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

Date : 22/05/2026

Total Marks : 60

Time: 2.00 pm to 4.30 pm

Instructions: 1) All questions are compulsory.
 2) Figures to the right indicate full marks.

Q. 1. Write Short notes on (Any Three) (15)

1. Scope and Functions of Financial Management
2. Importance of Cash Flow Analysis
3. Concept of Leverage (Operating & Financial)
4. Sources of Long-Term Finance
5. Time Value of Money

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

1. Explain how financial management helps in maximizing shareholder wealth. Discuss the role of investment, financing, and dividend decisions.
2. Discuss the significance of risk-return trade-off in financial decision-making with suitable examples.

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

1. Elaborate the concept of capital structure. What factors influence the choice of capital structure?
2. The following data is available for Gamma Ltd.:

Ratio	Gamma Ltd.
Current Ratio	1.6:1
Quick Ratio	1.1:1
Net Profit Margin	14%
Return on Equity	18%

Analyze the liquidity and profitability position of the company. Suggest steps to improve the situation.

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

1. Elaborate the Net Present Value (NPV) method. Why is it considered superior to other capital budgeting techniques?
2. A company estimates the following costs per unit:

Particulars	₹
Raw Material	60
Labour	25
Overheads (incl. depreciation ₹5)	35
Selling Price	150

Annual production: 36,000 units

Additional information:

- Raw material stock: 1 month
- WIP: 1 month (50% completion)
- Finished goods: 1 month
- Debtors: 2 months
- Creditors: 1 month
- Wages & overheads lag: 1 month
- Cash balance: ₹20,000

Estimate working capital requirement (cash cost basis).

Q. 5. Delta Ltd. is planning expansion. Financial analysis shows: **(15)**

- Revenue growth: 12% annually
- Declining operating margins
- Current ratio: 1.5
- Debt-equity ratio: 1.4

The management of Delta Ltd. Identified following issues:

- High receivables
- Increasing short-term liabilities
- Rising cost of capital

The company is evaluating a new project:

- NPV: Positive
- IRR: 13%
- Cost of capital: 11%
- Payback period: 4 years

The management is considering financing through debt and equity mix.

Questions:

1. How did financial analysis help in decision-making?
 2. What working capital problems were identified?
 3. Considering the case, explain utility of capital budgeting in investment decision?
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