

Dr. Babasaheb Ambedkar Open University
Term End Examination January-2014

Course : Diploma in Financial Management (DFM)
Roll No : _____
Subject : Basic Understanding of Financial Management (DFM-01)
Date : 29/01/2014
Time : 11.00 to 02.00
N.B. : All Questions carry equal Marks **Total Marks : 70**

Q.1 Explain different forms of Business organization. **(14)**

OR

Discuss Direct Tax and Indirect Tax.

Q.2 Explain (i) Shares issued for consideration other than cash. **(14)**

(ii) Sweat equity shares.

(iii) Stock Options.

Q.3 Distinguish between debentures and Equity share. **(14)**

OR

What is "Rights Issues"! State advantages of rights issues from the view point of companies.

Q.4 Explain Trade credit as short term finance. **(14)**

OR

What is commercial paper? State its advantages and Limitations.

Q.5 **Write Short Note: (Any two)** **(14)**

1. Need of Working Capital.
 2. Bridge loan.
 3. Warrants.
 4. Financial Market.
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Course : Diploma in Financial Management (DFM)
Roll No : _____
Subject : Project Appraisal and Analytical Tools (DFM-02)
Date : 29/01/2014
Time : 03.00 to 06.00
N.B. : All questions carry equal Marks. **Total Marks : 70**

- Q.1** Explain Any three of the following concepts. (14)
(1) Entity concept (2) Cost concept (3) Accrual concept
(4) Dual Aspect concept (5) Going concern concept

OR

Explain any three of the following concepts
(1) Stable Money concept (2) Conservation concept (3) Disclosure concept
(4) Periodivity concept (5) Objectivity concept

- Q.2** Explain critically the uses and Misuses of revenue statement ratios. (14)

OR

Explain critically the uses and Mis uses of Balance sheet ratio.

- Q.3** A company is considering to install two projects involving an investment of Rs. 5,00,000 each. The net profit before charging depreciation from the projects are as under. (14)

Year	Project No 1 Rs.	Project No 2 Rs.
1	1,25,000	2,50,000
2	1,87,500	2,50,000
3	1,87,500	62,500
4	1,25,000	62,500

Calculate pay back period of both the projects with help of discounted cash flow.
Present value of Rs. 1 at 5% rate is as under.

Year	1	2	3	4
Date	0.9524	0.9070	0.8638	0.8227

OR

Explain the concept of decision tree in detail.

- Q.4** Write a note on the financial lease and operating lease along with their differences. (14)

OR

Write a detail note on the advantages and limitations of budgeting.

- Q.5** Write a detail note on the factoring services along with its advantages and disadvantages. (14)

OR

Write a detail note on the zero base budgeting.

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Course : Diploma in Financial Management (DFM)
Roll No : _____
Subject : Policy Matters Financial Management (DFM-03)
Date : 30/01/2014
Time : 11.00 to 02.00
N.B. : All questions carry equal Marks. **Total Marks : 70**

Q.1 Explain the concept of weighted average cost of capital. (14)

OR

Explain divided growth method of calculating cost of capital.

Q.2 Explain the concept of Indifference point in leverage analysis. (14)

OR

Explain various types of structural leveages.

Q.3 How to determine optimum capital structure. (14)

OR

Explain weighted average cost of capital theory in capital structure studies.

Q.4 Which factors should be considered while determining dividend policy. (14)

OR

Explain Gordon's dividend growth model for share valuation.

Q.5 Write Short Note : (Any Two) (14)

1. Debt-equity analysis.
 2. Net income theory in capital structure studies.
 3. Types of dividend policy.
 4. Marginal cost of capital.
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Course : Diploma in Financial Management (DFM)

Roll No : _____

Subject : Working Capital Management (DFM-04)

Date : 30/01/2014

Time : 03.00 to 06.00

N.B. : All questions carry equal Marks.

Total Marks : 70

Q.1 Explain the concept of operating cycle with its usefulness. (14)

OR

Explain the concept of "Over capitalization and under capitalization".

Q.2 Pavan Ltd. contemplating to increase the credit period from 45 days to 72 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 3% to 5% of sales the credit sale which is at present 19,000 units is expected to increase to 21,000 units. The average cost per unit is Rs. 16. The selling price is Rs. 21 and average cost per unit is 13. The expected rate of return of the firm is 22%. (14)

State whether the firm should extent the credit policy.

OR

Explain ABC Analysis for inventory Management.

Q.3 Explain terms. (14)

1. Re-Order Level
2. Minimum Level
3. Maximum Level
4. Average level in inventory Management

OR

Give a note on need for receivable management

Q.4 From the following information prepare a monthly cash budget for karm Ltd. for 3 months ending 31st March. (14)

1. Revenue is expected to be Rs. 4,500, Rs. 5,000 and Rs. 4,500 in the three months.
2. Purchase for December, January, February and March are likely to be Rs. 4,000, Rs. 3,000, Rs. 3,500 and Rs. 3,500 respectively, 40% is paid in next Month.
3. Rent per month is Rs. 500 and Personal withdrawl Rs. 400.
4. Rs. 5,000 is expected to be outflows towards purchase of the vehical in the Month of March.
5. Cash expenses are Rs. 2,000 for each month.
6. Present cash balance is Rs. 5,000.

OR

Discuss the utility of cash budget as a tool of cash Management.

Q.5 Find out the economic order quantity with the help of trial and error approach. (14)

OR

Explain varipus strategies used in working capital management.
