Dr. B. R. AMBEDKAR OPEN UNIVERSITY
DEPARTMENT OF COMMERCE

POST GRADUATE DIPLOMA IN BUSINESS FINANCE (PGDBF)

COURSE - 01: BUSINESS ENVIRONMENT
(2020 – 21 Batch)

ASSIGNMENT – I (Marks: 15)

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. What do you understand by ‘an economic system of a country’? Write briefly about the three distinct economic philosophies, viz., Capitalism, Socialism, and Communism.
2. Do you consider Social responsibility as ‘the obligation of decision-makers to take actions while protect and improve the welfare of society as a whole along with their own interest’? If so, support your arguments for the same. If not, write your arguments against the same.
3. Explain and explore :
   a) Economic Growth and Economic Development; and
   b) Methods of Privatization of Public Enterprises.

ASSIGNMENT – II (Marks: 15)

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. What do you mean by Monetary-Credit Policy? Write briefly about principal instruments of monetary-credit policy of the Reserve Bank of India.
2. Explain your understanding about the concept of financial sector reforms. Discuss the major recommendations of Narasimham Committee on financial reforms.
3. What is foreign investment? ‘Foreign capital is advocated for developing countries for various reasons ….’ - Submit your arguments for and against this statement.

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COURSE - 02: ACCOUNTING FOR MANAGEMENT
(2020 – 21 Batch)

ASSIGNMENT – I **(Marks: 15)**

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. "Accounting as a social science can be viewed as an information system, since it has all the features of a system." - Elucidate the statement.

2. From the following details relating to the accounts of M/s. PPR Co. Ltd., prepare Statement of Sources and Application of Funds:

BALANCE SHEET **Rs. (in 000's)**

Liabilities	31st March 2019 Rs.	31st March 2018 Rs.	Assets	31st March 2019 Rs.	31st March 2018 Rs.
Share Capital	4,00	3,00	Goodwill	90	1,00
General reserve	1,00	80	Plant and Machinery	4,29	2,98
Profit and Loss Account	50	30	Investments	60	1,00
Debentures	1,00	1,50	Stock	80	50
Sundry Creditors	70	90	Sundry Debtors	1,10	1,60
Income-tax Provision	40	50	Prepaid Expenses	6	4
Proposed dividend	40	30	Cash and Bank Balance	20	10
			Debenture Discount	5	8
Total	**8,00**	**7,30**	**Total**	**8,00**	**7,30**

(i) 15% depreciation has been charged in the accounts on plant and machinery.
(ii) Old machines costing Rs. 50,000 (WDV Rs. 20,000) have been sold for Rs. 35,000.
(iii) A machine costing Rs. 10,000 (WDV Rs. 3,000) has been discharged.
(iv) A plant costing Rs. 2,30,000 was purchased during the year.
(v) Rs. 10,000 profit has been earned by sale of investments.
(vi) Debentures have been redeemed at 5% premium.
(vii) Rs. 45,000 income-tax has been paid and adjusted against Income-tax Provision Account.

3. M/s. ZED Limited has received an offer of quantity discounts on its order of materials as under:

Price per tone *Rs.*	*Tonnes* *Nos.*
1,200	Less than 500
1,180	500 and less than 1,000
1,160	1,000 and less than 2,000

1,140	2,000 and less than 3,000
1,120	3,000 and above

The annual requirement for the material is 5,000 tonnes. The ordering cost per order is Rs. 1,200 and the stock-holding cost is estimated at 20% of material cost per annum.

(i) You are required to compute the most economical purchase level, and

(ii) What will be your answer to the above question (i), if there are no discounts offered and the price per tonne is Rs. 1,500?

ASSIGNMENT – II (Marks: 15)

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. Explore and explain the following with suitable examples:
   i) Methods of Treatment of Depreciation, and
   ii) Four Simple Methods of Charging Depreciation.

2. M/s. JYR Pvt. Ltd. Started its business on 1st April, 2019, with an initial investment of Rs. 28,00,000, which comprised of Rs. 24,00,000 as capital by the equity shareholders of the company and Rs. 4,00,000 as loan from bank @ 10% interest.

   On the same day, the company purchased a machine costing Rs. 20,00,000 and goods worth Rs. 8,00,000. It was decided to depreciate the machine @10% p.a. On the 30th September, 2014, half of the goods were sold for Rs. 12,00,000.

   The movements in the price index numbers *(illustrative only)* during the year were as under:

Index	01.04.2010	30.09.2010	31.03.2020
Index of General Prices	100	120	132
Index of Specific Prices	100	160	180

   Assuming that the movements in the prices of goods and machine were similar, prepare an Income Statement and a Balance sheet of the company according to the following methods *(a columnar format can be used)*:
   i. Historical Cost Accounting,
   ii. Current Cost (Replacement Cost) Accounting, and
   iii. General Purchasing Power Accounting. *(Ignore Corporate Income-tax)*

3. Journalize the following in the books of M/s. KENDEX Co. Ltd., under the given scenarios, if the company:
   (i) Issues 1,000, 12% Debentures of Rs. 1,000 each at par and redeemable at par.
   (ii) Issues 1,000, 12% Debentures of Rs. 1,000 each at par and redeemable at a premium of 10%.
   (iii) Issues 1,000, 12% Debentures of Rs. 1,000 each at a discount of 5% and redeemable at par.
   (iv) Issues 1,000, 12% Debentures of Rs. 1,000 each at a discount of 5% and redeemable at premium of 10%.
   (v) Issues 1,000, 12% Debentures of Rs. 1,000 each at a premium of 10% and redeemable at par.
   (vi) Issues 2,000, 12% Debentures of Rs. 1,000 each at a premium of 8% and redeemable at a premium of 15%.

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COURSE - 03: FINANCIAL MANAGEMENT
(2020 – 21 Batch)

ASSIGNMENT – I **(Marks: 15)**

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. Explain the meaning, scope and objectives of Financial Management.
2. M/s. MENTAS Ltd., purchased a retail store and commenced business on April 1. From the following information, you are required to prepare in as much details as possible, a 'Trading and Profit and Loss Account' for the current year ended March 31 and a 'Balance Sheet' as at that date.

Capital introduced on April 1	Rs. 4,70,000
Drawing during the year	Rs. 50,000
Working capital (current assets less current liabilities) at March 31	Rs. 2,30,000
Depreciation of fixed assets during the year, based on a rate of 20 percent per annum on cost	Rs. 30,000
Ratio of annual sales to year-end values of fixed assets plus working capital	2:1
Ratio of current assets to current liabilities at the year-end	2:1
Ratio of liquid assets (cash plus debtors) to current liabilities on March 31	5:4
Debtors at the year-end as per cent of annual sales	12
General expenses (excluding depreciation) as per cent of annual sales	20

The current assets consist of stocks (which are unchanged throughout the year), debtors and cash. Stocks are turned over four times during the year. The current liabilities consist only of creditors.

3. M/s. Alexon Ltd is investigating the feasibility of manufacturing one of the components needed for its finished product rather than purchasing it from an outside supplier. Its present supplier has just announced that he intends to increase the price from Rs. 100 to Rs. 125 per unit.

   The equipment needed to make this product can be purchased for Rs. 10,00,000 and is expected to have salvage value of Rs. 2,00,000 after the expiry of the fifth year. Additional fixed costs (excluding depreciation) are estimated to increase by Rs. 1,00,000 per year. The variable costs of manufacturing each component will be Rs. 30 per unit. The company is subject to a 35 per cent tax rate and 15 per cent is the appropriate cost of capital for this project. The company projects annual needs at 7,500 units per year for the 6-year period. The tax relevant rate of deprivation is 25 per cent and there are no other assets in the 25 per cent block.

   Advice the company whether it should continue buying from outside supplier, or start manufacturing on its own. Will your answer be different if the requirement of the company is only 6,000 units per year?

ASSIGNMENT – II **(Marks: 15)**

ANSWER ALL QUESTIONS

ALL QUESTIONS CARRY EQUAL MARKS

1. Discuss the importance and uses of financial forecasting for a business enterprise. Also give a brief note on 'Cash Planning Tools'.

2. M/s. Mohana Chemicals Ltd has the following book value capital structure on 31 March, 2020:

Source of Finance	Amount (Rs. In Lakh)	Proposition (%)
Equity Share Capital	45,00	45
Reserves and Surplus	15,00	15
Preference Share Capital	10,00	10
Debt	30,00	30

The expected after-tax component costs of the various sources of finance for Mohana Chemicals Ltd are as follows:

Source	Cost (%)
Equity Share Capital	18.0
Reserves and Surplus	18.0
Preference Share Capital	11.0
Debt	08.0

a) You are required to compute the weighted average cost of capital of Mohana Chemicals Ltd., based on the existing capital structure.

b) Suppose Mohana Chemicals Ltd., has 4,50,00,000 equity shares outstanding and that the current market price per share is Rs. 20. Assume that the market values and the book values of debt and the preference share capital are the same. Compute also the market value weighted average cost of capital, if the component costs were the same as before.

3. A firm's estimated demand for a material during the next year is 2,500 units. Acquisition costs are Rs. 400 per order and carrying cost is Rs. 50 per unit. The safety stock is set at 25 per cent of the EOQ. The daily usage is 10 units and lead time is 10 days. Determine (a) the EOQ, (b) the safety stock, and (c) the reorder point.

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COURSE - 04: FINANCIAL INSTITUTIONS AND MARKETS
(2020 – 21 Batch)

ASSIGNMENT – I (Marks: 15)

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. What do you understand by financial institutions? Explain the objectives and functions of any two financial institutions about which you studied in this course or elsewhere.
2. Enumerate the objectives and functions of any two investing institutions in India. Explain their role in the development of Indian economy.
3. Explain the below concepts in brief:
   a) Merchant Banking, b) Factoring, c) Forfaiting, and d) Leasing.

ASSIGNMENT – II (Marks: 15)

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. ‘The development banks play a important role in accelerating the pace of industrialization in an economy by generating development impulses’. Substantiate the statement.
2. Write about the contemporary promotional activities of any two of the below institutions:
   i) IFCI,
   ii) ICICI and
   iii) IDBI.
3. What do you mean by financial markets and how are they different from investment institutions? Write about the functioning of financial markets in India and any five financial instruments they deal in.

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COURSE - 05: FINANCIAL SERVICES
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ASSIGNMENT – I (Marks: 15)

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. What are Non-Banking Financial Companies? What are the services offered by them?

2. Who is a Merchant Banker? Discuss the role of the Merchant Banker in Giving a fillip to the Economy of a Nation.

3. What are the Guidelines issued by SEBI to bring greater transparency and accountability in operations of stock markets in India.

ASSIGNMENT – II (Marks: 15)

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. Plot the growth and Development of Leasing in India?

2. Analyze the statement "CRISIL is a front runner of the mutual fund research services industry in India" .

3. What do you understand by Factoring, how does it work.

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COURSE - 06: SECURITY ANALYSIS AND PROTFOLIO MANAGEMENT
(2020 – 21 Batch)

ASSIGNMENT – I (Marks: 15)

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. Explain briefly the concept of 'Investment Risk'. What do you understand by the terms 'Systematic Risk' and 'Unsystematic Risk'?
2. a) Elucidate the acronym "YTM" in little detail with a pertinent example.
   b) The bonds of the ZEN Ready-mix Company Ltd., are currently selling for Rs. 10,800. Assuming: (i) coupon rate of interest, 10 per cent, (ii) par value, Rs. 10,000, (iii) years to maturity, 10 years, and (iv) annual interest payment, compute the YTM.
3. Compare and Contrast between:
   a) Primary Market vs. Secondary Market, and
   b) Security Analysis and Investment Decision.

ASSIGNMENT – II (Marks: 15)

ANSWER ALL QUESTIONS
ALL QUESTIONS CARRY EQUAL MARKS

1. Write briefly about Fundamental Analysis and Efficient Market.
2. Explain in detail the CAP Model developed by Sharpe, Linter and Mossin, covering its assumptions, the Security Market Line and limitations.
3. M/s.Alloke Ltd., currently pays Rs. 60 per share as annual dividend. Assuming 10 per cent required rate of return on shares (Ke), compute the value of shares under each of the following dividend growth rate assumptions:
   a) Annual rate of growth, zero (0) percent indefinitely.
   b) Annual constant rate of growth, 5 per cent to infinity.
   c) Annual rate of growth, 5 per cent for each of the next 3 years, followed by a constant annual rate of 4 per cent in years 4 to infinity.

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