

**Dr. Babasaheb Ambedkar Open University**  
**Term End Examination June/July -2013**

**Course** : Diploma in Financial Management (DFM)  
**Roll No** : \_\_\_\_\_  
**Subject** : Basic Understanding of Financial Management (DFM-01)  
**Date** : 27/06/2013  
**Time** : 11.00 to 02.00  
**N.B.** : All Questions carry equal Marks **Total Marks : 70**

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**Q.1** What is the goal of financial management? Explain the concept of “Profit maximization” and “Wealth maximization”. (14)

**OR**

Write a note on Different types of financial markets?

**Q.2** Explain the meaning and types of working capital? Why working capital is needed in business. (14)

**OR**

Discribe different sources of short term financial.

**Q.3** Explain different types of share capital. (14)

**OR**

Explain meaning and different types of debentures.

**Q.4 Explain:** (i) Public company  
(ii) Partnership (14)

**OR**

Explain meaning and advantages of commercial papers.

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

1. Trade credit
  2. Rights issues of shares
  3. Industrial policy
  4. Hire purchase
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**Course** : Diploma in Financial Management (DFM)  
**Roll No** : \_\_\_\_\_  
**Subject** : Project Appraisal and Analytical Tools (DFM-02)  
**Date** : 27/06/2013  
**Time** : 03.00 to 06.00  
**N.B.** : All questions carry equal Marks. **Total Marks : 70**

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**Q.1** What are the sources of working capital? What are the uses of working capital. (14)

**OR**

Explain various types of Balance sheet Ratios.

**Q.2** Explain net present value method of project appraisal? State its merits and limitations. (14)

**OR**

Marmik ltd. considering investing in a project, requiring a capital outlay of Rs. 4,00,000. Forecast for annual after deprecation, but before tax is as follows:

Years	Rs.
1	1,80,000
2	2,00,000
3	1,80,000
4	1,60,000
5	1,60,000

Calculate depreciation at 20% on original cost. Income tax is 50% of net income. You are required to evaluate the project under following methods.

(1) Pay-back method (2) Rate of return on average investment method.

**Q.3** Explain sensitivity analysis as a risk reducing measure in capital budgeting. (14)

**OR**

Explain the benefits of fund-flow statement.

**Q.4** Give the difference between fund flow statement and cash flow statements. (14)

**OR**

From the following details of Devanshi ltd. calculate the cash inflow from operations for the year 2009-10.

	31/03/2009 Rs.	31/03/2010 Rs.
Debtors	40,000	36,000
Creditors	16,000	22,000
Bills Receivable	8,000	10,500
Bills Payable	6,000	5,000
Outstanding Expenses	1,200	1,600
Accued Income	1,500	1,700
Stocks	25,000	30,000

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

1. Difference between leasing and hire-purchase
  2. Compare operating lease with Financial lease
  3. Flexible Budgeting
  4. Venture capital services
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**Course** : Diploma in Financial Management (DFM)  
**Roll No** : \_\_\_\_\_  
**Subject** : Policy Matters Financial Management (DFM-03)  
**Date** : 29/06/2013  
**Time** : 11.00 to 02.00  
**N.B.** : All questions carry equal Marks. **Total Marks : 70**

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**Q.1** What is cost capital? Explain cost of equity and its Dividend yield method of calculating cost equity. **(14)**

**OR**

Explain with illustration weighted average cost of capital (WACC).

**Q.2** What is leverage? Discuss operating leverage and financial leverage. **(14)**

**OR**

Explain various ratios related with the structure of capital mix.

**Q.3** What is capital structure? Explain Net Income approach of capital structure. **(14)**

**OR**

Discuss various factors affecting capital structure decision.

**Q.4** What is dividend? Explain important considerations in dividend policy. **(14)**

**OR**

Explain dividend growth valuation model.

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

1. Modigliani and Miller – Irrelevance Theory of Dividend.
  2. Risk return Trade off
  3. Trading on Equity
  4. Capital Assets pricing model (CAPM)
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**Course** : Diploma in Financial Management (DFM)

**Roll No** : \_\_\_\_\_

**Subject** : Working Capital Management (DFM-04)

**Date** : 29/06/2013

**Time** : 03.00 to 06.00

**N.B.** : All questions carry equal Marks.

**Total Marks : 70**

**Q.1** Explain various strategies used in working capital management. (14)

**OR**

**Q.2** Explain the concept of operating cycle with its usefulness. (14)  
A perform cost sheet of Harsh ltd. is given below.

	Per unit(Rs.)
Raw material	50
Direct labour	30
Overheads	<u>20</u>
Total cost	100
+ Profit	<u>20</u>
Selling price	120

The following future particulars are available.

1. Raw materials are in stocks on average for two month material are in process on average for half month. Finished goods are in stocks on average for half months.
2. Credit allowed by supplies is two month. Credit allowed to debtors is two months.
3. Lag in payment of wages is 1½ weeks lag in payment of overheads is one months.
4. One forth of the out puts is sold against cash. Cash on hand and at bank is expected to be Rs. 2,50,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 1,04,000 units of production.

You may assume that production is carried on evenly throught the year, wages and overhead accrue similarly and a time period of 4 weeks is equivalent to a month.

**OR**

**Q.3** Write a note on determining the credit policy. (14)  
Write a note on EOQ method of inventory management.

**OR**

Consider the following data for a certain item purchased by manan ltd.

Annual usage 13000 units  
Fixed cost per order Rs. 400  
Purchase price per units Rs. 120  
Carrying cost 20% of inventory value.

What is the economic order Quantity.

**Q.4** Explain the concept of economic order Quantity with graphical method? (14)

**OR**

Swati ltd is contemplating to allow 4% cash discount for payment prior to 15<sup>th</sup> day after a credit purchase by a customer. It is expected that due to this policy the sales would increase by 20% Assume that bad debts will not be affected. The collection period will decline to 20 days. The estimate 50% of the total sales would be on discount. Should the proposel plan be implemented if expected rate at return is 15%?

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

**OR**

Write a note on the advantages of preparation of cash budget?