

**Dr. Babasaheb aAmbedkar Open University**  
**Term End Examination April - 2011**

**Course** : Diploma in Financial Management (DFM)

Roll No.: \_\_\_\_\_

**Subject** : Diploma in Financial Management (DFM-01)

**Date** : 20/04/2011

**Time** : 11.00 to 02.00

**N.B.** : Attempt all questions.

**Total Marks : 70**

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Q.1 Explain the meaning and scope of Financial Management. (14)

OR

Write a detail note on Financial Markets.

Q.2 Discuss the goals of Financial Management and various approach of Financial Management. (14)

OR

Write note on Preference Shares and Retained Earnings.

Q.3 Explain the term Commercial Paper and discuss its merits and demerits. (14)

OR

Write a note on different types of Preference shares.

Q.4 Explain the concept of time value of Money with illustrations. (14)

OR

Explain the various types of Debentures.

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

1. Bank guarantees.
  2. Customs duty.
  3. Term Loans.
  4. Sales tax.
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**Term End Examination April - 2011**

**Course** : Diploma in Financial Management (DFM)

Roll No.: \_\_\_\_\_

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

**Date** : 20/04/2011

**Time** : 03.00 to 06.00

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

**Total Marks : 70**

Q.1 Explain following : (14)

- (1) Cost Concept                      (2) Objective Concept  
(3) Entity Concept

**OR**

Explain Merit and demerit of Ratio Analysis.

Q.2 From the following Balance Sheets for two years rearrange it in the form suitable and computing ratio and calculated following ratio with comments. (14)

- (1) Current Ratio                      (2) Liquid Ratio  
(3) Acid Test Ratio                      (4) Long term Funds to Fixed Assets Ratio

Liabilities	2009 Rs.	2010 Rs.	Assets	2005 Rs.	2010 Rs.
Share capital	4,00,000	6,00,000	Fixed Assets	14,00,000	19,60,000
10% Preference Share	2,00,000	2,00,000	Current Assets Stock	6,40,000	2,40,000
Reserves	3,00,000	6,00,000	Debtors	1,60,000	1,20,000
8% Debentures	3,60,000	4,80,000			
Bank O.D.	80,000	80,000	Cash	40,000	40,000
	22,40,000	23,60,000		22,40,000	23,60,000

**OR**

Explain Critically the uses and misuses of revenue statement ratios.

- Q.3 Surya Ltd. is considering investing in a project requiring a capital outlay of Rs. 2,00,000 forecast for annual income after depreciation but before tax is as follows :- (14)

Year	Rs.
1	90,000
2	1,00,000
3	90,000
4	80,000
5	8,000

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

- (1) Pay-back Method.
- (2) Rate of Return on average investment Method.

OR

Write a detail note on the difference between fund flow statement and cash flow statement.

- Q.4 Write a note on the benefits and limitations of fund flow statement. (14)

OR

Explain the concept of decision tree in details.

- Q.5 Write a detail note on the zero base budgeting. (14)

OR

Write a detail note on the factoring services along with advantages and Disadvantages.

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**Course** : Diploma in Financial Management (DFM)

Roll No.: \_\_\_\_\_

**Subject** : Policy Matters Financial Management (DFM-03)

**Date** : 23/04/2011

**Time** : 11.00 to 02.00

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

**Total Marks : 70**

- Q.1 (A) Explain dividend yield method of Calculating cost of capital. (14)  
(B) Explain the concept of weighted average cost of capital.

**OR**

Bombay Electricals Corporation issues Rs. 100 face value debentures carrying interest of 15%. The debenture are repayable after 7 years at a premium of 7%. The cost of issue is 3%. The Tax rate of the Company is 50%. The issue cost can be amortised evenly over the life of the debentures. What is the cost of debenture capital.

- Q.2 Explain the term Operating Leverage, Financial Leverages and Total leverage. (14)

**OR**

Explain the concept of Break even analysis in Leverage Analysis.

- Q.3 Define Capital Structure and state its importance in studies of Financial Management. (14)

**OR**

The following information is available for two firms, Rudhra and Rakesh Corporation.

Particular	Rudhra Co.	Rakesh Co.
Net Operating Income	Rs. 21,00,000	Rs. 20,00,000
Interest on Debt	Nil	5,00,000
Cost of Equity	15%	15%
Cost of Debt	10%	10%

Calculate the market value of equity, market value of debt and market value of the firm for Rudhra and Rakesh Corporation.

- Q.4 Explain which factors should be considered while determining dividend policy. (14)

**OR**

Explain Walter's share valuation model with its assumptions.

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

1. Types of Dividend.
2. Debt – equity analysis in Capital Structure.
3. M.M. Theory.
4. Risk Return Trade off.

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**Course** : Diploma in Financial Management (DFM)

Roll No.: \_\_\_\_\_

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

**Date** : 23/04/2011

**Time** : 03.00 to 06.00

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

**Total Marks : 70**

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Q.1 Write a detail note on the factors determining working capital requirement. (14)

**OR**

Write a note on the strategies in Working Capital Management?

Q.2 A Performa cost sheet or Axay Ltd. is given below (14)

	Per unit Rs.
Raw Material	80
Direct labor	30
Over heads	60
Total Cost	<u>170</u>
Profit	30
Selling price	<u>200</u>

The following further particulars are available :

- 1) Raw Materials are in stock on average for two Month. Material are in process on average for half a Month, Finished goods are in stock on average for half Month.
- 2) Credit allowed by suppliers is two month credit allowed to debtors is two month.
- 3) Lag in payment of Wages is 1 ½ Week lag in payment of overhead is one Month.
- 4) One fourth of the Output is sold against cash, cash on hand and at bank is Rs. 1,00,000.

You are required to prepare a statement showing the working capital needed to Finance a level of activity of 52,000 units of production time period or 4 week is equivalent to a Month. Explain the concept of Operating cycle with its usefulness.