

Bangladesh Open University
MBA Program
Semester: 192 (2nd Level)

Course: Fundamentals of Financial Management

Due on: May 27, 2022

Instructions

- Answer the all questions in your own handwriting on A4 size white paper.
- The assignment must be submitted on the assigned date to the Coordinator of the study center you are attached with.
- **Spiral binding is strictly prohibited. Instead, transparent folder or file cover or any other soft binding may be used.**

Questions

1. (a) “The objective of a company must be to create value for its shareholders” – Explain the statement logically.
(b) Discuss the concept of the term Financial Management. Why financial management is said to be the core of total management?
(c) Explain the relationship between firm’s major financial decisions with example.
2. (a) Define the concept of ‘Time Value of Money’?
(b) What is cash flow time line? Explain with the help of a diagram.
(c) Raina recently obtained a 9-year, Tk.500,000 loan. The loan carries an 8% compound annual interest rate and calls for annual payments at the end of each of the next 9 years.
 - i) What is the annual payment that will completely amortize the loan?
 - ii) How much total interest will be paid over the life of the loan?
3. (a) You need to have Tk. 500,000 at the end of 10 years. To accumulate this sum, you have decided to save a certain amount semiannually and deposit it in the bank. The bank pays 8% interest compounded semiannually for long-term deposits. How much will you have to save each year?
4. (a) What is a cash conversion cycle? Explain.
(b) Explain the various elements of working capital financing. Which one is the best and why?
(c) What is the goal of working capital management policy? Discuss.
(d) “Length of operating cycle is the main determinant of working capital needs of a firm”. Explain.

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Due on: July 29, 2022

(Answer all the questions in own handwriting on A4 size white pages)

1. (a) What is market efficiency? Explain the stages of market efficiency.
 (b) If a security is undervalued in terms of the capital asset pricing model, what will happen if investors come to recognize this undervaluation?
 (c) Consider a three-stock portfolio consisting of stocks X, Y, and Z with expected returns of 12%, 20% and 17% respectively. Assume that 50% of investible funds is invested in stock X, 30% in Y and 20% in Z. Calculate portfolio expected return.

2. (a) What are the components of capital market? Discuss each of them.
 (b) Describe the role of capital market in the economic development of a country.
 (c) Corliss Services Inc., provides maintenance services to commercial buildings. Presently, the beta on its stock is 1.08. The risk – free rate is now 10%, the expected return for the market portfolio is 15%. Corliss is expected to pay a Tk.2 per share dividend at the end of the year and to grow in nominal terms at a rate of 11% per annum for many years to come. Based on the CAPM and other assumptions, what is the market price per share of the stock?

3. (a) Discuss the significance of cost of capital in the context of a corporate firm.
 (b) What are the problems in determining cost of capital?
 (c) A company has on its books the following figures and specific cost of each source of capital:

Source of Capital	Book Value (Tk.)	Market Value (Tk.)	Specific cost (%)
Debt	4,00,000	3,80,000	5.5
Preference Capital	1,00,000	1,10,000	8.6
Equity Capital	6,00,000		15
Retained Earnings	2,00,000	12,00,000	13
	13,00,000	16,90,000	

Calculate Weighted Average Cost of Capital (WACC) using i) Book Value weights and ii) Market Value Weights. Explain how are they different?

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Semester: 192 (2nd Level)

Course: Macroeconomics

Due on: May 27, 2022

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Questions

1. What are the key concerns of macroeconomic policy? Explain briefly.
2. Why is productivity important?
3. Why isn't trade among countries like a game with some winners and some losers?
4. Use a production possibilities frontier to describe the idea of "efficiency."
5. "Whatever the merits of the GDP as a measure of aggregate output, it has glaring defects as an index of national welfare". Comment

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Bangladesh Open University
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Semester: 192 (2nd Level)

Course: Macroeconomics

Due on: July 29, 2022

(Answer all the questions in own handwriting on A4 size white pages)

1. Briefly explain why you would expect equilibrium income to rise following an increase in planned investment.
2. What is the natural rate of unemployment? How is it related to the potential level of output?
3. How is GDP implicit deflator used to measure rate of inflation? Find the similarity and difference between cost-push and demand-pull inflation.
4. **Read the following case carefully and answer the questions that follow:**

The ministry said the price adjustment was due to rising fuel prices in the world market. The ministry said oil prices had been raised to offset losses and to coordinate with the international market. Along with the increase in fuel oil prices, the price of LP gas has also been increased. Bangladesh Energy Regulatory Commission has increased the price of liquefied petroleum gas or LPG by taka 54 per cylinder. The commission said prices of all types of gas had been adjusted due to rising prices in the international market, especially in Saudi Arabia.

The corona epidemic has put many people under economic pressure and many people have lost their jobs and many have lost business. A joint survey by the BRAC Institute of governance and Development and Power and Participation Research Center found that 3 core 24 lakh people have become poor due to the corona epidemic. On the one hand, the corona epidemic has brought down the turmoil in sexual life, on the other hand, the rise in commodity prices has made people more uncomfortable, and the rise in fuel prices has become even more painful for everyone.

On the one hand, the Corona epidemic has put ordinary people under financial pressure, on the other hand, rising commodity prices have made people more uncomfortable, and the rise of fuel prices has really put a lot of pressure and hardship on people. Owners and workers have called for a nationwide transport strike to demand a reversal of the decision to raise fuel prices or increase fares. They also warned that the strike would continue indefinitely and because of this strike, the suffering of the common people has reached a climax. Owners-workers say rising oil prices will make it impossible for them to drive on existing fares as they will face extreme losses.

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The rise in fuel prices comes as commodity prices continue to rise, and experts say it will increase spending in the transport and agriculture sectors, and could have an impact on the power sector and overall livelihoods of ordinary people.

Annual demand for fuel oil is about 65 lakh tons, of which diesel demand is 50 lakh tons and of which 40 lakh tons are imported. 63% of the total demand for diesel is used in the transport sector. 26% furnace oil and 6% diesel are used for power generation. In total, 32% of power generation capacity is dependent on fuel oil. Experts say rising fuel prices will push up power generation costs and put pressure on the power sector. 16 percent of fuel oil is used in agriculture and the increase in the price of this fuel oil will increase the cost of agricultural production, increase the price of goods and put pressure on the market.

Answer the following questions:

1. What is the consequence of this inflation of oil price in the economy?
2. Is there any mechanism by the Government to reduce this inflation without reducing the consumption?
3. What policies Govt. can take to control the inflation?

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