

Bangladesh Open University  
MBA Program  
Semester: 191 (1<sup>st</sup> Level)

Course: Principles of Management

Due on: September 10, 2021

**Instructions**

- Answer all the questions in your **own handwriting** on **A4 size white paper**.
- Write your Student ID No. on each of the pages of your assignments.
- Take a snap or scan your written assignment pages and convert them into one PDF file before uploading into the LMS.

**Questions**

1. (a) What do you understand by management? How will you differentiate management from organization and administration in the context of the organization you are working?  
(b) Discuss the different types of managerial skills. 'Education helps to improve the skill of a manager but experience has no alternative.' Do you agree with this statement? Discuss logically.
2. (a) What is planning? Why do managers make plan? Discuss.  
(b) Suppose your organization is going to arrange a annual picnic program for all the staff and you are given responsibility to prepare a detail plan for this purpose. In this connection, discuss the steps that you supposed to follow in preparing a plan and related course of actions for each steps.
3. (a) The members of management body of an organization sit for making decisions about the product they are going to launch in the coming year. After discussion they come to a conclusion that it would not be wise to make final decision now. Do you think it is a decision? How? Present your arguments logically.  
(b) Describe the decision making condition with an example of each.

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**Bangladesh Open University**  
**MBA Program**  
**Semester: 191 (1<sup>st</sup> Level)**

**Course: Principles of Management**

**Due on: October 10, 2021**

**(Assignment is to be presented in own handwriting on A4 size white pages)**

1. (a) Describe the bases of departmentation. Identify the departmentation pattern of your organization. do you think the pattern is effective for conducting the organization's activities properly. If no, why you think so. If yes, what pattern you suggest and why.  
(b) Discuss the system approach of staffing.
2. (a) What do you understand by motivation? Discuss the assumptions of Theory – X and Theory – Y.  
(b) Do you find any consistency between Maslow's Hierarchy of Needs Theory and Herzberg's Two-Factor Theory of motivation? Compare and contrast between these two theories.  
(c) Explain the special motivational techniques.
3. (a) Are leaders born or made? What is your opinion? Justify.  
(b) Explain the contingency theory of leadership.  
(c) When a leader can be successful in accordance of Path-goal theory of leadership.

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Bangladesh Open University  
MBA Program  
Semester: 191 (1<sup>st</sup> Level)

Course: Principles of Marketing

Due on: September 10, 2021

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**Questions**

1. (a) “Selling and advertising are only two of many marketing functions”- Do you agree with this statement? Argue your ideas supporting your answer.
  - (b) From 2020 to 2021, a global pandemic COVID-19 has attacked the world severely and bringing many changes in the marketing landscape. Regarding the core marketing concepts, explain how you can see the changes in these topics due to the COVID-19 pandemic from marketing perspectives:
    - i) Needs, Wants and Demands,
    - ii) Value, Satisfaction, and Quality,
    - iii) Exchange, Transactions and Relationships and,
    - iv) Markets.
  - (c) “Marketing has a strong influence on beliefs and lifestyles of the members of a society completing basic functions of marketing”- If you are the marketing executive of an online delivery parcel service, ‘Sheba Home Delivery’ service how could you perform the basic functions of marketing considering the COVID-19 outbreak?
2. (a) Identify the single biggest difference between the,
    - i) marketing concept and the production concept, and,
    - ii) Product concept and selling concepts.
    - iii) Discuss which concepts are easiest to apply in the short run.
  - (b) Do you think, there is an organization in Bangladesh offering the best long-term success through societal marketing concepts? If you find anyone, explain this concepts activity with some drawbacks.

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3. (a) How do annual plan, long-range plan, and strategic plan differs from one another? Argue your logic by explaining, why any company should change its long-range plans in 2021 due to the COVID-19 crisis?
  - (b) Is there is any difference between Business Portfolio and Strategic Business Unit? If you are the owner of “Alesha Mart Bangladesh Limited” how you could apply the BCG Growth-Share matrix with its diversified units of business? Analyze with a figure.
  - (c) Adding to the above question (3.b), specify the growth opportunities of “Alesha Mart Bangladesh Limited” through the market opportunity identification grid in a figure.
4. (a) Suppose, you are going to market a new hand-sanitizer brand, namely ‘Safety Sure’. Describe in brief the necessity of:
    - i) Measuring and forecasting demand, and,
    - ii) Market segmentation and market targeting.
  - (b) Adding to the above question (4.a), explain how you will develop a marketing mix for this new hand-sanitizer ‘Safety Sure’ brand for your segment?
  - (c) What is Marketing Planning? Explain the various sections and their purposes of a detailed marketing plan for a product.

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**Bangladesh Open University**  
**MBA Program**  
**Semester: 191 (1<sup>st</sup> Level)**

**Course: Principles of Marketing**

**Due on: October 10, 2021**

**(Assignment is to be presented in own handwriting on A4 size white pages)**

1. (a) Do you see any changes in marketing intermediaries used by marketers in the present lock-down situation? Classify marketing intermediaries and state their functions reflecting the changes you have seen in this pandemic.
  - (b) Define mass marketing, product-variety marketing, and target marketing. Suppose, you are the marketer of a skin-care product for newborn babies named “Cuddly-Cuddle”, do you think mass marketing is appropriate for such products? Why or why not?
  - (c) Among the major bases for segmenting consumer markets, which one do you believe should be applied for “Cuddly-Cuddle”? Discuss the variables used for your specified base of segmentation.
- 
2. (a) Why segments size and growth are considered so carefully by the marketers?
  - (b) Among the three alternative market coverage strategies, which one is suitable for “Square Group of Companies”? Discuss the advantages of your chosen strategy in this case.
  - (c) What issues does “Square Group of Companies” considers in selecting the right competitive advantages? Explain practically.
- 
3. (a) Consider any of the advertisements of “Grameen Phone” which is presently running on any media in Bangladesh. Regarding the three perceptual processes, describe how you perceive the advertisement thoroughly.
  - (b) Illustrates the types of consumer buying behavior based on the degree of buyer involvement and the degree of differences among brands of- Refrigerator, Antique Show-piece, Oil and Chips.
  - (c) Assume, you are going to purchase a new laptop for your personal use. Consider the five steps of the buyer decision process and explain how you are going to purchase the new brand of laptop.

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4. **Read the following case carefully and answer the questions that follow:**

**Daraz- The competitive entrants in the grocery industry amid the pandemic**

The epidemic of the Corona Virus has seriously affected the world's economy which has already been affected by lots of factors. The impact of this pandemic reached Bangladesh a bit late compared to other countries, but the impact was so much intense from both the health and economic viewpoint. The COVID-19 pandemic has deeply changed the world. During this pandemic people of Bangladesh have been living differently, purchasing differently, and also changing the consumption pattern in many ways. From a marketing perspective 'shopping goods' retailers incurred huge financial losses from March 2020 to July 2020. During this COVID-19 pandemic in Bangladesh, the in-store purchase restrictions affected essential and non-essential product retailers as well as buying habits of the consumers.

Currently, there are approximately 2,500 e-commerce sites and 150,000 Face book-based outlets operating in Bangladesh and 80% of the total online sales are taking place in Dhaka, Chattogram, and Gazipur. Not only Bangladesh but almost all of the countries in the world is facing a lockdown due to the outbreak of Corona virus. Economies are slowing down; people are losing their job and a large number of lower-income people are going into extreme poverty situations. E-commerce businesses are also facing challenges due to restrictions on transportation and fear among some consumers of getting infected by the delivery men. E-commerce sites also failed to source products initially as all the shops were closed down abruptly. Especially, fashion, IT services, cosmetics, dairy products, household stationery, cleaning material, sanitizers, health products, etc. But eventually, in small cases, all the products become available to the e-commerce sites but they still struggled as most of the deliverymen returned to their native places. All these were initial problems but as time passed, traffic on the e-commerce sites started to increase.

Due to the pandemic, several new groups of people came forward and started selling health-protective gear like face masks, gloves, PPE, safety goggles, sanitizers, etc. In the grocery retail e-commerce market, Chaldal.com, Direct Fresh, Khass food, Meena click, etc. were thriving before the pandemic. In the initial stage of the lockdown, they received a large number of orders on their platform but they were falling short to deliver. In most cases, they had to restrict their daily orders and, in some cases; they took more than one day to deliver the product. At that stage in the grocery retail e-commerce market, new players entered. Pathao, Shohoz, Uber, Foodpanda four major food delivery service providers started to deliver grocery items. They tagged along with super shops like Shwapno, Meena Bazar, and other local grocery shops. Their delivery time is also faster than traditional platforms. In most cases, they delivered within 30 to 40 minutes as they concentrated customer to customer basis. Even priyoshop.com, othoba.com, daraz, ajkerdeal.com who were lifestyle e-commerce business platforms started to provide grocery items.

Daraz is an online marketplace and logistics company that operates in markets of South Asia and Southeast Asia. It was founded in 2012 as an online fashion e-commerce marketplace in Pakistan by Sheikh Ahmad (Founder) & Kala Ilyas (Co-Founder) at the

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based venture builder, Rocket Internet. Daraz Group operates e-commerce platforms and logistics services in Bangladesh, Myanmar, Nepal, Pakistan, and Sri Lanka. Bjarke Mikkelsen is the current CEO of Daraz. In May 2018, Daraz Group was acquired by the Chinese e-commerce company Alibaba Group from Rocket Internet. Supported by a wide range of tailored marketing, data, and service solution, it has 30,000 sellers and 500 brands and serves 5,000 million consumers across the region. has more than 2.5 million products to offer, growing at a very fast pace. Daraz offers a diverse assortment in categories ranging from consumer electronics to household goods, beauty, fashion, sports equipment, and groceries. This company focused on providing an excellent customer experience, ease-of-purchase, comprehensive customer care, and hassle-free shopping and return experience.

According to a market insider, the online grocery marketplace is experiencing double digits growth in the number of deliveries. Chaldal's daily number of orders is increasing at an exponential rate per day. According to Khassfood officials, basket size per order has increased due to the lockdown. They said per order size has become almost double than the previous situation. Due to the pandemic, the e-commerce market may experience heavy traffic but still, the market is very small. The Bangladeshi retail grocery market size is around BDT1,00,000 crore per year, and the overall online business is around BDT 8,000 core where retail is just a part.

**Questions:**

- a) How the marketing concept of marketing management philosophy is followed by Daraz? Explain this concept reflecting various product categories of Daraz.
- b) How Daraz can obtain a more competitive advantage in its current marketing strategy comparing to Chaldal.com and Khassfood?
- c) Explain the marketing mix functions applied by Daraz during COVID-19.
- d) If you are the marketing head of Daraz, what ideas would you suggest to improve the positioning strategy of Daraz as a brand

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**Bangladesh Open University**  
**MBA Program**  
**Semester 191 (1<sup>st</sup> Level)**

**Course: Financial Accounting**

**Due on: September 10, 2021**

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**Questions**

1. Cite two examples of transactions made in the organization known to or attached to you that affect the left side of the basic accounting equation only.
2. A company had been charging depreciation on a machine at Tk. 10,000 per year for the first 3 years. Then it began charging Tk. 9,000 for 4<sup>th</sup> year and Tk. 7,800 for the 5<sup>th</sup> year and so on. Is this practice justified? Give reasons for your answer.
3. Suppose, you have decided to make investment and financing decisions. Explain with examples what specific accounting information you will require to make such decisions.
4. Mahabubur Rahman opened Mahabub's Cleaning Service on July 1, 2020. During July, the following transactions were completed.

July 1 Mahabub invested Tk.10,00,000 cash in the business.

- 1 Purchased used truck for Tk.200,000, paying Tk.150,000 cash and the balance on account.
- 3 Purchased cleaning supplies for Tk.10,000 on account.
- 5 Paid Tk.144,000 cash on one-year insurance policy effective July 1.
- 12 Billed customers Tk.160,000 for cleaning services.
- 18 Paid Tk.20,000 cash on the amount owed on truck and Tk.6,500 on the amount owed on cleaning supplies.
- 20 Paid Tk.50,000 cash for employee salaries.
- 21 Collected Tk. 120,000 cash from customers billed on July 12.
- 25 Billed customers Tk.50,000 for cleaning services.
- 31 Paid gas and oil for the month on truck Tk.5,500.
- 31 Withdrew Tk.16,000 cash for personal use.

***Required:***

- (a) Journalize and post the July transactions.
- (b) Prepare an unadjusted trial balance at July 31, 2020.
- (c) From the adjustments, give journal entries and make adjusted trial balance at July 31
  - i) Services provided but unbilled and uncollected at July 31 were Tk.27,000.
  - (ii) Depreciation on the truck for the month was Tk.800.
  - (iii) One-twelfth of the insurance expired.
  - (iv) An inventory count shows Tk.4,000 of cleaning supplies on hand at July 31.

(v) Accrued but unpaid employee salaries were Tk.10,000.

(d) Considering the adjusted trial balance, prepare an income statement and an owner's equity statement for July and a balance sheet at July 31, 2020.

5. Mukta owns a small business that rents computers to students at the local university. Mukta's typical rental contract requires the students to pay the year's rent of Tk.900 (Tk.100 per month) in advance. When Mukta prepares financial statements at the end of December, her accountant requires that Mukta spreads Tk.900 over the nine months that a computer is rented. Therefore, Mukta can recognize only Tk.400 revenue (four months) from each computer rental contract in the year the cash is collected and must defer recognition of the remaining Tk.500 (five months) to next year. Mukta argues that getting students to agree to rent the computers is the most difficult part of the activity, so she ought to be able to recognize all Tk.900 as revenue when the cash is received from a student.

**Required:**

Why do you believe that generally accepted accounting principles require the use of accrual accounting rather than cash-basis accounting for transactions like the one described here?

6. Suppose, your company purchased a machine on November 5, 2015 at a cost of Tk. 935,000 and installed the same at a cost of Tk. 10,0000. Your company also paid the insurance in transit Tk. 50,000 and transportation charges Tk. 25,000. The salvage value of the machine at the end of its estimated life of 10 years is Tk. 20,000. You estimated that the machine would produce 50,00,000 units during its life. The actual units of production during 2015 and 2016 were 8,000 units and 5,00,000 units respectively. During its useful life the machine is expected to be used 5,00,000 hours and the actual annual for the year 2015 and 2016 were 10,000 hours and 60,000 hours respectively.

**Required:** Calculate the amount of depreciable cost and the amount of depreciation for 2015 and 2016 under each of the following methods:

- (a) Straight line
- (b) Units of production
- (c) Machine hour rate
- (d) Sum-of-the-years' digits
- (e) Double decline balance

**শুধু এব বিজ্ঞেয়**  
**Bangladesh Open University**  
**MBA Program**  
**Semester 191 (1<sup>st</sup> Level)**

Course: Financial Accounting

Due on: October 10, 2021

**(Assignment is to be presented in own handwriting on A4 size white pages and attach the pdf copy of the same with the LMS platform)**

1. Cite five examples of Bangladeshi organizations known to you where perpetual inventory system is being applied. Explain why this system is being popular day by day.
2. The trial balance of Khaled Ltd. at December 31, 2020, is as follows:

Trial Balance  
As of December 31, 2020

Account Titles	Debit	Credit
Merchandise Inventory, January 1	Tk.225,000	
Purchase	755,000	
Purchase Returns & Allowances		Tk.12,000
Purchase Discounts		20,000
Sales		1,260,000
Sales Returns & Allowances	70,000	
Sales Discounts	17,500	
Cash	31,000	
Office Supplies	4,000	
Accounts Receivable	40,000	
Notes Receivable	100,000	
Insurance	10,500	
Land	170,000	
Building	410,000	
Accumulated Depreciation–Building		80,000
Office Equipment	106,500	
Accumulated Depreciation–Office Equipment		26,500
Accounts Payable		95,000
Common Stock		806,000
Transportation-in	41,000	
Sales Salaries	138,000	
Advertising	30,500	
Transportation-out	39,000	
Office Salaries	111,500	
Dividends	50,000	
Taxes	75,000	

Postage & Telephone	25,000	
Retained Earnings		150,000
	<u>Tk. 2,449,500</u>	<u>Tk. 2,449,500</u>

The following information is available at December 31:

- i) Merchandise inventory Tk.225,000.
- ii) Office Supplies on hand Tk.1,000.
- iii) Prepaid insurance Tk.7,000.
- iv) Depreciate building @15% per annum and Office equipment @ 17.5% per annum.
- v) Outstanding sales salaries Tk.2,500 and office salaries Tk.2,000.

**Required:**

- (a) Prepare a classified income statement for year ended December 31, 2020. Of the insurance expense, postage & telephone expenses, and depreciation expenses on building, 75% is treated as selling expense and 25% is treated as administrative expenses.
  - (b) Prepare a classified balance sheet at December 31, 2020.
3. "There is no difference between physical flow and cost flow of inventory." Do you agree? Why?
  4. Dilshad Ltd. is a retailer operating in Chattogram, Bangladesh. Dilshad uses the perpetual inventory method. All sales returns from customers result in the goods being returned to inventory; the inventory is not damaged. Assume that there are no credit transactions; all amounts are settled in cash. You are provided with the following information for Dilshad Ltd. for the month of January 2021.

<u>Date</u>	<u>Description</u>	<u>Quantity</u>	<u>Unit Cost or Selling Price</u>
December 31	Ending inventory	150	TK.19
January 2	Purchase	100	21
January 6	Sale	150	40
January 9	Sale return	10	40
January 9	Purchase	75	24
January 10	Purchase return	15	24
January 10	Sale	50	45
January 23	Purchase	100	26
January 30	Sale	160	50

**Required:**

- (a) For each of the following cost flow assumptions, calculate (i) cost of goods sold, (ii) ending inventory, and (iii) gross profit.
  - (i) FIFO, (ii) LIFO, and (iii) Weighted-average cost.
  - (b) Compare results for the two cost flow assumptions.
5. What is goodwill and how is it treated in case of admission of a partner?
6. Pioneer Machinery Co. Ltd. had an authorized capital of Tk. 1,00,000 divided into 10,000 equity shares of Tk. 10 each. The company issued all the shares and the installments of payment for the shares were as follows: Tk. 2 on Application; Tk. 2 on Allotment; Tk. 3 on First call; and Tk. 3 on Final Call. All the shares were subscribed by the public.

**Required:**

Assuming all the moneys were duly received, show the journal entries and the ledger accounts in the books of the company relating to the above issue of shares. Also draw up the opening balance sheet of the Company.

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Semester: 191 (1<sup>st</sup> Level)

**Course: Business Communication**

**Due on: September 10, 2021**

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**Questions**

1. (a) “People need to leave their cultures and values at the door when they come to work and just do business.” Discuss the possible merits and flaws of this attitude.  
(b) “While business communication involves many different skills, from verbal and visual literacy to technological know-how, none are more important than problem solving skills and people skill.” Explain the statement and state why business communication is a form of problem solving.
2. (a) “Clear writing begins with adapting your message to your specific readers.” Explain the statement.  
(b) “Using short words make the writing sound too simple and not very professional.” Discuss.  
(c) “As the workforce has grown more diverse, it has become increasingly important to avoid discriminatory words.” Explain and give your suggestions for using non-discriminatory words in communication.
3. (a) What do you mean by ‘Status consciousnesses’ and ‘Semantic barriers’? How do they impede communication? Explain with suitable examples.  
(b) Discuss the communication problems faced by business organizations in Bangladesh. Give your suggestions to overcome those problems.

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**Bangladesh Open University**  
**MBA Program**  
**Semester: 191 (1<sup>st</sup> Level)**

**Course: Business Communication**

**Due on: October 10, 2021**

**(Assignment is to be presented in own handwriting on A4 size white pages)**

1. (a) While planning a business letter, what are the factors that you should take into consideration? Explain.  
(b) Write a letter to BRTC complaining about the receipt of goods in damaged conditions and claiming compensation.
  
2. (a) “In writing cover messages, just present the facts clearly and without analysis and interpretation. The fact alone will tell the employer whether he or she wants you.” Discuss the view point.  
(b) Write an application with a resume in response to the following advertisement:  
“Wanted some ‘Management Trainee’ for a business house in Dhaka. Candidate should preferably be an MBA with major in HRM. Apply stating the particulars and salary expected to the Manager HRM, ANZ Company Limited, 3/A, Motijheel C/A, Dhaka-1000 by October 15, 2021.
  
3. (a) Explain the difference between personal and impersonal writing. Which is “better”? Argue both sides.  
(b) As the Human Resource Manager of Khadim Apparels Ltd. write a report to the General Manager on a recent fire incident that took place at the Gazipur factory of your organization.

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Bangladesh Open University  
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Semester: 191 (1<sup>st</sup> Level)

Course Title: Fundamentals of Financial Management

Due on: September 10, 2021

Instructions

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Questions

1. The profit maximization is not an operationally feasible criterion.” Do you agree? Illustrate your views. Assuming wealth maximization to be the objective of financial management, show how the financing, investment and dividend decisions of a company can help to attain this objective.

2. **HSBC extends Factoring Service to SMEs**

HSBC today announced the launch of factoring services to SMEs, whose rise in the wake of strong export growth has expanded opportunities in the financial business stream. The service would be available at Dhaka, Chittagong, Rajshahi, Khulna, Barishal and Rangpur. HSBC, which had been providing the factoring services to large corporates since 2005, decided to focus on SMEs due to their large contribution to the economy as factoring would help small businesses achieve faster growth by efficiently managing their working capital. Announcing the launch of the service on Tuesday, Senior Vice-President and Head Factoring (Bangladesh), said that HSBC with a large SME customer base would not be looking at any particular sector of the business for its factoring service.

**Key Determinant**

He added that the key determinant would be the quality of the product or services that could fit within the manageable risk. Stating that the ITES sector would be a business prospect, He said that the bank would not be averse to IT product companies and would be factoring their transactions based on the parameters measurable risks.

**Useful to Export Trade**

Factoring is useful not only in export but also in export trade. It gains importance in today's international trade since international buyers are increasingly unwilling to enter into letter of credit-based transactions due to the additional monetary and administrative costs involved. The bank has already deployed 200 people to promote the product among SMEs and would add more manpower as the business expanded, he said.

**Task:**

- (a) Visit the branches of any two banks in your locality and find out from them about the various ways in which they provide finance to business enterprises.
  - (b) Find out about the types of securities the bank accepts for such finance.
3. A father is planning a savings program to put his daughter through university. His daughter is

now 18 years old. He plans to enroll at the university in 5 years. Currently, the cost per year for everything – food, clothing, tuition fees, books, conveyance and so forth is Tk. 15,000, but a 5 percent inflation rate in these costs is forecasted. The daughter recently received Tk. 7,500 from her grandfather’s estate; this money which is invested in a mutual fund paying 8 percent interest compounded annually, will be used to help meet the cost of the daughter’s education. The rest of the costs will be met by money the father will deposit in the savings account. He will 6 equal deposits to the account in each year from now until his daughter starts university. These deposits will begin today and will also earn 8 percent interest.

- a) What will be the present value of the cost of 5 years of education at the time the daughter becomes 24?
- b) What will be the value of Tk. 7,500 that the daughter received from her grandfather when she starts university at the age 24?
- c) If the father is planning to make the first 6 deposits today, how large must each deposit be for him to be able to put his daughter through university?

4. The following are the EPS for ABC Co. The Co.’s common stock, 7.8 million shares outstanding, is now (January, 2020) selling for Tk.65 per share and the expected dividend at the end of current year (2020) is 55% of 1999 EPS. Nine years growth rates are reflected in the data.

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EPS	3.90	4.21	4.55	4.91	5.31	5.73	6.19	6.68	7.22	7.80

The current interest rate on new debt is 9%. The corporation’s marginal tax rate is 40%. Its capital structure is considered to be optimal as follows:

	Taka
Debt	104,000,000
Common Equity	156,000,000
Total	<u>260,000,000</u>

**Calculate:**

- (a) After-tax cost of new debt
- (b) Cost of Equity
- (c) Weighted average cost of capita

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**Course Title: Fundamentals of Financial Management**

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**Questions**

1. An investor has analyzed a stock for a one-year holding period. There is a fifty-fifty chance that the stock, currently selling at Tk. 60, will sell for Tk. 55 or Tk. 70 by the year end. The investor can borrow on 40 percent margin from his bank at 10 per cent per annum.
  - (a) What is the investor's expected holding period yield and risk if he buys 100 shares and does not borrow?
  - (b) What would be his expected yield and risk if he buys 200 shares paying 60 per cent of the cost with borrowed funds?
2. A stock costing Tk. 120 pays no dividends. The possible prices that the stock might sell for at the end of the year with the respective probabilities as follows:

Price (Tk)	Probability
115	0.1
120	0.1
125	0.2
130	0.3
135	0.2
140	0.1

1. Calculate the expected rate of return
  2. Calculate the standard deviation
3. Rahim Afroz is a leading producer of automobile batteries. It turns out 1,500 batteries a day at a cost of Tk. 6 per battery for materials and labor. It takes the firm 22 days to convert raw materials into the battery. It allows its customers 40 days in which to pay for the batteries and the firm generally pays its suppliers in 30 days.
    - a) What is the length of cash conversion cycle?
    - b) If the firm always produces and sales 1,500 batteries a day, what amount of working capital must it finance?
    - c) By what amount would the firm reduce its working capital financing needs if it was able to stretch its payables deferral period to 35 days?
  - 4.. ABC Manufacturing Co. has a total capitalization of 1,00,00,000 and normally earns Tk. 10,00,000 (before interest and taxes). The financial manager of the firm wants to take a decision regarding the capital structure. After study of the capital market, he collected the following data:

Amount of debt (In Taka)	Interest Rate (%)	Equity capitalization Rate (At this level of financial risk) (%)
-	-	10.00
10,00,000	4.0	10.50
20,00,000	4.0	11.00
30,00,000	4.5	11.60
40,00,000	5.0	12.40
50,00,000	5.5	13.50
60,00,000	6.0	16.00
70,00,000	8.0	20.00

**Required:**

- a) What amount of debt should be employed, if the traditional approach is held valid?
  - b) If the MM approach is followed, what should be the equity capitalization rates? Assume that corporate taxes do not exist and the firm maintains its capital structure at book value.
5. Now Mr. ABC wants you to take a look at the company's inventory position because he thinks that inventories might be too high as a result of the manager's tendency to order in large quantities. Smith has decided to examine the situation for one key product – fly rods, which cost Tk.320 each to purchase and prepare for sale. Annual sales of the product are 2,500 units (rods), and the annual carrying cost is ten percent of inventory value. The company has been buying 500 rods per order and placing another order when the stock on hand falls to 100 rods. Each time SSP orders, it incurs a cost equal to Tk. 64 Sales are uniform throughout the year.
- a. Mr. ABC believes that the EOQ model should be used to help determine the optimal inventory situation for this product. What is the EOQ formula, and what are the key assumptions underlying this model?
  - b. What is the formula for total inventory costs?
  - c. What is the EOQ for the fly rods? What will be the total inventory costs for this product if the EOQ is produced?
  - d. What is SSP's added cost if it orders 500 rods rather than the EOQ quantity? What if it orders 750 rods each time?