special focus on risk-adjusted returns.
- In the current volatile economic climate—marked by high inflation, geopolitical tensions, and shifting interest rates—the firm is reviewing its strategic asset allocation policy. The investment team is considering revising its models from the traditional Capital Asset Pricing Model (CAPM) to the more nuanced Markowitz Modern Portfolio Theory (MPT) to optimize risk-return tradeoffs for its clients.
- One of their newest clients, Zenith Foundation, a university endowment fund, seeks a balanced portfolio with moderate risk and consistent returns over the next 10 years. Zenith has clearly defined its investment constraints—no exposure to crypto-assets, limited exposure to small-cap stocks, and a tax-exempt status under Indian law.
- The firm is exploring a mix of domestic equity, government bonds, and gold ETFs. However, they are also debating whether to increase exposure to international equities to hedge currency and inflation risks.

At the same time, the firm's internal team has noted several “errors of the investment industry”—overconfidence in forecasting, herding behavior during rallies, and underestimation of tail risks. These issues have prompted Rishi Capital to revisit the “Ten Commandments” of investing and ensure they are aligned with quantified market expectations.

Questions:

1. What is the Capital Asset Pricing Model (CAPM), and how does it assist Rishi Capital in estimating portfolio returns and evaluating asset risk?
2. Discuss how Rishi Capital can apply the Capital Asset Pricing Model (CAPM) in making investment decisions for Zenith Foundation.
3. Evaluate the merits and limitations of the Markowitz Model over CAPM when designing a moderate-risk portfolio like the one requested by Zenith Foundation, especially under current market uncertainties.
