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Dr. Babasaheb Ambedkar Open University

'Jyotirmay' Parisar, Opp. Balaji Temple,
Sarkhej-Gandhinagar Highway,
Chharodi, Ahmedabad-382 481

E-mail: feedback@baou.edu.in Website : www.baou.edu.in

February-2017

(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 not submitted assignment on or before given date.
- Last date of submission of prepared assignments to study center is **30/07/2017** 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 nment 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 :- 30/07/2017

Max-Marks-100

- (1) Whether financial management is essential in any form of business? If yes, explain why? [20]
OR
Explain trade credit as a source of short term finance?
- (2) Explain the types of preference shares? [20]
OR
Give difference between debentures and equity shares?
- (3) **Answer the following questions (any two)** [30]
(a) Explain the concept of 'Time Value of Money'?
(b) Write note on Commercial paper with advantages and disadvantages.
(c) Explain warrant as a source of long term finance with its advantages?
- (4) **Explain the following terms:** [20]
(a) Term Loan
(b) Floating Charge
(c) Money Market
(d) Service Tax
- (5) **Answer the following questions in brief:** [10]
(a) What is Primary market?
(b) Explain the basic difference between equity shares and preference shares.
(c) What are the main elements that impacts regulatory framework?
(d) What is the main advantage of Sole proprietorship?
(e) Which are the important forms of business organization?

Assignment-DFM-02

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

Last Date of Submission At Study Center :- 30/07/2017

Max-Marks-100

(1) Following is the summarized Balance sheet of Gujarat Ltd. on 31-3-2013.

[20]

Liabilities	Amount	Assets	Amount
Equity shares of Rs. 10 each	10,00,000	Fixed Assets	20,00,000
10% Preference shares of Rs. 100 each	4,00,000	Investments	2,00,000
Reserves and Surplus	7,00,000	Closing Stock	2,00,000
15% Debentures	5,00,000	Sundry Debtors	4,60,000
Sundry creditors	2,40,000	Bills Receivable	70,000
Bank Overdraft	2,00,000	Cash at bank	50,000
		Preliminary Expenses	60,000
	30,40,000		30,40,000

Summarized Profit and Loss Account is as under for the year ending on 31-3-2013:

Sales (25% of Cash sales)	80,00,000
Less: Cost of Goods sold	56,00,000
Gross Profit	24,00,000
Net Profit (before interest and tax 50%)	9,00,000

Calculate the following ratios:

- | | |
|--|--|
| (1) Rate of Return on Capital Employed | (2) proprietary Ratio |
| (3) Debt-equity Ratio | (4) Capital-gearing Ratio |
| (5) Debtors Ratio 9365 days of the year) | (6) Rate of return on equity shareholders funds. |

(2) A large sized chemical company is considering investing in a project that costs Rs. 5,10,000. The estimated salvage value is zero; tax rate is 35 percent. The company uses straight line depreciation for tax purposes and the proposed project has cash flows before tax (CFBT) as follow:

Year	CFBT Rs.
1	1,20,000
2	1,00,000
3	1,50,000
4	1,50,000
5	2,50,000

Determine the following (a) Pay-back period and (b) Average rate of return.

[20]

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

[30]

- (a) Explain sensitivity analysis and simulation as a risk reducing measure in capital budgeting?
- (b) Give the difference between fund flow statement and cash flow statement?
- (c) Write a note on different agencies providing service of credit rating?

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

[20]

- 1. Marine Insurance Policy
- 2. Production Budget
- 3. Financial lease
- 4. Fund
- 5. Net present value
- 6. Proprietary Ratio
- 7.

(5) Answers the following questions in brief:

[10]

- 1. Explain the major difference between Gross profit ratio and Net profit ratio?
- 2. How many types of investment appraisal methods are available?
- 3. Explain the main advantages of pay back criteria?
- 4. What is the reason behind preparation of statement of changes in working capital?
- 5. Explain the main difference between the forecast vs. budget?

Assignment-DFM-03

DFM: 03 (Policy matters in financial Management)

Last Date of Submission At Study Center :- 30/07/2017

Max-Marks-100

Q=1 (A) A Simplified income statement of Priya Ltd is given below. Calculate and interpret its degree of operating leverage, financial leverage and degree of combined leverage. **20 marks**

Priya Ltd

Income statement for the year to 31st march 2014

Particulars	RS.
Sales	5,00,000
Variable cost	3,25,000

4. A single, overall cost of capital is often used to evaluate projects because:
 - a) It avoids the problem of computing the required rate of return for each investment proposal.
 - b) It is the only way to measure a firm's required return.
 - c) It acknowledges that most new investment projects have about the same degree of risk.
 - d) It acknowledges that most new investment projects offer about the same expected return.
5. The weighted average cost of capital for a firm is the:
 - a) Discount rate which the firm should apply to all of the projects it undertakes.
 - b) Rate of return a firm must earn on its existing assets to maintain the current value of its stock.
 - c) Coupon rate the firm should expect to pay on its next bond issue.
 - d) Maximum rate which the firm should require on any projects it undertakes.
6. Which one of the following statements is correct concerning the weighted average cost of capital
 - a) The WACC may decrease as a firm's debt-equity ratio increases.
 - b) When computing the WACC, the weight assigned to the preferred stock is based on the coupon rate multiplied by the par value of the stock.
 - c) A firm's WACC will decrease as the corporate tax rate decreases.
 - d) The weight of the common stock used in the computation of the WACC is based on the number of shares outstanding multiplied by the book value per share.
7. A firm's degree of operating leverage (DOL) depends primarily upon its

a) Sales variability.	b) Level of fixed operating costs.
c) Closeness to its operating break-even point	d) Debt-to-equity ratio.
8. The dividend-payout ratio is equal to
 - a) The dividend yield plus the capital gains yield.
 - b) Dividends per share divided by earnings per share.
 - c) Dividends per share divided by par value per share.
 - d) Dividends per share divided by current price per share
9. Modigliani and Miller argue that the dividend decision _____.
 - a) is irrelevant as the value of the firm is based on the earning power of its assets
 - b) is relevant as the value of the firm is not based just on the earning power of its assets
 - c) is irrelevant as dividends represent cash leaving the firm to shareholders, who own the firm anyway
 - d) is relevant as cash outflow always influences other firm decisions
10. The dividend-payout ratio is equal to:
 - a) The dividend yield plus the capital gains yield.

- b) Dividends per share divided by earnings per share.
- c) Dividends per share divided by par value per share.
- d) Dividends per share divided by current price per share.

11. Retained earnings are

- a) An indication of a company's liquidity.
- b) The same as cash in the bank.
- c) Not important when determining dividends.
- d) The cumulative earnings of the company after dividends.

12. EBIT is usually the same thing as:

- a) Funds provided by operations.
- b) Earnings before taxes.
- c) Net income.
- d) Operating profit.

Assignment- DFM-04

DFM-04 (Working capital management)

Last Date of Submission At Study Center :- 30/07/2017 Max-Marks-100

Q=1. (A) Airtel Ltd . manufactures a product and the following particulars are collected for the year ended march 2014:

20 marks

Monthly demand(units)	2000
Cost of placing an order(RS)	200
Annual carrying cost(RS per unit)	30
Normal usage(unit per week)	100
Minimum usage(units per week)	50
Maximum usage(units per week)	150
Re –order period(weeks)	4 -6

You are required to calculate:

1. Re- order quantity
 2. Re –order level
 3. Minimum level
 4. Maximum level
 5. Average stock level
- B. Sachin ltd wishes arranges overdraft facilities with its bankers during the period April to June 2015 when it will be manufacturing mostly for stock .prepare a cash budget for the above period from the following data indicating the extent of bank facilities the company will be require at end of each month.

Months	Sales RS.	Purchases Rs	Wages Rs	Manufacturing expenses RS.	Office exp. RS	Selling exp. RS
Feb.	90,000	62,400	6000	1500	1000	1000
March	96,000	1,22,000	7000	2000	500	2000
April	54,000	1,21,500	5500	1500	750	1000
May	87,000	1,23,000	6000	2250	1000	2500
June	63,000	1,34,000	7500	2500	1250	2000
July	70,000	1,40,000	8500	2750	1500	2250
August	80,000	1,50,000	9500	3000	1500	2500

- Cash on hand 1-4-2015(estimated) Rs 12500
- 50% of credit sales are realized in the month following the sales and the remaining 50% in the second month following. Creditors are paid in the month following the month of purchase:
- Lag In payment of Manufacturing expenses 1/2 month.
- Lag in payment of other expenses 1 month.

Q.2 Answer the following questions (Any Two)

30 marks

- ABC Analysis for inventory management.
- under capitalization and over capitalization.
- Write a note on factoring in receivables management.
- Discuss the utility of cash budget as a tool of cash management.

Q.3 Answer the following questions in short (Any four)

20 marks

- Calculate the economic order quantity from the following data of SUN Ltd:
Annual consumption of material 25000 units
Price per unit RS 10
Insurance cost per unit RS 0.70
Storing costs per units RS 0.10
Interest costs per units RS 0.20
Cost of placing an order RS.10
- Objective of working capital management
- Define gross and net working capital
- Explain limitation of cash budget
- Explain terms minimum level and maximum level.

Q.4 Answer the following M.C.Q. (Any ten)

10 marks

- _____ refers to the length of time allowed by a firm for its customers to make payment for their purchases.
a) Holding period b) Pay-back period c) Average collection period d) Credit period
- _____ is that inventory level at which an order should be placed to replenish the inventory

- a) Ordering level b) Minimum level c) Maximum level d) Re-order point

3. Costs incurred for maintaining the inventory in warehouses are called _____.

- a) Ordering costs b) Material costs c) Carrying costs d) Shortage costs

4. _____ refers to the amount invested in various components of current assets.

- a) Temporary working capital b) Net working capital
c) Gross working capital d) Permanent working capital

5. EOQ is the order quantity that ____ over our planning horizon.

- a) minimizes total ordering costs b) minimizes total carrying costs
c) minimizes total inventory costs d) the required safety stock

6. If EOQ = 360 units, order costs are 5 per order, and carrying costs are 20 per unit, what is the usage in units?

- a) 129,600 units b) 2592units c) 18720 units d) 25920units

7. Permanent working capital

- a) Varies with seasonal needs b) Include fixed assests
c) Is of current assets required to meet a firm's long-term minimum needs. d) .Include account payable

8. Net working capital refers to

- a) Total assets minus fixed assets. b) Current assets minus current liabilities.
c) Current assets minus inventories. d) Current assets

9. Amount of current assets that varies with seasonal requirements is referred to as _____ working capital.

- a) permanent b) net c) temporary d) gross

10. Which of the following is not a part of credit policy?

- a) Collection Effort b) Cash Discount c) Credit Standard d) Paying Practices of debtors.

11. Use of safety stock by a firm would

- a) Increase Inventory Cost b) Decrease Inventory Cost c)No effect on cost d) None of the above.

12. Which of the following is not an element of credit policy?

- a) Credit Terms b) Collection Policy c) Cash Discount Terms d) Sales Price.
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