25901142 **Reg.No : ....**

Name : ....

MAHATMA GANDHI UNIVERSITY, KOTTAYAM

MGU-BBA (HONOURS) REGULAR EXAMINATION MARCH 2026

FOURTH SEMESTER

Core Course(CC) - MG4CCRBBA201 - FINANCIAL MANAGEMENT

(2024 ADMISSION ONWARDS)

Duration: 2 Hours **Maximum Marks: 70**

Remember(K), Understand(U), Apply(A), Analyse(An), Evaluate(E), Create(C), Skill(S), Interest(I) and Appreciation(Ap)

Students should attempt at least one question from each course outcome to enhance their overall outcome attainability.

Part A

Short Answer Questions(four to five sentences)

A choice between two options for each question, answer five short answer questions, one from each pair, Each question carries **3** Marks

1a. Write any three characteristics of debentures. [U] / [CO1]

OR

1b.. Define financial management. [K] / [CO1]

2a. Define the term Capitalisation [K] / [CO2]

OR

2b. What are the basic assumptions of the Net Operating Income Approach? [K] / [CO2]

3a. What is Composite Leverage? [K] / [CO3]

OR

3b. Define Gross working capital. [K] / [CO3]

4a. List any two forms in which dividends can be paid. [U] / [CO4]

OR

4b. What is Payback Period method? [K] / [CO4]

5a. Write any three advantages of retained earnings to the company. [U] / [CO1]

OR

5b. Distinguish between profit maximization and wealth maximization. [K] / [CO1]

[5x3 = 15]

Part B

Short Essay

A choice between two options for each question, answer three short essay questions, one from each pair, Each question carries **5** Marks

6a. Evaluate the importance of investment, financing, and dividend decisions in financial management. [U] / [CO1]

OR

6b. Compare equity shares and preference shares. [K] / [CO1]

7a. Compute the operating cycle given: Raw material period 40 days, WIP 20 days, Finished goods 20 days, Debtors 30 days, Creditors 20 days. [A] / [CO3]

OR

7b. Evaluate the suitability of just-in-time (JIT) system for reducing working capital. [E] / [CO3]

8a. Explain the role of time value of money in capital budgeting decisions. [An] / [CO4]

OR

8b. A company is considering two projects A and B. Each project requires an initial investment of ₹1,00,000. [An] / [CO4]

Cash Inflows:

Year	Project A (₹)	Project B (₹)
1	20,000	15,000
2	30,000	20,000
3	25,000	30,000
4	40,000	35,000
5	35,000	45,000

1. Calculate the Payback Period of both projects.
2. Which project should be selected?

[3x5 = 15]

Part C

Long Essay

A choice between two options for each question, answer two long essay questions, one from each pair, Each question carries **20** Marks

9a. What is Capital Gearing? Explain the factors governing capital gearing. [U] / [CO2]

OR

9b. A Company has a share capital of ₹2,00,000 divided in to shares of ₹10 each. It has a major expansion project and needs to raise additional capital of another ₹ 1,00,000. As a financial analyst, evaluate the alternative financing options available to the company and analyse their impact on shareholders' earnings. The objective is to apply financial management concepts to identify the most suitable source of finance by examining its effect on Earnings Per Share (EPS) under different EBIT conditions. A) Issue of 10,000 equity shares of ₹10 each B) Issue of 10,000, 12% preference shares of ₹10 each C) Issue of 10% Debentures of ₹ 1,00,000 The company's present Earnings before Interest and Tax (EBIT) are ₹ 80,000 PA. You are required to calculate the effect of each of the above mode of financing on earnings per share presuming: A) EBIT continues to be the same even after expansion B) EBIT increases by ₹ 20,000 [A] / [CO2]

10a. What is WACC? How it is determined? State the advantages and disadvantages of computing cost of capital using WACC? [K] / [CO3]

OR

10b. [An] / [CO3]

Particulars	Firm G (₹)	Firm H (₹)
Sales	50,00,000	50,00,000
Variable Cost	30,00,000	30,00,000
Fixed Cost	12,00,000	8,00,000
Interest	3,00,000	6,00,000

a) Calculate Contribution and EBIT

b) Compute DOL, DFL and DCL

c) Compare Operating Risk

d) Compare Financial Risk

e) Identify which firm is more risky overall with justification

[2x20 = 40]