

Dr. Babasaheb Ambedkar Open University
Term End Examination July-2012

Course : Diploma in Financial Management (DFM)
Roll No : _____
Subject : Basic Understanding of Financial Management (DFM-01)
Date : 07/07/2012
Time : 11.00 to 02.00
N.B. : All Questions carry equal Marks **Total Marks : 70**

Q.1 Explain traditional and modern approach of Financial management. **(14)**

OR

Discuss main three finance decisions in modern business environment that a finance manager takes.

Q.2 Discuss Negotiated sources of short term finance. **(14)**

OR

What is Preference Share? Explain different types of Preference Shares.

Q.3 What is Debenture? Explain different types of Debentures. **(14)**

OR

Explain Trade Credit as short term finance.

Q.4 Explain (1) Shares issued for consideration other than cash
(2) Sweat Equity Shares
(3) Stock options **(14)**

OR

Explain different forms of business organization.

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

1. Financial Market
 2. Right issues
 3. Financial Management
 4. Trade Credit
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Course : Diploma in Financial Management (DFM)
Roll No : _____
Subject : Project Appraisal and Analytical Tools (DFM-02)
Date : 07/07/2012
Time : 03.00 to 06.00
N.B. : All questions carry equal Marks. **Total Marks : 70**

Q.1 Explain basic Accounting Concepts. (14)

OR

Explain various types of Profitability Ratios.

Q.2 Explain any three techniques to deal with risk. (14)

OR

Explain cash flow statement and funds flow statement.

Q.3 What is Budget? Discuss budgeting process. (14)

OR

Explain various kinds of business Insurance.

Q.4 How Zero Base Budget differs from Traditional Budget? (14)

OR

Explain with illustration: Common Size Statement

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

1. Mutual Fund
 2. Loan Syndication
 3. Capital Budgeting
 4. Decision Tree
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Course : Diploma in Financial Management (DFM)
Roll No : _____
Subject : Policy Matters Financial Management (DFM-03)
Date : 09/07/2012
Time : 11.00 to 02.00
N.B. : All questions carry equal Marks. **Total Marks : 70**

Q.1 Explain the various types of structural leverages. **(14)**

OR

Explain Net Operating Income Theory of Capital structure.

Q.2 Which factors are considered while determining dividend policy? **(14)**

OR

Discuss various factors affecting Capital Structure Decision.

Q.3 Explain : (a) Cost of Equity
(b) Cost of Preference Share
(c) Cost of Debt **(14)**

OR

Explain with illustration Weighted Average Cost of Capital(WACC).

Q.4 What is leverage? Explain Operating and Financial leverage. **(14)**

OR

Explain Walter's Valuation Model of Dividend.

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

1. Trading on Equity
 2. Retained Earnings
 3. Debt – Equity ratio
 4. Types of Dividend
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Course : Diploma in Financial Management (DFM)
Roll No : _____
Subject : Working Capital Management (DFM-04)
Date : 09/07/2012
Time : 03.00 to 06.00
N.B. : All questions carry equal Marks. **Total Marks : 70**

Q.1 Explain the concept of “*Over Capitalization*” and “*Under Capitalization*”. (14)

OR

Explain various strategies used in working capital management.

Q.2 Write a short note on

1. Need for Receivable management

2. ABC Analysis for inventory Management (14)

OR

A firm is considering an increase in its credit period from 30 to 60 days. It currently sells 3,10,000 units for Rs. 3 each. The average age of receivables is 40 days. Bad debts are 0.5 percent, the variable cost per unit is Rs. 2.30 and the average cost per unit is Rs. 2.60. the change in the credit period is expected to increase sales to 3,40,000 units, bad debts will increase to 3 percent and the average collection period to 72 days. Assume the required return on investment is 19% should the firm carry out the proposal?

Q.3 Write a note on EOQ method of inventory management. (14)

OR

Explain terms:

1. Re-order level.

2. Minimum level.

3. Maximum level.

4. Average level in inventory management (14)

Q.4 Explain the utility of cash budget as a tool of cash management. (14)

OR

From the following information, prepare a monthly cash budget for 3 months ending 31st December.

1. Revenue is expected to be Rs. 18000, Rs. 18400 and Rs. 18000 in the three months.

2. Purchase for September, October, November and December are likely to be

Rs. 16,000, Rs. 12,000, Rs. 13,000 and Rs. 14,000 respectively.

P.T.O

40% is paid in next month.

3. Rent per month is Rs. 800 and personal withdrawal Rs. 1200
4. Rs. 7,000 is expected to be outflows towards purchase of a vehicle in the month of March.
5. Cash expenses are Rs. 2800 for each month.
6. Present cash balance is Rs. 3000.

Q.5 Discuss the utility and difficulties of cash budget as a tool of cash management. **(14)**

OR

Explain the concept of operating cycle with its usefulness.
