

TILAK MAHARASHTRA VIDYAPEETH, PUNE
BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.)(071)
EXAMINATION: MAY - 2026
SEMESTER - V
Sub.: Financial Management (BBA23-515-FM)

Date : 28/05/2026**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. Which of the following best explains the time value of money?
a) Money loses value over time b) Inflation has no impact on money
c) Future money has more purchasing power d) Money today is worth more than the same amount in future
2. Which decision involves selecting long-term assets for a firm?
a) Financing decision b) Dividend decision
c) Investment decision d) Working capital decision
3. Which of the following is an example of a spontaneous source of finance?
a) Equity shares b) Debentures
c) Trade creditors d) Bank loan
4. A high degree of operating leverage indicates
a) Low fixed cost b) High variable cost
c) High fixed cost d) No business risk
5. Which of the following is NOT a feature of capital budgeting?
a) Long-term investment decision b) Involves large funds
c) Reversible decision d) Affects future profitability

Q. 2. State True / False (05)

1. Financial management aims at maximizing shareholders' wealth.
a) True b) False
2. A firm with high liquidity always has high profitability.
a) True b) False
3. Debt financing provides tax advantages.
a) True b) False
4. Payback period considers the time value of money.
a) True b) False
5. Working capital refers only to cash held by the business.
a) True b) False

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

1. Time Value of Money
2. Source of Short Term Finance
3. Financial Leverage
4. Capital Budgeting
5. Working Capital Management

Q. 4. Answer in detail (Any Two)

(20)

1. Explain the importance of working capital management.
2. Discuss different capital budgeting techniques.
3. A company has high profits but low cash reserves. How should it decide its dividend policy? Justify your answer.
4. Explain risk-return relationship.

Q. 5. NovaTech Appliances Ltd. is planning to launch a new product line of smart home devices. The company observed that its current ratio is 1.2, indicating tight liquidity. Its inventory turnover has slowed down, and receivables are collected in 80 days instead of 50 days.

(15)

To improve financial performance, management plans to:

- Introduce better inventory management systems
- Tighten credit policies
- Consider financing through a mix of equity and bank loans

The project requires an investment of ₹3,00,000. Expected returns indicate:

- IRR = 16%
- WACC = 12%
- NPV = Positive
- Payback Period = 3.5 years (acceptable limit: 4 years)

Questions:

1. Identify liquidity problems and suggest measures.
2. Why is IRR > WACC favorable?
3. Justify project acceptance.
