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### **January -2016**

### **(Diploma In Financial Management) :-DFM**

## **DFM-01,02,03,04**

### **IMPORTANT INSTRUCTIONS**

- ✓ Students have download assignments from University website.
- ✓ It is compulsory to submit assignments to appear for exam. Exam form will not be accepted from the student who has not submitted assignment on or before given date.
- ✓ Last date of submission of prepared assignments to study center is **30/12/2016**. After this date, assignments will not be accepted.
- ✓ It is compulsory to collect receipt of submission of assignments from the study center.
- ✓ Make sure to collect your evaluated assignments from your study center with evaluation sheet.
- ✓ Students can check their assignments marks on university website.
- ✓ Passing criteria for Diploma course is 50% for all assignment subjects.

## Diploma programmes

**Dear Student,**

You are required to do one assignment for the **Diploma Programme** It is a Tutor Marked Assignment (TMA) and carries 100 marks. It covers four blocks of the course.

As in day-to-day life, **Planning** is important in attempting the assignment as well. Read the assignment carefully; go through the units on which the questions are based; jot down some points regarding each question and then re-arrange them in a logical order. In the Long-type answer, pay attention to your introduction and conclusion. The introduction must tell you how to interpret the given topic and how you propose to develop it. The conclusion must summarize your views on the topic.

Make sure that your answer :

- a) is logical
- b) is written in simple and correct English
- c) does not exceed the number of words indicated in your questions
- d) is written neatly and clearly.

ROLL NO: \_\_\_\_\_

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

DATE: \_\_\_\_\_

COURSE TITLE: \_\_\_\_\_

ASSIGNMENT: \_\_\_\_\_

STUDY CENTRE: \_\_\_\_\_

**Please remember that it is compulsory to submit your assignment before you can take the Term End Examination. Also remember to keep a copy of your assignment with you and to take a receipt from your Study Centre when you submit the assignment.**

**Good Luck,**

# Assignment-DFM-01

## **DFM - 1 – Basic understanding of Financial Management**

**Last Date of Submission At Study Center :- 30/12/2016**

**Max-Marks-100**

1. What is the scope of financial management? Explain Traditional and Modern Approach of Financial Management. **[20]**

OR

What is commercial paper? What are the advantages and limitations of commercial paper?

2. What is 'Right Issue'? State the advantages of right issue? **[20]**

OR

Explain the types of Debentures.

3. **Answer the following (any two)** **[30]**

- a. Write a note on Warrants
- b. Discuss various types of Indirect taxes.
- c. Explain need and classes of working capital finance.

4. **Explain following terms** **[20]**

- a. Physical markets
- b. Public company
- c. Accrued Expenses
- d. Retained earnings

5. **Answer the following questions in brief:** **[10]**

- a. What is sweat equity shares?
  - b. Explain line of credit as short term finance.
  - c. What is the meaning of partnership?
  - d. Explain the basic difference between primary market and secondary markets.
  - e. What is cumulative preference share?
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## Assignment-DFM-02

### DFM - 2 – Project Appraisal and Analytical Tools in Financial Management

Last Date of Submission At Study Center :- 30/12/2016

Max-Marks-100

1. Two years' Balance sheets of ABC Company Ltd. are as follows:

[20]

Liabilities	31-3-03	31-3-04	Assets	31-3-03	31-3-04
Equity share capital	1,00,000	1,50,000	Land and Buildings	1,00,000	90,000
10% Pref. Sh. capital	50,000	50,000	Machinery	90,000	90,000
General Reserve	30,000	30,000	Debtors	53,000	30,000
Profit & Loss A/c	20,000	-----	Bills Receivable	20,000	12,000
12% Debentures	1,00,000	50,000	Stock	75,000	90,000
Creditors	30,000	35,000	Bank Balance	15,000	35,000
Bills payable	10,000	25,000	Cash Balance	2,000	13,000
Bank Overdraft	10,000	20,000	Profit & Loss A/c	----	10,000
O/s. Expenses	5,000	10,000			
	3,55,000	3,70,000		3,55,000	3 30,000

**Additional Information:**

	2002-'03	2003-04
	Rs.	Rs.
(1) Sales	3,65,000	2,19,000
(2) Cost of Goods sold	2,19,000	1,46,000
(3) Net profit (Before Pref. Dividend)	35,000	47,500
(4) Stock on 1-4-'02	71,000	---

Calculate following ratios and give your opinion about company position in 2003-'04 in comparison with 2002-'03. Whether it is positive or negative?

(1) Current ratio (2) Liquid ratio (3) Debtors ratio (Take 365 days for calculations) (4) Gross profit ratio (5) Stock Turnover ratio (6) Rate of return on equity share-holders' funds.

2. From the following balance sheets of Bhairav Ltd. prepare:

[20]

- (a) A statement showing changes in working capital
- (b) A statement of source and application of funds.

<b>Liabilities</b>	<b>31-3-96 Rs.</b>	<b>31-3-97 Rs.</b>	<b>Assets</b>	<b>31-3-96 Rs.</b>	<b>31-3-97 Rs.</b>
Creditors	39,520	41,135	Cash at bank	2,520	4,820
Bills payable	33,780	12,645	Debtors	85,175	72,625
Bank-overdraft	59,510	-	Sundry Advances	2,315	735
Provision for taxation	40,000	50,000	Stock	1,11,040	97,370
Reserve	50,000	55,000	Land- building	1,48,500	1,44,250
P & L A/c	39,690	36,220	Plant	1,12,950	1,16,200
Equity shares capital	2,00,000	2,60,000	Goodwill	-	19,000
	<b>4,62,500</b>	<b>4,55,000</b>		<b>4,62,500</b>	<b>4,55,000</b>

**Additional information:**

1. During the year taxes and interim dividend paid were Rs. 35,000 and Rs. 39,000 respectively.
2. The assets of another company were purchased for Rs. 60,000 payable in fully paid equity shares of the company. The assets consisted of stock Rs. 21,640, plant Rs. 18,360 and remaining amount was for goodwill.
3. During the year the purchase price is Rs. 5,650 for a plant.

**3. Answer the following questions: (any two)**

**[30]**

- a. Explain Investment Appraisal Methods in brief.
- b. What is cash flow statement? Explain the three major heads for inflows and outflows in cash flow statement?
- c. What are the stages for evaluating the possibility of leasing?

**4. Explain the following terms: (any four)**

**[20]**

- a. Cost Concept
- b. Social cost Benefit Analysis
- c. Leveraged Lease
- d. Capital Budget
- e. Acid-test Ratio
- f. Venture Capital

**5. Answers the following questions in brief:**

**[10]**

- a. What is composite ratio?
- b. Explain the major difference between NPV and IRR?
- c. Explain the concept of decision trees?
- d. What are the main benefits of cash flow statement?
- e. How would you choose between leasing and hire-purchase?

## Assignment-DFM-03

### DFM: 03 (Policy matters in financial Management)

Last Date of Submission At Study Center :- 30/12/2016

Max-Marks-100

1. Explain dividend yield and growth methods of calculating cost of capital? [20]
2. Explain operating leverage, financial leverages and total leverage? [20]
3. Define capital structure and explain various factors which can affect in determining capital structure? [20]
4. **Answer the following questions: (any two)** [30]
  - a. What factors should be considered while determining dividend policy?
  - b. Ahmedabad Ltd. has issued 10% debentures of Rs. 100 each to raise Rs. 50 lakhs. The tax rate is 50%. Calculate the cost of debenture under following circumstances:  
If they are issued (1) at par (2) at a premium of 10% (3) at a discount of 5%
  - c. From the following income statement of Surat Ltd. for the year ended 31<sup>st</sup> March 2015, calculate and interpret its degree of operating leverage, financial leverage and degree of combined leverage.

Particular	Amount (Rs.)
Sales	25,00,000
Less: (a) Variable Cost	15,00,000
(b) Fixed Cost	3,00,000
<b>EBIT</b>	7,00,000
Less: Interest	2,00,000
<b>EBT</b>	5,00,000
Less: Taxes (30%)	1,50,000
<b>PAT</b>	3,50,000

**Answers the following questions in brief:**

[10]

- d. What is constant payout ratio policy?
  - e. Explain the difference between Interim Dividend and Final Dividend?
  - f. How to determine optimum capital structure?
  - g. What is trading on equity?
  - h. Explain marginal cost of capital?
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# Assignment- DFM-04

## DFM-04 (Working capital management)

**Last Date of Submission At Study Center :- 30/12/2016 Max-Marks-100**

1. Define working capital management with objectives? [20]

OR

Explain various factors that help in determining the quantum of working capital?

2. Explain Economic Order Quantity method of inventory management? [20]

OR

What is cash budget? Explain advantages of cash budget?

3. **Answer the following questions: (any two)** [30]

a. One company intending to increase the credit period from 50 days to 75 days. At present, the average collection period is 60 days, which is expected to increase to 90 days. It is also expected that bad debts will increase from the current level of 4% to 6% of sales. The credit sale which is at present 22,000 units is expected to increase to 25,000 units. The average cost per unit is Rs. 18 the selling price is Rs. 24 and variable cost per unit is Rs. 14. The expected rate of return of the firm is 20%. State whether the firm should extent the credit policy.

b. From the following information calculate:

(1) Economic order quantity

(2) Re-order stock level

(3) Minimum stock level

(4) Maximum stock level

1. Annual usage	- 2,500 units
2. Cost per unit	- Rs. 10
3. Cost of placing an order	- Rs. 200
4. Carrying cost per unit	- 10%
5. Ordering period	- 2 to 3 weeks
6. Average usage per week	- 45 units
7. Maximum usage per week	- 60 units

c. Write a note on methods of preparing cash budget.

**4. Explain the following terms: (any four)**

**[20]**

- a. Gross and net working capital
- b. Under capitalization
- c. Credit policy
- d. VED Analysis
- e. Cash position

**5. Answers the following questions in brief:**

**[10]**

- a. What is hedging approach?
  - b. Which are the costs involved in extension of credit to the customers?
  - c. How is danger level identified?
  - d. How is controlling the levels of cash in management of cash?
  - e. What is operating cycle concept?
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