

Dr. Babasaheb Ambedkar Open University
Term End Examination July-2015

Course : Diploma in Financial Management (DFM) **Numerical Code: 0027**
Roll No: _____
Subject : Basic Understanding of Financial Management (DFM-01)
Date : 21/07/2015 **Numerical Code: 0175**
Time : 11.00 to 02.00
N.B. : All Questions carry equal Marks **Total Marks : 70**

1. What is financial management? Discuss the Scope of financial management in Traditional and modern business environment (14)

OR

Write a short note on

(A) Categories of financial market

(B) Difference between financial functions and accounting functions.

2. Discuss the features of central excise duty, Sales tax, Customs duty. (14)

OR

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

3. Define Trade Credit. Discuss cost of trade credit and Terms of trade credit. (14)

OR

Explain the types of Preference shares.

4. Explain the types of Debentures. (14)

OR

Discuss the sources of long term finance.

- Q.5 Write a Short Note:** (14)

1. DPG

2. Bills of Exchange

OR

Discuss the need and classes of working capital finance.

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Course : Diploma in Financial Management (DFM)

Numerical Code: 0027

Subject : Project Appraisal and Analytical Tools (DFM-02)

Roll No: _____

Date : 21/07/2015

Numerical Code: 0176

Time : 03.00 to 06.00

N.B. : All questions carry equal Marks.

Total Marks : 70

Q.1 Write note on any five accounting ratio and its usefulness from analytical point of view? (14)

OR

Explain the net present value method along with its merits and limitations.

Q.2 From the following summarized balance sheets for two years. (14)

(1) Rearrange it in the form suitable for computing ratios and

(2) Calculate following ratio with comments

(A) current ratio (B) Liquid ratio (C) Acid test ratio

(D) Proprietary ratio (E) Long term funds to fixed assets ratio

Balance sheet as on 31.03.2012

Liabilities	2011(Rs)	2012(Rs)	Assets	2011(Rs)	2012(Rs)
Share capital	1,00,000	1,50,000	Fixed assets	3,50,000	4,90,000
8% preference share	50,000	50,000	Current assets		
Reserves	2,00,000	1,50,000	Stock	1,60,000	60,000
6% Debentures	1,00,000	1,00,000	Debtors	40,000	30,000
Current liabilities	90,000	1,20,000	Cash	10,000	10,000
Bank D.D	20,000	20,000			
	5,60,000	5,90,000		5,60,000	5,90,000

OR

Explain various types of Balance Sheet ratio.

Q.3 Write a detail note on the difference between fund flow statement and cash flow statement (14)

OR

Explain the concept of decision tree in detail?

Q.4 Write a detail note on the advantages and limitation of budgeting (14)

OR

Explain the terms capital budgeting and capital budgeting process.

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

1. Credit Rating.
2. Limitation of cash flow analysis.
3. Entity concept.
4. Factoring services.

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Course	: Diploma in Financial Management (DFM)	Numerical Code: 0027
		Roll No: _____
Subject	: Policy Matters Financial Management (DFM-03)	Numerical Code: 0177
Date	: 22/07/2015	Time : 11.00 to 02.00
N.B.	: All questions carry equal Marks.	Total Marks : 70

1. Explain the dividend growth and yield method of calculating cost of capital. (14)

OR

Explain various types of Structural leverages.

2. What is dividend? What are the types of dividend? (14)

OR

Discuss the different types of Dividend Policy.

3. What are the factors that influencing Capital Structure Decisions? (14)

OR

Explain weighted average cost of capital theory in Capital Structure studies.

4. XYZ ltd. issued eight year 10% debentures at a price of Rs. 92 to raise Rs. 5,00,000 the value of the debentures is Rs. 100 the tax rate is 50 percent calculate the post tax cost of this issue.

(14)

OR

Calculate the operating leverage of vinee Ltd from the following data

Selling Price	=Rs. 11 Per Unit
Variable cost	=Rs. 5 Per Unit
Fixed Operating Cost	=Rs. 17,000
Sales (Units)	=12,000

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

5. According to traditional approach, the market value of company R and S are as under. (14)

(EBIT)	R	S
Net Operating income Rs.	60,000	60,000
Cost of debts	0	20,000
Net income available to equity shareholders	60,000	40,000
Cost of equity capital (K _e)	0.10	0.11
Market value of equity capital (S)	5,50,000	3,50,000
Market value of debt (D)	0	2,00,000
Average cost of capital	5,50,000	5,50,000
(K _o)	10.9	10.9

According to M. M. approach calculate the cost of capital and the value of company R and S.

Assume that

- (1) There are no taxes and
- (2) The rate of equilibrium value is 12.5%

OR

A simplified income Statement of Zodiac ltd. is given below, calculate and interpret its degree of operating leverage, financial leverage and degree of combined leverage.

Zodiac Ltd.

Income Statement for the year 31 st March 2004	
Particulars	Rs.
Sales	10,00,000
Variable Cost	7,50,000
Fixed Cost	75,000
EBIT	1,75,000
Interest	60,000
Taxes (30%)	34,500
Net Income	80,500

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Course : Diploma in Financial Management (DFM)

Numerical Code: 0027

Subject : Working Capital Management (DFM-04)

Roll No: _____

Numerical Code: 0178

Date : 22/07/2015

Time : 03.00 to 06.00

N.B. : All questions carry equal Marks.

Total Marks : 70

1. Discuss the advantages of Cash budget. (14)

OR

Write a short note on:

- (a) Factoring in receivable Management
(b) Determining the Credit policy

2. Write a note on determining the credit policy & the ABC Analysis for Inventory Management (14)

OR

Define working capital Discuss the objectives of working capital Management.

3. For the following details draw a plan of ABC Selective Control for Sita ltd. (14)

Item	Units	Unit Cost
1	7,500	5.10
2	24,500	3.10
3	2,000	10.1
4	600	22.1
5	38,500	1.6
6	40,500	0.6
7	60,500	0.3
8	3,500	3.6
9	300	8.1
10	29,500	0.3
11	12,000	7.2
12	4,600	6.3

Place the items valued at more than Rs. 50,000 in group A & items valued at less than Rs. 15,000 in group C.

OR

The annual inventory requirement of a Opera ltd. is 30,000 units the ordering cost is Rs. 150 per order. Its Carrying cost per unit is Rs. 1.20 per unit.

Suppose the ordering quantity is as following.

- (1) 30,000 units
- (2) 15,000 units
- (3) 6,000 units
- (4) 3,000 units
- (5) 1,500 units
- (6) 750 units

Determine the following on the basis of above information

- (1) Ordering Cost
- (2) Carrying Cost
- (3) Average inventory
- (4) EOQ

4. Write a short note on ABC & VED analysis for inventory management. **(14)**

OR

Write a short note on conservative working capital strategy and aggressive working capital strategy.

5. From the following information prepare a monthly cash budget for Abc ltd. for 3 months ending 31st March **(14)**

- (1) Revenue is expected to be Rs. 90,000, Rs.92,000 and Rs. 90,000 in three months.
- (2) Purchase for December, January, February, March are likely to be Rs. 80,000, Rs. 60,000, Rs. 65,000, Rs.70,000 Respectively, 40% is paid in next month.
- (3) Rent per month is Rs. 4,000 and personal withdrawal Rs. 6,000
- (4) Rs. 35,000 is expected to be outflows towards purchase of a vehicle in the month of March.
- (5) Cash expenses are Rs. 14,000 for each month.
- (6) Present cash balance is Rs. 15,000

OR

ABC ltd is selling a product at Rs. 16 per unit the data regarding its Sales, Cost etc. are given below

Sales	20,000	units
Variable cost	Rs.	10 Per Unit
Avg. cost per unit	Rs.	13
Total fixed Cost	Rs.	1,00,000
Avg. collection	40	days
Period		

The company is contemplating relaxation of its credit policy which is expected to result in 20% increase in unit sales and the Avg. collection period would increase to 60 days. There would be no change in bad debts. There would be negligible increase in collection expenses.
