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MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION: DECEMBER - 2025/JANUARY-2026
SEMESTER - II
Sub.: Financial Management (MBA204/MBA24-204)

Date : 05/01/2026**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. Role of Finance Manager in Modern Business
2. Profit Maximization v/s Wealth Maximization
3. Importance of Cash Flow Management
4. Types of Working Capital
5. Financial Planning Process

Q. 2. Answer in detail (Any One) (10)

1. Explain the concept of Financial Leverage and its impact on shareholders' returns.
2. Discuss the significance of an Optimal Capital Structure for a company.

Q. 3. Answer in detail (Any One) (10)

1. Explain the concept of Time Value of Money and its importance in financial decision making.
2. The following data relates to two companies, PQR Ltd and STU Ltd:

Ratio	PQR Ltd	STU Ltd
Current Ratio	2.2:1	1.1:1
Quick Ratio	1.6:1	0.7:1
Net Profit Ratio	20%	10%
Return on Assets	18%	12%

- i) Evaluate liquidity position
- ii) Evaluate profitability
- iii) Comment on overall financial performance

Q. 4. Answer in detail (Any One) (10)

1. Explain Net Present Value (NPV) method with its advantages and limitations.
2. LK Enterprises provided the following data:
 Annual Production: 36,000 units
 Cost per unit
 Materials ₹40
 Labour ₹25
 Overheads ₹35 (including depreciation ₹7)
 Selling Price ₹140
 Additional Information:
 - a) Raw material stock: 1.5 months
 - b) WIP: 1 month (60% completion)
 - c) Finished goods: 1 month
 - d) Debtors: 1.5 months
 - e) Creditors: 1 month
 - f) Wages & overheads lag: 1 month
 - g) Required cash balance: ₹15,000

Estimate Working Capital Requirement for LK Enterprises

Q. 5. Nova Tech Ltd plans expansion and needs ₹50,00,000 investment. Financial analysis shows: **(15)**

- Sales growth: 18% annually
- Net Profit Margin: declining from 14% to 10%
- Current Ratio: 2:1
- Debt-Equity Ratio: 1.5:1

Capital budgeting results:

- NPV ₹6,50,000
- IRR 16%
- Cost of Capital 11%
- Payback Period 6 years

Management must decide financing mix and justify viability.

Questions:

1. How did ratio analysis assist decision making?
 2. Evaluate investment feasibility using capital budgeting results.
 3. Suggest suitable financing option with justification.
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