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BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.)(071)
EXAMINATION: DECEMBER - 2025
SEMESTER - V
Sub.: Financial Management (BBA23-515-FM)

Date : 23/12/2025**Total Marks : 60****Time: 10.00 am To 12.30 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 production volume b) Maximize shareholders' wealth
 c) Control employee performance d) Reduce marketing costs
2. Which ratio measures efficiency in managing inventory?
 a) Current ratio b) Debt-equity ratio
 c) Inventory turnover ratio d) Return on equity
3. Working capital management mainly ensures _____
 a) Long-term growth b) Adequate liquidity and smooth operations
 c) Maximum dividend payout d) Reduction in fixed assets
4. Which of the following is an internal source of finance?
 a) Debentures b) Bank loans
 c) Retained earnings d) Commercial paper
5. High financial leverage results in _____
 a) Low business risk b) Stable earnings
 c) Increased volatility of profits d) Guaranteed dividend payments

Q. 2. State True / False (05)

1. Capital budgeting deals with decisions regarding long-term investments.
 a) True b) False
2. Trade credit increases the working capital requirement.
 a) True b) False
3. Dividend policy affects the market value of shares.
 a) True b) False
4. Operating leverage arises due to fixed operating costs.
 a) True b) False
5. A higher debt-equity ratio indicates lower financial risk.
 a) True b) False

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

1. Functions of Financial Management
2. Need for Working Capital
3. Concept of Trading on Equity
4. Importance of Liquidity Ratios
5. Internal vs External Financing

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

1. Explain objectives and importance of working capital management in modern business.
2. Discuss capital budgeting techniques such as Payback Period, NPV and IRR with their merits and limitations.
3. Explain the concept of risk and return and their relationship in financial decision-making.
4. Describe the role of finance manager in corporate planning and control.

Q. 5. Case Study (15)

Gati Auto Components Pvt. Ltd. manufactures automobile parts and aims to expand into electric vehicle components. Financial analysis showed a current ratio of 1.6, but a sharp rise in receivable collection days from 50 to 85 days impacted cash flow. Inventory holding period also increased due to fluctuating demand and supply delays.

The company evaluated financing options such as equity issue, bank borrowings, and retained profits. The selected mix was 45% equity, 30% debt, and 25% retained earnings, ensuring reduced debt burden and stable cost of capital.

Capital budgeting results revealed:

- a) NPV: Positive
- b) IRR: 16%
- c) Cost of capital: 13%
- d) Payback Period: 3.8 years

Questions:

1. Explain the working capital inefficiencies faced by Gati Auto Components.
 2. Justify the selected financing mix in terms of risk and cost.
 3. How did investment appraisal techniques support the expansion decision?
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