

Bangladesh Open University
MBA Program
Semester: 181 (1st Level)

Course: Principles of Management

Due on: May 31, 2019

Instructions

- **Answer all the 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) What do you mean by management? Explain the features of management.
(b) Discuss different types of skills required by a manager. How do the required managerial skills differ in the organizational hierarchy? Explain with an example.
2. (a) Discuss the background and focus of scientific management? Explain the mental revolution as enunciated by F. W. Taylor.
(b) Describe the contributions of Elton Mayo and his associates in the Hawthorne Studies.
3. (a) Distinguish between policy and strategy. Give example of each.
(b) How are decisions made under conditions of uncertainty and risk? Explain.

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Bangladesh Open University
MBA Program
Semester: 181 (1st Level)

Course: Principles of Management

Due on: July 26, 2019

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

1. (a) Distinguish between delegation of authority and decentralization of authority.
(b) How can you ensure effective delegation of authority?
(c) Do you think a proper balance in decentralization can be made? Explain.
2. (a) What do you mean by Zero Base Budgeting? Discuss the merits and demerits of budgeting.
(b) How can control be made effective? Explain.
3. **Read the following case carefully and answer the questions that follow:**

Managing the Hewlett-Packard Way

William R. Hewlett and David Packard, two organizational leaders who demonstrated a unique managerial style, began their operation with \$538 in 1939, in a one-car garage. Eventually, they built a very successful company that now produces more than 10,000 products, such as computers, peripheral equipment, test and measuring instruments, and handheld calculators. Perhaps even better known than its products is the distinct managerial style preached and practiced at Hewlett-Packard (HP) way.

The values of the founders who withdrew from active management in 1978 – still permeate the organization. The HP way emphasizes honesty, a strong belief in the value of people, and customer satisfaction. The managerial style also emphasizes an open door policy, which promotes team effort. Informality in personal relationship is illustrated by the use of first names. By strolling through the organization, top managers keep in touch with what is really going on in the company.

This informal organizational climate does not mean that the organization structure has not changed. Indeed, the organizational changes in the 1980s in response to environmental changes were quite painful. However, these changes resulted in extraordinary company growth during the 1980s.

Questions:

- (a) Is the Hewlett-Packard way of managing creating a climate in which employees are motivated to contribute to the aims of the organization? What is unique about the HP way?
- (b) Would the HP managerial style work in any organization in Bangladesh? Why or why not? What are the conditions for such a style to work?

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Bangladesh Open University
MBA Program
Semester: 181 (1st Level)

Course: Principles of Marketing

Due on: May 31, 2019

Instructions

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Questions

1. (a) How Marketing is different from Market? Prove with example.
(b) “Marketing plays an important role in improving the quality of life”. Justify this statement focusing the basic marketing functions practically in Bangladesh.
(c) Suppose, you are the Marketing manager of “Akij food and beverage ltd” and assigned to one of its cold drinks brand “Mojo” for developing customer oriented promotion. Now, among the five (5) marketing management philosophies, which concept is mostly applicable for you and why?
2. (a) What do you mean by Business Portfolio and Strategic Business unit? How “Meghna group of industry” apply the BCG Growth-Share matrix with its diversified units of business? Analyze with a figure.
(b) Assume that, you are going to offer a new wrist watch brand in Bangladesh for young customers. Relating to this statement, explain how you will evaluate the factors influencing your brands marketing strategy and how you will develop marketing mix for this wrist watch brand brand?
3. (a) “Demographic and psychographic segmentation factors are the most popular bases for segmenting customers group”- Define the variables of these two segmentation bases regarding Unilever Bangladesh ltd’s three (3) shampoo brands; Tresseemme, Dove and Sunsilk.
(b) What are the requirements for effective segmentation?
(c) Discuss the merits and demerits of different market-coverage strategies.
4. (a) “A company can differentiate its offer from those of competitors on the basis of product, services, personnel, or image.” Suppose, you are going to launch an unique restaurant at Shahbagh Area Dhaka City, how will you attract your potential customers by differentiating this three (3) ways?
(b) What issues will you consider in selecting the right competitive advantage for your restaurant?

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Bangladesh Open University
MBA Program
Semester: 181 (1st Level)

Course: Principles of Marketing

Due on: July 26, 2019

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

1. (a) “Different people perceive the same situation differently”- Focusing this statement elaborate the three (3) perceptual processes of perception of Advertisement in Television.
- (b) Illustrates the types of consumer buying behavior on the basis of the degree of buyer involvement and the degree of differences among brands of- Laptop, Air Cooler, Salt and Noodles.
- (c) “Marketers must concentrate on the whole buying process rather than on just the purchase decision”- Explain the Buyer decision process for purchasing a cell phone.
2. (a) Illustrate the three (3) levels of product for Sony Bravia LED Television set.
- (b) How would you classify products? Discuss the marketing considerations for consumer products.
3. **Read the following case carefully and answer the questions that follow:**

Partex Group started its journey in 1959 with the torchbearer M.A Hashem, founder chairman of the group. M.A Hashem, the living legend steered the group with such incomparable dynamics and skills, that the group attained prolific growth over a period of 50 years conglomerating 60 companies; most of which are diverse manufacturing units.

The enormous growth and fulfillment of anticipated success caused eventually a natural exodus from patrimonial management system while using the Partex as a springboard that has been held in high respect both at home and abroad for last 50 years for our adherence to values, quality, products and business ethics.

With the passage of time and advent of business, the pioneering spirit of Partex has been showcased by family generation comprising Mr. Aziz Al-Kaiser, Mr. Aziz Al-Mahmood, Mr. Aziz Al-Masud, Mr. Showkat Aziz Russell & Mr. Rubel Aziz. Significantly enough, Partex Star Group an offshoot of Partex Group steering business successfully with Mrs. Sultana Hashem at Chairperson and Mr Aziz Al Kaiser as Vice Chairman. .

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Partex Group, steered by Mr Showkat Aziz Russell at the helm, operating in business sectors like communications and information technology, energy, materials, services and consumer products. The major Partex Group manufacturing units are Partex Denim, Amber Cotton Mills Limited, Partex Board Mills Limited, Partex Sugar Mills Limited, Partex Rotor Spinning Mills Limited, Partex Energy Limited and service providing companies are Partex Holdings Ltd, Dhakacom Ltd.

The group has created by and large an employment opportunity of over 25,000 employees as collective work force. Partex's companies are market leaders in nearly all sectors, including food and beverages, plastics, fabrics, cotton, sugar, paper, jute, shipping, furniture, real estate, media, education, services, IT, and many more.

Questions:

- (a) Describe the decision- making process followed by Partex Group in increasing the length of its product line.
- (b) Define the Marketing concept of Marketing Management philosophy regarding various brand development of Partex group.
- (c) Describe the Marketing mix functions for Partex group.
- (d) As a consumer, do you want to purchase food products from Partex or Square company? How do you evaluate Partex as a brand?

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Bangladesh Open University
MBA Program
Semester: 181 (1st Level)

Course: Financial Accounting

Due on: May 31, 2019

Instructions

- **Answer all the questions in your own handwriting on A4 size white paper.**
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Questions:

1. (a) Describe the conceptual framework. Elaborate each item of the third level or operational guidelines of conceptual framework.
 (b) Who are users of accounting data? How does accounting provide relevant data to these users?
 (c) Explain the career opportunities in accounting.
2. (a) What is the basic accounting equation? Define the terms assets, liabilities, and owner's equity.
 (b) What is IFRS? What is IASB? How many IFRSs and IASs have? Mention their names.
 (c) What is meant by Ledger? Why Trial Balance is prepared? What are limitations of Trial Balance?
3. The following business transactions were completed by Sonali Theatre Corporation during June, 2000:

2000

June

1. Received and deposited in a bank account Tk.50,000 cash for capital stock
2. Purchased the Twin Theatre for Tk.100,000, allocated as follows: land, Tk.30,000; buildings, Tk.37,500; equipment, Tk.32,500. Paid Tk.40,000 in cash and gave a mortgage note for the remainder.
3. Paid premiums for property and casualty insurance policies Tk.3,000
4. Purchased supplies Tk.850, and equipment Tk.2,450, on account
6. Paid for June billboard and newspaper advertising Tk.1000
9. Cash received from admissions for the week, Tk.30,400
11. Paid miscellaneous expenses, Tk.2,200
15. Paid semi-monthly wages Tk.22,400
16. Cash received from admissions for the week Tk.33,000
18. Paid miscellaneous expenses Tk.1,750
21. Returned portion of supplies purchased on June 4 to the supplier, receiving full credit for the cost Tk.410
22. Paid cash to creditors on account Tk.2,090
23. Cash received from admissions for the week Tk.24,150
24. Purchased supplies for cash, Tk.1,700
26. Paid for advertising leaflets for June Tk.1,500
29. Recorded invoice of Tk. 45,000 for rental of film for June. Payments is due on

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July 10

- 30. Paid electricity and water bills, Tk. 6,000
- 30. Paid semimonthly wages Tk. 22,450
- 30. Cash received from admissions for remainder of the month Tk. 33,700.

Required:

- (a) Record the transactions in a journal
 - (b) Post the journal to the ledger, extending the month-end balances to the appropriate balance columns after all posting is completed
 - (c) Prepare a trial balance as of June 30.
4. The accounts listed below appeared in the December 31 trial balance of the MM Express.

| | Debit | Credit |
|------------------------------------|-------------|------------|
| Equipment | Tk. 192,000 | |
| Accumulated Depreciation—Equipment | | Tk. 60,000 |
| Notes Payable | | 90,000 |
| Admissions Revenue | | 380,000 |
| Advertising Expense | 13,680 | |
| Salaries and Wages Expense | 57,600 | |
| Interest Expense | 1,400 | |

Requirements:

- (a) From the account balances listed above and the information given below, prepare the annual adjusting entries necessary on December 31.
 - (1) The equipment has an estimated life of 16 years and a salvage value of Tk. 24,000 at the end of that time. (Use straight-line method.)
 - (2) The note payable is a 90-day note given to the bank October 20 and bearing interest at 8%. (Use 360 days for denominator.)
 - (3) In December, 2,000 coupon admission books were sold at Tk. 30 each. They could be used for admission any time after January 1.
 - (4) Advertising expense paid in advance and included in Advertising Expense Tk. 1,100.
 - (5) Salaries and wages accrued but unpaid Tk. 4,700.
- (b) What amounts should be shown for each of the following on the income statement for the year?
 - (1) Interest expense. (3) Advertising expense.
 - (2) Admissions revenue. (4) Salaries and wages expense.

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Bangladesh Open University
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Semester: 181 (1st Level)

Course: Financial Accounting

Due on: July 26, 2019

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

1. The trial balance of Ali Traders Ltd. at December 31, is as follows:

Ali Traders Ltd
Trial Balance
As on December 31, 2015

| | | |
|---|-------------------------|-------------------------|
| Merchandise Inventory, January 1 | 225,000 | |
| Purchase | 755,000 | |
| Purchase Returns & Allowances | | 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>2,449,500</u> | <u>2,449,500</u> |

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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. 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.
2. b) Prepare a classified balance sheet at December 31.

The July 1999 inventory records of Sun-Moon Ltd. showed the following:

| | |
|-----------------------------|-----------------------|
| July 1, Beginning inventory | 56,000 units @ Tk. 40 |
| 5, Sales | 15,000 units |
| 14, Purchases | 6,000 units @ Tk. 50 |
| 18, Sales | 18,000 units |
| 25, Purchases | 32,000 units @ Tk. 48 |
| 30, Sales | 25,000 units |

- a) Using the perpetual inventory method, compute the ending inventory and cost of goods sold balances with (i) FIFO, (ii) LIFO and (iii) moving average
3. b) Which of the above three alternatives is best? Why?

Case:

Whitegloves Janitorial Service was started 2 years ago by Nancy Kohl. Because business has been exceptionally good, Nancy decided on July 1, 2012, to expand operations by acquiring an additional truck and hiring two more assistants. To finance the expansion, Nancy obtained on July 1, 2012, a Tk.25,000,

10% bank loan, payable Tk.10,000 on July 1, 2013, and the balance on July 1, 2014. The terms of the loan require the borrower to have Tk.10,000 more current assets than current liabilities at December 31, 2012. If these terms are not met, the bank loan will be refinanced at 15% interest. At December 31, 2012, the accountant for Whitegloves Janitorial Service Inc. prepared the balance sheet shown below.

Nancy presented the balance sheet to the bank's loan officer on January 2, 2013, confident that the company had met the terms of the loan. The loan officer was not impressed. She said, "We need financial statements audited by a CPA." A CPA was hired and immediately realized that the balance sheet had been prepared from a trial balance and not from an adjusted trial balance. The adjustment data at the balance sheet date consisted of the following.

- (1) Earned but unbilled janitorial services were Tk.3,700.
- (2) Janitorial supplies on hand were Tk.2,500.
- (3) Prepaid insurance was a 3-year policy dated January 1, 2012.
- (4) December expenses incurred but unpaid at December 31, Tk.500.
- (5) Interest on the bank loan was not recorded.
- (6) The amounts for property, plant, and equipment presented in the balance sheet were reported net of accumulated depreciation (cost less accumulated depreciation). These amounts were Tk.4,000 for cleaning equipment and Tk.5,000 for delivery trucks as of January 1, 2012. Depreciation for 2012 was Tk.2,000 for cleaning equipment and Tk.5,000 for delivery trucks.

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WHITEGLOVES JANITORIAL SERVICE

Balance Sheet
December 31, 2012

Assets

Current assets

| | |
|----------------------|---------------|
| Cash | Tk. 6,500 |
| Accounts receivable | 9,000 |
| Janitorial supplies | 5,200 |
| Prepaid insurance | <u>4,800</u> |
| Total current assets | <u>25,500</u> |

Property, plant, and equipment

| | |
|--------------------------------------|--------------------------|
| Cleaning equipment (net) | 22,000 |
| Delivery trucks (net) | <u>34,000</u> |
| Total property, plant, and equipment | <u>56,000</u> |
| Total assets | <u>Tk. 81,500</u> |

Liabilities and Owner's Equity

Current liabilities

| | |
|---------------------------|--------------|
| Notes payable | Tk. 10,000 |
| Accounts payable | <u>2,500</u> |
| Total current liabilities | 12,500 |

Long-term liability

| | |
|-------------------|---------------|
| Notes payable | <u>15,000</u> |
| Total liabilities | 27,500 |

Owner's equity

| | |
|--------------------------------------|--------------------------|
| Owner's capital | <u>54,000</u> |
| Total liabilities and owner's equity | <u>Tk. 81,500</u> |

Required:

- (a) Prepare a correct balance sheet.
4. (b) Were the terms of the bank loan met? Explain.

Pace Distributing Company completed the following merchandising transactions in the month of April. At the beginning of April, the ledger of Pace showed Cash of \$9,000 and Owner's Capital of \$9,000.

- Apr. 2 Purchased merchandise on account from Monaghan Supply Co. \$6,900, terms 1/10, n/30.
4 Sold merchandise on account \$6,500, FOB destination, terms 1/10, n/30. The cost of the merchandise sold was \$3,900.
5 Paid \$240 freight on April 4 sale.
6 Received credit from Monaghan Supply Co. for merchandise returned \$500.
11 Paid Monaghan Supply Co. in full, less discount.
13 Received collections in full, less discounts, from customers billed on April 4.
14 Purchased merchandise for cash \$3,800.
16 Received refund from supplier for returned goods on cash purchase of April 14, \$500.
18 Purchased merchandise from Dominic Distributors \$4,500, FOB shipping point, terms 2/10, n/30.
20 Paid freight on April 18 purchase \$100.
23 Sold merchandise for cash \$7,400. The merchandise sold had a cost of \$4,120.
26 Purchased merchandise for cash \$2,300.
27 Paid Dominic Distributors in full, less discount.
29 Made refunds to cash customers for defective merchandise \$90. The returned merchandise had a fair value of \$30.
30 Sold merchandise on account \$3,700, terms n/30. The cost of the merchandise sold was \$2,800.

Pace Distributing Company's chart of accounts includes the following: No. 101 Cash, No. 112 Accounts Receivable, No. 120 Inventory, No. 201 Accounts Payable, No. 301 Owner's Capital, No. 401 Sales Revenue, No. 412 Sales Returns and Allowances, No. 414 Sales Discounts, No. 505 Cost of Goods Sold, and No. 644 Freight-out.

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Required:

- (a) Journalize the transactions using a perpetual inventory system.
- (b) Enter the beginning cash and capital balances, and post the transactions.
- (c) Prepare the income statement through gross profit for the month of April 2012.

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Bangladesh Open University

MBA Program

Semester: 181 (1st Level)

Course: Business Communication

Due on: May 31, 2019

Instructions

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Questions

1. (a) 'Communication means sharing or exchanging information, news, ideas etc.'- Explain the statement with an example.
- (b) Discuss the importance of business communication.
- (c) Mention the seven principles of business communication.
- (d) If the sender's message does not reach the receiver as it is meant to, then there must be some barrier or hindrance. Identify the barriers and discuss how to avoid these barriers.

2. (a) In context of business communication, write three suggestions for selecting right words with relevant examples.
- (b) Effective business writing creates the right effect by achieving message goals. How the right effect can be created? Demonstrate with examples.
- (c) 'As technical language typically consists of acronyms and hard words, it contributes to miscommunication. Thus it should be avoided in all business communication.'- Do you agree with the statement? Explain with logics.

3. (a) Shortly mention the major objectives of communication.
- (b) Explain how communication can be used to persuade consumers and employees.
- (c) In which situation the direct and indirect approaches are appropriate for delivering messages? Discuss with examples.

4. (a) Mention the advantages and disadvantages of Verbal communication.
- (b) Give examples of the situation when formal and informal communication occurred in an organization. Characterize these situations.

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Bangladesh Open University
MBA Program
Semester: 181 (1st Level)

Course: Business Communication

Due on: July 31, 2019

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

1. (a) How one person can be a good speaker? Demonstrate the basic rules.
 (b) Discuss the planning, structure and layout of a business letter with an example.
2. **Read the following case and answer the questions that are provided at the end.**

Nando's

Nando's is an international casual dining restaurant chain originating in South Africa. It currently serves over 1,000 outlets. Its headquarters are in the United Kingdom, and it operates in over 30 countries. It specializes in Portuguese style chicken dishes with various peri-peri marinades. It started operations in Bangladesh in 2007 with its first restaurant in Dhanmondi and has been a crowd favorite ever since.

Each one of the branches of this restaurants has its own unique design, but they all have the earthy textures and colours that remind the sunny Afro-Portuguese roots and feature original, local South African art and unique design touches that make it the perfect place to sit down and enjoy the best food you've ever tasted.

The customer service manager of Nando's believes that 'what the consumers see is almost as important as the food they get'. Currently, the manager is working on to improve the physical appearance of their operations at outlets as he has been greatly disturbed about the messy conditions of the outlet she has visited recently. The manager appointed you as a management trainee to pinpoint the problem at the outlet. So He has asked you to visit the outlet as a customer and visually inspect the place (tidiness of the eating area, the restrooms, the area outside etc).



Questions:

- (a) Shortly discuss the importance of business reports.
- (b) Outline and demonstrate how do you construct the report based on the Nando's current situation?
- (c) Develop the report summarizing the findings and send it by email to the customer service manager. Prepare a sample report and e-mail format.

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Bangladesh Open University
MBA Program
Semester: 181 (1st Level)

Course Title: Fundamentals of Financial Management

Due on: May 31, 2019

Instructions

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Questions

1. (a) “Finance stands on four basic principles”-Explain.
 (b) “The objective of a company must be to create value for its shareholders” – Explain the statement logically
 (c) Cooley Industries needs an additional Tk.500, 000, which it plans to obtain through a factoring arrangement. The factor would purchase Cooley’s accounts receivable and advance the invoice amount, minus a two percent commission on the invoices purchased each month. Cooley sells on terms of net 30 days. In addition, the factor charges a 12 percent annual interest rate on the total invoice amount, to be deducted in advance.
 - i. What amount of accounts receivable must be factored to net Tk.50, 000?
 - ii. If Cooley can reduce credit expenses by Tk.3, 500 per month and avoid bad debt losses of 2.5 percent on the factored amount, what is the total dollar cost of the factoring arrangement?
 - iii. What would be the total cost of the factoring arrangement if Cooley’s funding needs rose to Tk.750, 000? Would the factoring arrangement be profitable under these circumstances?
2. (a) What are the techniques of time value of money? Explain with suitable examples.
 (b) You Plan to retire in exactly 20 years. Your goal is to create a fund that will allow you to receive TK.20, 000 at the end of each year for the 30 years between retirement and death (a psychic told you would die exactly 30 years after you retire). You know that you will be able to earn 11 percent per year during the 30-year, retirement period.
 - i. How large a fund will you need when you retire in 20 years to provide the 30-year, Tk. 20,000 retirement annuity?
 - ii. How much will you need today as a single amount to provide the fund calculated in part (i) if you earn only 9 percent per year during the 20 years preceding retirement?

- iii. What effect would an increase in the rate you can earn both during and prior to retirement have on the values found in parts (i) and (ii)? Explain.
- (c) Upon completion of her introductory finance course, Mala was so pleased with the amount of useful and interesting knowledge she gained that she convinced her parents, who were wealthy alumni of the university she was attending, to create an endowment. The endowment is to allow three needy students to take the introductory finance course each year in perpetuity. The guaranteed annual cost of tuition and books for the course is Tk. 600 per student. The endowment will be created by making a single payment to the university. The University expects to earn exactly 6 percent per year on these funds.
- i. How large an initial single payment must Mala's parents make to the university to fund the endowment?
 - ii. What amount would be needed to fund the endowment if the university could earn 9 percent rather than 6 percent per year on the funds?

Bangladesh Open University
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Due on: July 26, 2019

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

Questions

1. (a) Describe the various factors which affect the working capital requirement of a manufacturing firm. “Length of operating cycle is the main determinant of working capital needs of a firm”. Explain
- (b) Ravi currently has Tk. 100 that he can spend today on polo shirts costing Tk. 25 each, Alternatively, he could invest the Tk.100 in a risk free Treasury security that is expected to earn a 9 percent nominal rate of interest. The consensus forecast of leading economists is a 5 percent rate of inflation over the coming year.
 - i. How many polo shirts can Ravi purchase today?
 - ii. How much money will Ravi have at the end of 1 year if he forgoes purchasing the polo shirts today?
 - iii. How much would you expect the polo shirts to cost at the end of 1 year in light of the expected inflation?
 - iv. Use your findings in parts (ii) and (iii) to determine how many polo shirts (fraction are okay) Ravi can purchase at the end of 1 year. In percentage terms, how many more or fewer polo shirts can Ravi buy at the end of 1 year?
 - v. What is Ravi’s real rate of return over the year? How is it related to the percentage change in Ravi’s buying power found in part (iv) ? Explain.
- (c) REH Corporation’s most recent dividend was Tk. 3 per share, its expected annual rate of dividend growth is 5 percent, and the required return is now 15 percent. A variety of proposals are being considered by management to redirect the firm’s activities. Determine the impact on share price for each of the following proposed actions, and indicate the best alternative.
 - i. Do nothing, which will leave the key financial variables unchanged.
 - ii. Invest in a new machine that will increase dividend growth rate to 6 percent and lower the required return to 14 percent.
 - iii. Eliminate and unprofitable product line, which will increase the dividend growth rate to 7 percent and raise the required return to 17 percent.
 - iv. Merge with another firm, which will reduce the growth rate to 4 percent and

- raise the required return to 16 percent.
- v. Acquire a subsidiary operation from another manufacturer. The acquisition should increase the dividend growth rate to 8 percent and increase the required return to 17 percent.

2. **Case Study**

The financial statements of XYZ for the year ended December 31, 2012, as follows.

XYZ Co.
Income Statement
For the Year Ended December 31, 2018

| | |
|-------------------------------------|------------------------|
| Sales revenue | Tk.160,000 |
| Less: Cost of goods sold | <u>106,000</u> |
| Gross profits | Tk.54,000 |
| Less: Operating expenses | |
| Selling expense | Tk.16,000 |
| General and administrative expenses | <u>10,000</u> |
| Lease expense | 1,000 |
| Depreciation expense | 10,000 |
| Total operating expense | <u>T.k.37,000</u> |
| Operating profits | Tk.17,000 |
| Less: Interest expense | <u>6,100</u> |
| Net profits before taxes | Tk.10,900 |
| Less: Taxes | <u>4,360</u> |
| Net profits after taxes | <u><u>Tk.6,540</u></u> |

Balance Sheet
December 31, 2018

Assets

| | |
|--------------------------------|--------------------------|
| Cash | Tk. 500 |
| Marketable securities | 1,000 |
| Accounts receivable | 25,000 |
| Inventories | 45,500 |
| Total current assets | <u>Tk. 72,000</u> |
| Land | <u>Tk. 26,000</u> |
| Buildings and equipment | 90,000 |
| Less: Accumulated depreciation | <u>38,000</u> |
| Net fixed assets | <u>Tk. 78,000</u> |
| Total assets | <u><u>Tk.150,000</u></u> |

Liabilities and Stockholders' Equity

| | |
|--|-------------------|
| Accounts payable | Tk. 22,000 |
| Notes payable | <u>47,000</u> |
| Total current liabilities | Tk. 69,000 |
| Long-term debt | 22,950 |
| Common stock | 31,500 |
| Retained earnings | <u>26,550</u> |
| Total liabilities and stockholders' equity | <u>Tk.150,000</u> |

The firm's 3,000 outstanding shares of common stock closed 2012 at a price of \$25 per share.

Use the preceding financial statements to complete the following table. Assume the industry averages given in the table are applicable for both 2011 and 2012

| Ratio | Industry average | Actual 2017 |
|-----------------------------|-------------------------|--------------------|
| Current ratio | 1.80 | 1.84 |
| Quick ratio | 0.70 | 0.78 |
| Inventory turnover | 2.50 | 2.59 |
| Average collection period | 37.5 days | 36.5 days |
| Debt ratio | 65% | 67% |
| Times interest earned ratio | 3.8 | 4.0 |
| Gross profit margin | 38% | 40% |
| Net profit margin | 3.5% | 3.6% |
| Return on total assets | 4.0% | 4.0% |
| Return on common equity | 9.5% | 8.0% |
| Market/book ratio | 1.1 | 1.2 |

Based on a 365-day year and on end-of-year figures. Analyze XYZ Co. Financial condition as it is related to (1) liquidity (2) activity, (3) debt, (4) profitability, and (5) market. Summarize the company's overall financial condition.