



DR. B. R. AMBEDKAR OPEN UNIVERSITY
ROAD NO. 46, JUBILEE HILLS, HYDERABAD – 500 033. T.S.

Dear Student,

We are enclosing *TWO* assignments in each course, for *ALL* the *FOUR* courses of **Second Semester** of **P. G. Diploma in Financial Management Programme (2022-23 Batch)**. Please note the following points, while answering these assignments:

1. Writing and submitting the ‘Assignments’ are *compulsory* for the students of PGDFM Programme. They have a weightage of 30% in each course.
2. You have to submit *BOTH* the assignments together *compulsorily*. You will not be allowed to appear for the year-end examinations of any course, unless you submit both the assignments in time, pertaining to that course.
3. Each assignment carries a *maximum* of *15 marks* and you have to score a minimum of 40% marks, i.e., 6 out of 15, to qualify in that assignment. If you fail to score the minimum marks in any assignment, you have to necessarily resubmit that particular uncleared assignment along with the Next Batch. Repetition of the same assignment Question Paper will not be allowed.
4. The maximum marks for each course at the semester-end examination are 70 and you have to score a minimum of 40% marks, i.e., 28 out of 70 marks.
5. Division will be awarded on the basis of the aggregate marks obtained in assignments as well as in the semester-end examinations.
6. Last date of submission for the assignments is:

BOTH (FIRST AND SECOND) ASSIGNMENTS: *All the Four Courses*
31-05-2024

****ASSIGNMENTS SUBMITTED AFTER THE DUE DATE WILL NOT BE ACCEPTED****

7. If, under unavoidable circumstances, you fail to submit the assignments within the stipulated time, your results will be declared only after the submission and evaluation of all the assignments.
8. If any student fails to submit all the assignments within the stipulated time, he/she has to answer the set of assignments that are sent to the Batch in currency/progress at that time.
9. *You have to submit your assignments in the Department of Business Management either by Register Post / Courier / in person, to the following address:*

TO
THE HEAD, DEPARTMENT OF BUSINESS MANAGEMENT
DR. B. R. AMBEDKAR OPEN UNIVERSITY
PROF. G. RAM REDDY MARG, ROAD NO.46, JUBILEE HILLS
HYDERABAD – 500 033 (T.S.)
PHONE NO.: 040-23680441

10. The *first and front page* of your *Assignment response sheet* should be in the following format.

ASSIGNMENT RESPONSE SHEET

Student's Admission No. :
Name of the Student :
Address :
Mobile No. :
E-mail Id. :
Name of the Programme : **P.G.DIPLOMA IN FINANCIAL MANAGEMENT (PGDFM)**
Year and Semester :
Course Code and Title :
Assignment No. : I & II
Study Centre (Name & Code) :
Date of Submission :
Signature of the Student :

11. Please go through the relevant course units thoroughly, before answering your assignments.
12. In case the assignment is in figurative/problem-solution model, you have to answer it in the required/pertinent format. You should give *working notes* also, wherever necessary.
13. Before submitting the assignments, check them carefully to make sure that you have attempted all the main points of all the questions asked to answer.
14. You are required to use only *foolscap/A4-size paper* for your responses. Allow '*an inch*' margin on the left, in order to facilitate the evaluator to record his comments.
15. You have to answer the assignments in your own words.
16. Do not copy from the response sheets of other students. If copying is noticed, the assignments of all such students will be rejected.
17. Write each assignment in a separate set of papers/sheets.

18. The assignment response sheets should be neatly presented with your own hand writing one side of the sheet. **Typed or Computerized assignments will not be accepted.**
19. You have to prepare your responses in duplicate (one - *original* and another - *a photocopy*), submit the original hand written one at the Department of Business Management and retain the second photocopy one with yourself as a record, for your future reference.
20. Further correspondence, if any should be made only to the below addressee:

THE DIRECTOR
Learner Support Service Division
Dr. B.R. Ambedkar Open University
Prof. G. Ram Reddy Marg,
Road No. 46, Jubilee Hills,
HYDERABAD – 500 033. (T.S.)

Sd/-
HEAD
DEPT OF BUSINESS MANAGEMENT

Dr. B.R. AMBEDKAR OPEN UNIVERSITY
DEPARTMENT OF BUSINESS MANAGEMENT

P.G.DIPLOMA IN FINANCIAL MANAGEMENT (PGDFM) PROGRAMME

(BATCH: 2022-23)

SECOND SEMESTER

**COURSE – 201: SECURITY ANALYSIS AND PORTFOLIO
MANAGEMENT**

ASSIGNMENT – I

(MARKS: 15)

ANSWER ALL QUESTIONS

ALL QUESTIONS CARRY EQUAL MARKS

1. a) (i) What do you mean by Investment? How is it different from Speculation and Gambling?
(ii) Enumerate briefly the important investment avenues available to savers in India. Also prioritize the investment as per your comprehension, with proper rationale.
 - b) (i) What is Demat? Explain the features, advantages and procedure of Dematerialization.
(ii) “Stock Market Indices are the barometers of the stock market” – Comment.
2. a) (i) What is Unsystematic Risk? Explain the different types of unsystematic risk.
(ii) A stock costing Rs. 250 pays no dividends. The possible prices that the stock might sell for at the end of the year and the probability of each are:

Possible Prices (Rs)	Probability
200	0.10
230	0.25
250	0.35
280	0.20
310	0.10

Find Out the Expected Return and the Standard Deviation of the Returns.

- b) (i) Write a note on: Zero Growth Model; CAPM Model; Immunization; and Realized Yield.
(ii) A bond has a face value of Rs. 100 and carries a 6 per cent per annum coupon payment. The yield to maturity is 5 per cent and the maturity period is five years. Compute the duration of the bond.
3. a) Differentiate Fundamental and Technical Analysis. Explain various types of charts used by technical analyst.
b) Define Market Efficiency. Also explain the weak form of the efficient market hypothesis. Also narrate the empirical tests used for testing the weak form efficiency.

ASSIGNMENT – II

(MARKS: 15)

ANSWER ALL QUESTIONS

ALL QUESTIONS CARRY EQUAL MARKS

1. a) (i) Explain the concept of Portfolio Analysis. Calculate the portfolio variance and standard deviation for a portfolio having the following characteristics:

Securities	Return (Per Cent)	Standard Deviation	Proportion of Investment
J	40	12	0.2
K	15	8	0.3
L	50	16	0.5

Correlation Coefficients:

J and K = 0.8

J and L = 0.2

K and L = 0.5

- (ii) Use the Sharpe Index Model to select the best combination of securities for a portfolio. The risk free rate is 5% and market standard deviation is 20%.

Security	S1	S2	S3	S4	S5
Risk (Beta)	1.5	1.2	1.3	1.4	0.85
Return	12%	15%	10%	16%	8%
Error	20%	15%	12%	24%	22%

- b) (i) The following portfolios are being considered for investment. During the period under consideration, Risk Free Rate was 0.07:

Portfolio	Return	Beta	Standard Deviation
P	0.15	1.0	0.05
Q	0.20	1.5	0.10
R	0.10	0.6	0.03
S	0.17	1.1	0.06
Market	0.13	-----	0.04

Compute the Sharpe and Treynor measure for each portfolio and the market portfolio. Also interpret the results.

- (ii) What is Capital Asset Pricing Model? The following data are available to you as a Portfolio Manager:

Security	Estimated Return (Per Cent)	Beta	Standard Deviation (Per Cent)
A	30	2.0	50
B	25	1.5	40
C	20	1.0	30
D	11.5	0.8	25
E	10.0	0.5	20
Market Index	15	1.0	18
Govt. Security	7	0	0

You are required to: (a) Identify, in terms of the security market line, which of the securities listed above are underpriced; and (b) Assuming that a portfolio is constructed using equal proportions of the five securities listed above, calculate the expected return and risk of such a portfolio.

2. a) (i) What is Portfolio Performance Evaluation? Explain the need for and the factors influencing Portfolio Performance Evaluation.
(ii) Consider the following information for mutual funds L, M and N and the market index:

Funds	Mean Returns (%)	Standard Deviation %	Beta
L	24	22	1.8
M	16	14	1.2
N	12	13	0.8
Market Index	10	10	1.00

The mean risk free rate was 7%. Calculate the Treynor Measure, Sharpe Measure and Jensen Measure for the four mutual funds and the Market Index.

- b) (i) “Formula plans attempt to make portfolio revision a simple and almost mechanical exercise” - Comment.
(ii) Write a note on: (a) Managed Portfolio; (b) Entry Load; and (c) Exit Load.
3. a) Two securities X and Y are considered for investment. Compare risk and return of the portfolio assuming the two securities, whose correlation coefficient of returns is -0.84, are combined in the following proportions in the portfolio:
- (i) 10 : 90
 - (ii) 25 : 75
 - (iii) 50 : 50
 - (iv) 75 : 25

The historical risk-return of the two securities is as follows:

Security	Standard Deviation (%)	Return (%)
X	20	15
Y	30	20

- b) What is meant by Optimal Portfolio? How is it identified?

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DEPARTMENT OF BUSINESS MANAGEMENT

P.G.DIPLOMA IN FINANCIAL MANAGEMENT (PGDFM) PROGRAMME

(BATCH: 2022-23)

SECOND SEMESTER

COURSE – 202: FINANCIAL MARKETS AND SERVICES

ASSIGNMENT – I

(MARKS: 15)

ANSWER ALL QUESTIONS

ALL QUESTIONS CARRY EQUAL MARKS

1. a) (i) Define 'Financial System'. State the steps taken for the growth of the financial system in India. Also discuss the challenges in the Indian financial system.
(ii) What do you mean by Financial Services? Distinguish between Fund-Based and Non-Fund Based Financial Services.
b) (i) What is Fintech? How does it affect banking? Explain with examples.
(ii) Distinguish between financial and economic development. What are the parameters of financial development? Also explain the concepts useful in judging the efficiency of a financial system.
2. a) (i) What is a Capital Market? State the instruments in capital market. As an investor, which type of share will you choose – equity or preference? Give reasons for your decision.
(ii) What is a Money Market? Explain various instruments in money market. Also bring out the challenges in money markets.
b) (i) Explain the concept and types of quotes in Financial Exchange Markets. Also present the structure of Financial Exchange Markets.
(ii) Explain the terms: (a) Spot Markets; (b) Commodity Derivatives Market; and (c) Commodity Futures Market.
3. a) (i) State the core banking services. Also bring the technology-enabled banking services and their impact on the functioning of banks.
(ii) What are the primary and secondary functions of insurance? Also bring out the present scenario of the insurance industry, particularly keeping in view the global competition in the field.
b) Explain the concepts of Financial Inclusion and Financial Exclusion. Explain the reasons for financial exclusion. Also narrate any five recent measures for financial inclusion implemented by the Government of India.

ASSIGNMENT – II

(MARKS: 15)

ANSWER ALL QUESTIONS

ALL QUESTIONS CARRY EQUAL MARKS

1. a) (i) Distinguish between Merchant Banking and Investment Banking. Explain various types of merchant banking and also various services offered by merchant bankers.

- (ii) Present the structure of mutual funds. Why investing in mutual fund has gained lot of importance and momentum in India? Explain how small and retail investors can be benefited by investing in mutual funds?
- b) (i) What is Credit Rating? What are the various credit rating agencies operating in India? Also enumerate the benefits of credit rating to various stakeholders.
(ii) What is Venture Capital? Discuss the various stages of funding in the venture capital industry.
2. a) (i) Explain the terms Leasing, Hire Purchase and Installment. Also narrate various types of lease in brief.
(ii) Define forfeiting. How does forfeiting help the exporter?
b) (i) Explain the terms: (a) Depository Participant; (b) Registered Owner; (c) Beneficial Owner; (d) Dematerialization; and (e) Rematerialization.
(ii) Discuss the advantages and disadvantages of securitization. Also examine the future prospects of securitization in India.
3. Analyze the case given below and answer the questions following it:

Solar energy ltd, a private limited company, based in Ahmedabad, is engaged in to providing solar energy solutions in the retail as well as corporate segment. The company is having good presence in the urban area and wants to expand its reach in the rural segment across Gujarat.

Solar power in India is a fast developing industry. The country's solar installed capacity reached 31.101 GW as of September, 2019. India has the lowest capital cost per MW globally to install the solar power plants. Gujarat has been a leader in solar-power generation in India due to its high solar power potential, availability of vacant land, connectivity, transmission and distribution infrastructure and utilities.

Solar energy ltd. was set up in the year 2010. The company has been profitable since last six years and having a net worth of Rs. 10 crore in each of the preceding three years. Further, the company is having the net tangible assets of Rs. 4 crore. The company has many large projects waiting to be executed. Overall, the company has a bright future.

However, for the expansion plan, the company further needs funds to the tune of Rs. 45 crores. The company is constrained in availing bank loans due to collateral requirements and therefore proposes to come out with an IPO.

You are appointed as a lead merchant banker for this IPO. In relation to this situation, answer the following questions. You may make relevant assumptions to support your answer.

Questions:

- (a) What information would you need to draft the prospectus for an IPO?
(b) Please guide the management of the company about the pros and cons of making an IPO.

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SECOND SEMESTER

COURSE – 203: MANAGEMENT CONTROL SYSTEMS

ASSIGNMENT – I

(MARKS: 15)

ANSWER ALL QUESTIONS

ALL QUESTIONS CARRY EQUAL MARKS

1. a) Define 'Management Control Systems'. Explain its features and importance. State the sub-systems and components of MCS. How do they assist in establishing a good MCS in an organization?
b) What is Goal Congruence? Discuss the informal factors, external factors and internal culture which affect goal congruence in organization's control system. Give examples.
2. a) What are Profit Centres? How are they different from Investment Centres and Responsibility Centres? Enlist various types of responsibility centres commonly developed in business organizations.
b) Explain the concept of Cost Centre. Enumerate the functions and advantages of cost centres.
3. a) Compare and contrast ROI and EVA as tools of performance evaluation of companies.
b) (i) What is Transfer Pricing? What are its objectives? How will you administer the transfer prices for evaluating divisional performance?
(ii) From the following data, find out:
 - (a) The optimum output level;
 - (b) The transfer price;
 - (c) Company's profit;
 - (d) The profit of the supplying division; and
 - (e) The profit of the receiving division.

<u>Supply Division</u>		<u>Receiving Division</u>	
Units Produced	Total Costs (Rs.)	Units Produced	Total Net Revenue (Rs.)
1000	8000	1000	20000
2000	14000	2000	38000
3000	20000	3000	54000
4000	22000	4000	68000
5000	26000	5000	80000
6000	30000	6000	90000
7000	38000	7000	98000
8000	48000	8000	104000
9000	62000	9000	108000

ASSIGNMENT – II**(MARKS: 15)****ANSWER ALL QUESTIONS****ALL QUESTIONS CARRY EQUAL MARKS**

1. a) Define 'Budget'. How are the budgets important in controlling? Also explain various types of budgets in brief.
 b) (i) How strategic planning is distinct from strategy formulation? Discuss salient features of strategic planning implementation from control perspective.
 (ii) Define 'Management Audit'. How does management audit assist an organization in setting up a good MCS?
2. a) What is management control of international business? Discuss the issues in tax faced by MNCs. How to minimize the risks?
 b) Distinguish between manufacturing and service organizations. State the determinants of service quality. How to evaluate service quality? Also discuss the MCS in any service organization of your choice.
3. a) ABC Corporation is a decentralized manufacturing company with three producing divisions. Following is a schedule of sales and cost data for the accounting year just completed:

	Division A	Division B	Division C
Sales	2,25,000	90,000	6,00,000
Cost of Goods Sold	1,05,000	37,500	3,60,000
Operating Expenses	90,000	30,000	1,50,000
Current Assets	75,000	30,000	1,20,000
Land held for Investment	-	1,20,000	-
Fixed Assets (Gross)	1,80,000	1,50,000	7,50,000
Accumulated Depreciation	90,000	15,000	5,25,000
Current Liabilities	15,000	22,500	60,000
Long-Term Liabilities	22,500		37,500

Compute: (a) Net income for each division; (b) ROI using gross assets; (c) ROI using net assets; (d) ROI using gross assets employed; (e) Residual income using a target income of 15% of net assets; (f) Income as a percentage of sales; and (g) Prepare a chart ranking the divisions for each of the performance measures.

- b) Analyze the case given below and answer the questions following it:

AMAX Automobiles was a car company with three product lines. Line A was aimed at the luxury segment, Line B at the upscale segment and Line C at the mass market segment. Each of the three product lines was sold under a different brand name and used different distribution systems. Lines A, B and C were currently produced and marketed by Divisions A, B and C respectively.

Some components were common to the three divisions. Some of these common components were sourced externally while others were manufactured inside the company. Also, there

existed considerable scope for technology and know-how transfer across divisions. Specifically, product innovations seemed to originate in divisions A and then migrate to divisions B and C. However, process innovations seemed to originate in division C and then migrate to divisions A and B.

Question: How should AMAX be organized and controlled?

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P.G.DIPLOMA IN FINANCIAL MANAGEMENT (PGDFM) PROGRAMME

(BATCH: 2022-23)

SECOND SEMESTER

COURSE – 204: INTERNATIONAL FINANCIAL MANAGEMENT

ASSIGNMENT – I

(MARKS: 15)

ANSWER ALL QUESTIONS

ALL QUESTIONS CARRY EQUAL MARKS

1. a) (i) Write a brief note on the components and functions of International Financial Management.
(ii) Explain the Theory of International Rate Parity.
- b) (i) Compare and contrast the Nominal, Real and Effective Exchange Rates.
(ii) Suppose the rates are quoted as follows in Paris:
\$ 1.5537 – 50 per Pound Sterling and \$ 0.1982 – 98 for French Franc. What is the direct quote for Pound Sterling in Paris?
2. a) (i) Enumerate the functions of Forex Market. Also explain the various financial instruments in Forex Market.
(ii) If one month forward premium on French Franc (FF) is 2% and the spot rate is Rs. 6.91/FF, what is the one month forward rate?
- b) (i) Distinguish between forward contracts and futures contracts. Three months from now, you are expecting to receive USD 1,00,000. The spot price of USD is INR 66.00, where 3-month futures at MCX are trading at INR 65.30, indicating depreciation of USD. Under what circumstances would you like to hedge? What would be the hedging strategy?
(ii) Distinguish between American Style Option and a European Style Option. The Company ABC & Co. has its receivables of DM 1.0 million due in 3-months. The rupee has tendency to appreciate. The current rate is Rs. 24.2020/DM. The company would like to hedge in the options market. The data are as follows:
Strike Price: Rs. 23.50/DM; Premium: 2 per cent.
Which type of option is involved? How is this option to be used?

3. a) Explain why should a corporate forecast the exchange rates? Also explain how do the fundamental techniques of forecasting differ from the technical techniques? Assume that the foreign exchange markets were found to be weak form efficient. Does this suggest anything about utilizing technical analysis to speculate to the foreign exchange markets?
- b) (i) Distinguish between transaction and translation exposure. Give an example showing the difference.
- (ii) State various methods of hedging. What kind of hedge would you suggest in the following cases:
- A bank has an open position of \$40 million;
 - A trader has bought a machine costing \$2000 from USA; and
 - A foreign currency dealer deals in 14 currencies of different countries.

ASSIGNMENT – II

(MARKS: 15)

ANSWER ALL QUESTIONS

ALL QUESTIONS CARRY EQUAL MARKS

1. a) (i) Discuss the various strategies to FDI.
- (ii) “MNCs usually have a higher optimal capital budget, as compared to purely domestic companies” – Explain the statement with arguments.
- b) (i) Enumerate the factors responsible for the recent surge in international portfolio investment.
- (ii) What do you mean by CAPM? Also explain various modes of International Portfolio Investment.
2. a) Explain the changing structure of the international financial markets. Also discuss the impact of these structural changes on Indian economy.
- b) Narrate various types of International Bonds. Also describe the stages involved in the issue of international bonds.
3. a) Suppose SETHCO INDIA Ltd. wants to acquire a company in US whose equity is priced a \$40,000 and its balance sheet is given below:

Assets:		
Cash Balance	\$10,000	Rs. 2,50,000***
A/Cs Receivables	\$0	Rs. 0
Inventory	\$15,000	Rs. 3,75,000
Net Plant and Equipment	\$20,000	Rs. 5,00,000
Total:	\$45,000	Rs. 11,25,000
Liabilities:		
Accounts Payables	\$5,000	Rs. 1,25,000
Common Stocks	\$40,000	Rs. 10,00,000
Total:	\$45,000	Rs. 11,25,000

**Spot Rate = S(Rs/\$) = Rs.25/\$

Examine whether the project is viable from the point of view of parent. The project is to run for four years.

b) A Japanese automobile company has decided to manufacture 10,000 motor cars per year in India with an initial investment of Rs. 500 crores. The price is Rs. 2 lakhs and the variable cost including the import cost of the spares is Rs. 1.30 Lakhs. The risk free interest is 10%. The car is the lowest price car in the market and so the demand is expected to rise from 10,000 cars in the first year to 12000 cars in the second year and even more in the following years. On the other hand the rupee is expected to depreciate vis-a-vis yen and the variable cost is expected to rise fast from Rs. 1.30 lakhs to Rs. 1.80 lakhs.

Find out the NPV at: (i) Current level; (ii) When the demand level increase; and (iii) When variable cost increases and advice the company.
