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BSC IN BUSINESS ADMINISTRATION (755)
EXAMINATION: MAY - 2026
SEMESTER - IV

Q. 4. Answer in detail (Any Two)

(20)

1. Explain the functions of Financial Management
2. Elaborate different sources of short-term finance
3. Discuss factors affecting working capital requirements
4. Define Cost of Capital and state any four components of cost of capital.

Q. 5. Zenith Textiles Ltd., a well-established garment manufacturing company, had been experiencing declining profitability despite steady sales growth. The company relied heavily on traditional financial practices, focusing mainly on increasing revenue without proper cost control or financial planning. As a result, Zenith faced issues such as rising operational costs, inefficient utilization of working capital, and frequent cash shortages. **(15)**

To address these challenges, the board appointed Ms. Aditi as the new Finance Manager. Upon evaluation, she identified that the company lacked proper budgeting, had weak cost control systems, and did not analyze financial performance using modern tools like ratio analysis or cash flow forecasting.

Aditi introduced a series of strategic reforms. She implemented a comprehensive budgeting system, enabling departments to plan and monitor expenses effectively. She also introduced working capital management techniques, improving inventory turnover and receivables collection. Additionally, she adopted ratio analysis and financial performance metrics to support decision-making.

Over time, Zenith Textiles experienced improved liquidity, reduced unnecessary costs, and better financial discipline. The company not only stabilized its financial position but also enhanced profitability and operational efficiency. The board recognized that adopting modern financial management practices was critical for sustainable growth.

Questions :

1. Explain the major financial problems faced by Zenith Textiles Ltd. before the appointment of Ms. Aditi.
2. Analyze the financial strategies implemented by Ms. Aditi. How did these strategies improve the company's financial performance?
3. Evaluate the importance of modern financial management techniques in ensuring long-term business success. Suggest additional measures Zenith Textiles can adopt for further improvement.
