

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -1 EXAMINATION- February 2025

BBA - IV Semester

COURSE CODE (CREDITS): 24BB1HS413 (4)

MAX. MARKS: 15

COURSE NAME: FINANCIAL MANAGEMENT

COURSE INSTRUCTORS: ASA, TGM

MAX. TIME: 1 Hour

*Note: (a) All questions are compulsory.*

*(b) The candidate is allowed to make Suitable numeric assumptions wherever required for solving problems*

Q.No	Question	CO	Marks
Q1	How does the corporate finance framework assist businesses in strategic decision-making, and what are its key components and their significance in long-term financial planning?	1	3
Q2	The agency problem arises when there is a conflict of interest between a company's management (agents) and its shareholders (principals). Managers may prioritize personal gains over shareholder value, leading to inefficiencies. What are some common causes of the agency problem, and how can businesses implement strategies to mitigate it?	1	3
Q3	The Finance Manager plays a crucial role in a company's financial health by making key decisions related to budgeting, investment, and funding sources. They must balance risk, profitability, and liquidity while ensuring sustainable growth. What are the major responsibilities of a Finance Manager in an expanding business, and how do their decisions impact the overall success of the company?	2	4
Q4	Please read the case given below and answer the questions following it:  GreenPack Pvt. Ltd., a Kolkata-based company, specializes in manufacturing biodegradable and eco-friendly packaging materials. Over the last five years, the company has experienced rapid growth due to the increasing demand for sustainable packaging in India. Major e-commerce platforms, restaurant chains, and retail brands are adopting biodegradable alternatives to plastic, giving GreenPack a competitive edge in the market.  With demand surging, GreenPack's management has decided to set up a new manufacturing plant in Pune, Maharashtra, to cater to western and southern markets. The estimated cost of expansion is ₹10 crore,	2	5

covering land acquisition, factory construction, machinery, raw materials, labor, and initial working capital.

However, raising such a large amount requires careful financial planning. The company's finance team must explore different funding options while considering cost, risk, and ownership control.

#### Financing Options Considered

To finance the expansion, GreenPack evaluates multiple sources of funds:

1. Equity Financing (Private Investment or IPO)
  - GreenPack could raise capital by issuing new shares to private investors or venture capital firms.
  - Another long-term option is going public through an Initial Public Offering (IPO) on the SME segment of the stock exchange.
2. Debt Financing (Bank Loan/NBFC Loan)
  - GreenPack could take a loan from a commercial bank or a Non-Banking Financial Company (NBFC).
  - The CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) scheme offers collateral-free loans, making it an attractive option.
3. Retained Earnings (Internal Funding)
  - GreenPack has accumulated ₹3 crore in retained earnings from past profits.
  - This can cover initial expenses like land acquisition and regulatory approvals.
4. Government Grants & Subsidies
  - The Indian government offers support for green businesses through schemes like Startup India, MUDRA Loans, and Technology Upgradation Fund Scheme (TUFs).
  - The Maharashtra state government provides subsidized land and tax benefits for sustainable manufacturing units.

#### Questions:

- a) What are the advantages and risks of using a combination of retained earnings, debt, and equity financing?
- b) How do government schemes like CGTMSE help small and medium enterprises (SMEs) in India?
- c) Why was equity financing considered a last resort for GreenPack?
- d) If GreenPack had opted for an IPO instead of venture capital funding, how would it have impacted the business?
- e) What financial strategies should GreenPack adopt for future expansions, considering market fluctuations?