

TILAK MAHARASHTRA VIDYAPEETH, PUNE
MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION: MAY - 2026
SEMESTER - IV
Sub.: Financial Decision Analysis (MBA24-FM405/MFM406)

Date : 21/05/2026 **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. Write Short notes on (Any Three) (15)**
1. Behavioral Biases in Investment Decisions
 2. Capital Rationing and Its Implications
 3. Sensitivity Analysis in Financial Decisions
 4. Active vs Passive Portfolio Management
- Q. 2. Answer in detail (Any One) (10)**
1. Explain the importance of risk analysis tools such as sensitivity analysis, scenario analysis and simulation in financial decision-making.
 2. Discuss how financial forecasting and budgeting support strategic planning in organizations.
- Q. 3. Answer in detail (Any One) (10)**
1. Explain how portfolio diversification reduces risk. Discuss modern portfolio theory in this context.
 2. Analyze different fixed income portfolio strategies such as laddering, barbell and bullet strategies.
- Q. 4. Answer in detail (Any One) (10)**
1. Discuss the role of financial planning and control systems in achieving organizational objectives.
 2. Evaluate the relationship between risk, return and time horizon in investment decisions.
- Q. 5. NexGen Pharma Ltd., established in 2012, is a fast-growing Indian pharmaceutical company specializing in generic drugs and specialty formulations. Over the past four years, the company has recorded a steady revenue growth of 20% CAGR. However, increasing R&D costs and regulatory compliance expenses have reduced its net profit margin from 16% to 11%. (15)**
- The company is now planning to expand into European markets by setting up a manufacturing facility compliant with international regulatory standards. The project requires an estimated investment of ₹120 crores. NexGen can finance 40% through retained earnings, but must decide whether to raise the remaining funds through long-term debt or by issuing fresh equity.

The finance team has conducted detailed financial projections, including discounted cash flow analysis and scenario planning. The company currently has a debt-to-equity ratio of 1.1 and an interest coverage ratio of 2.8, indicating moderate leverage but some pressure on earnings.

To strengthen decision-making, NexGen has recently implemented an advanced Enterprise Financial Analytics System, enabling real-time financial monitoring and predictive insights. Stakeholders have varied concerns—investors are wary of dilution, lenders are cautious about repayment capacity and management aims to balance growth with financial stability.

The Board has requested a data-driven recommendation for the financing strategy.

Questions :

1. Explain the role of financial analysis in supporting NexGen Pharma Ltd.'s expansion decision.
2. Given the company's current financial position (Debt-Equity ratio 1.1 and Interest Coverage ratio 2.8), evaluate whether NexGen should opt for debt or equity financing. Justify your answer with appropriate reasoning.
3. Analyze how the implementation of an Enterprise Financial Analytics System can improve NexGen's financial decision-making, risk management and stakeholder confidence during international expansion.
