

**Dr. Babasaheb Ambedkar Open University**  
**Term End Exam August – 2010**

Course Code : DFM-01 Roll No. \_\_\_\_\_  
Subject : Basic Understanding of Financial Management  
Date : 02-08-2010 Marks : 70  
Time : 11:00 to 02:00

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Note : All questions carry equal marks.

Que 1: Explain the meaning of financial Management and its functions. (14)

OR

Explain various approach of financial Management.

Que 2: “Accounting functions and financial functions are same” explain the statement. (14)

OR

“Financial Management is Science and Art” Explain the statement.

Que 3: Explain the concept of Time Value of Money with illustration. (14)

OR

Write a detail note on trade credit a source of short term finance.

Que 4: What is Debenture? Narrate its various types in detail. (14)

OR

Write a note on different types of preference shares

Que 5: Write short note (Any Two) (14)

- 1) Customs duty
- 2) Central excise duty
- 3) Bills of exchange
- 4) Commercial paper

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Course Code : DFM-02 Roll No. \_\_\_\_\_  
Subject : Basic Understanding of Financial Management  
Date : 02-08-2010 Marks : 70  
Time : 03:00 to 06:00

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Note : All questions carry equal marks.

Que 1: Explain the following concept. (14)

- 1) Going concern concept
- 2) Dual Aspect concept
- 3) Entity concept

OR

- 1) Periodicity concept
- 2) Cost concept
- 3) Conservatism concept

Que 2: Explain utility and Limitation of Ratio analysis. (14)

OR

The following are the trading and profit and loss accounts of XYZ Ltd. for the years ended 31/12/2006.

	Rs.		Rs.
To opening stock	150000	By sales	2200000
To purchases	1790000	By closing stock	180000
To gross profit	440000		
	2380000		2380000
To administrative expenses	250000	By Gross profit	440000
To selling exps.	52000		
To Debenture interest	10000		
Depreciation	18000		
Provision for tax	55000		
Net profit	55000		
	440000		440000

(P.T.O)

Calculate following Ratio

- 1) Gross profit ratio
- 2) Net profit ratio
- 3) Operating Ratio
- 4) Stock turn over Ratio

Que 3: Explain payback Method and net present value Method. (14)

OR

Explain the concept of decision tree in detail?

Que 4: Write difference between Fund flow statement and Cash flow statement? (14)

OR

Discuss about Financial Lease and Operating Lease.

Que 5: Write a detail note on Zero base budgeting. (14)

OR

Write note on

- 1) Mutual Fund
- 2) Credit Card

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Course Code : DFM-03 Roll No. \_\_\_\_\_  
Subject : Policy Matters in Financial Management  
Date : 03-08-2010 Marks : 70  
Time : 11:00 to 02:00

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Note : All questions carry equal marks.

Que 1: Write any three (14)

- 1) Dividend yield Method
- 2) Price earning Method
- 3) Capital asset pricing Method
- 4) Cost of Prepetual debt
- 5) Retained of earning
- 6) Gorden's dividend growth Model

Que 2: ABC Ltd. has on its books the following of capital and specific cost of each type of capital (14)

Type of capital	Book value Rs	Market Value Rs	Specific Cost
Debenture	500000	360000	9%
Preference share capital	160000	140000	11%
Equity share capital	800000	1080000	16%
Retained Earning	200000		10%

Determine the weighted average cost of capital using

- 1) Book value weight
- 2) Market value weights

OR

What is weighted average cost of capital? How it is calculated

Que 3: Explain operating leverage, financial leverage and total leverage.(14)

OR

Explain

- 1) Financial Break even and Indifference Analysis
- 2) Trading on Equity

(P.T.O)

Que 4: Calculate the operating leverage of Amit Ltd. from the following data (14)

Selling price Rs 20 per unit

Variable cost Rs 8 per unit

Fixed operating cost Rs.35000

Sales (units) 20000

Moreover if the sales is increased is by 20% what change it will take in DOL.

OR

Que 4: Calculate

1) EBIT

2) EPS

3) Operating, financial and combined leverage

	X	Y
Selling price per unit	20	30
Variable cost per unit(Rs.)	12	18
Fixed cost (Rs)	20000	30000
Interest(Rs)	10000	15000
Tax rate(%)	50%	50%
Sales (units)	30000	25000
No. of Equity share	10000	10000

Que 5: Write any three (14)

1) Debt Equity ratio analysis

2) Risk return trade off

3) Assumptions of Modigliani and Miller theory

4) "Bird in Hand" Theory

5) Optimal capital structure

6) Assumptions in Risk return trade off

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**Term End Exam August – 2010**

Course Code : DFM-04 Roll No. \_\_\_\_\_  
Subject : Policy Working Capital Management  
Date : 03-08-2010 Marks : 70  
Time : 03:00 to 06:00

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Note : All questions carry equal 14 marks.

Que 1: What is Working Capital ? State the factors influencing Working Capital. (14)

OR

Que 1: Explain Overcapitalization and Undercapitalization in detail. (14)

Que 2: Write a note on determining the Credit Policy. (14)

OR

Que 2: Explain the ABC Analysis for Inventory Management. (14)

Que 3: Explain Re-Ordering level, Minimum Level, Maximum Level and Average Level in Inventory Management. (14)

OR

Que 3: Explain advantages and disadvantages of Cash Budget. (14)

OR

Que 3: Prepare Cash Budget with illustrative figures. (14)

Que 4: Define Receivables. Discuss need for Receivables Management. (14)

OR

Que 4: Explain various strategies used in Working Capital Management. (14)

Que 5: Write note on the following. (Any Two): (14)

- a. Factoring of Book Debts.
- b. Classification of Inventory
- c. VED Analysis
- d. Overtrading