



**COLLEGE OF BANKING AND FINANCIAL STUDIES
DEPARTMENT OF PROFESSIONAL STUDIES**

Assignment front sheet - 1

Qualification		Unit number and title	
Pearson BTEC Level 5 HND Diploma in Business		Unit - Financial Management (MLN)	
Semester		Batch	
III		Fall 2016 – 17	
Student name :		Assessor name : Dr. Salman / Mr Ali	
Student No.		IV : Ms. Sujata Suresh	
Date issued	Completion date	Submitted on	
9 th October 2016	23 rd November 2016		

Assignment title	Understand financial theory and be able to select the best source of finance for a business enterprise
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Learning Outcome	Learning Outcome	Assessment Criteria	In this assessment you will have the opportunity to present evidence that shows you are able to:	Task no.	Evidence (Page no)
LO 1	Understand finance theory as it applies to corporate financial decisions	1.1 (M1, D2)	Compare and contrast wealth maximization and profit maximization	1	
		1.2 (M2, D3)	Discuss the implications of the separation of ownership and control.	2	
		1.3 (M3, D1)	Explain factors that affect financial planning	3	
LO 4	Understand the financial management environment and be able to select the best source of finance for a business enterprise	4.1 (M2, D2)	Explain the role and functions of various types of banks.	4	
		4.2 (M2, D2)	Describe factors to be considered in deciding a suitable finance mix for an organization.	5	
		4.3 (M2, D3)	Describe the importance of internally generated funds.	6	
		4.4 (M2, D3)	Describe the financing problems of Small and Medium Enterprises.	7	
		4.5 (M1, D2)	Describe the features of venture capital.	8	

Learner Declaration	
I certify that the work submitted for this assignment is my own and research sources are fully acknowledged.	
Student signature : _____	Date: _____

In addition to the above PASS criteria, this assignment gives you the opportunity to submit evidence in order to achieve the following MERIT and DISTINCTION grades

Grade Descriptor	Indicative characteristic/s	Contextualisation
M1 Identify and apply strategies to find appropriate solutions	Effective judgements have been made.	LO 1.1, To achieve a M1 , give your effective judgements advocating the profit versus wealth maximization approach of the discussed firm. LO 4.5, To achieve a M1 , give your effective judgements advocating the suitability of venture capital of the discussed firm.
M2 Select / design and apply appropriate methods / techniques	A range of methods and techniques have been applied A range of sources of information has been used	LO 1.2, To achieve a M2 , use a range of sources of information to answer the question. LO 4.1, To achieve a M2 , use a range of methods and techniques to highlight the roles and functions of banks in Oman. LO 4.2, To achieve a M2 , use a range of sources of information to explain the combination of finance mix. LO 4.3, To achieve a M2 , use a range of sources of information to answer the question with proper referencing. LO 4.4, To achieve a M2 , use a range of sources of information to answer the question with proper referencing.
M3 Present and communicate appropriate findings	The appropriate structure and approach has been used	LO 1.3, To achieve a M3 , use appropriate structure and approach to answer the question.
D1 Use critical reflection to evaluate own work and justify valid conclusions	Realistic improvements have been proposed against defined characteristics for success	LO 1.3, To achieve a D1 , propose realistic improvements against the defined characteristics for success of the firm.
D2 Take responsibility for managing and organising activities	Autonomy/independence has been demonstrated	LO 1.1, To achieve a D2 , demonstrate autonomy while evaluating the scenario. LO 4.1, To achieve a D2 , demonstrate autonomy while critically discussing the roles and functions of various types of banks in Oman. LO 4.2, To achieve a D2 , demonstrate autonomy while critically evaluating combination of finance mix. LO 4.5, To achieve a D2 , demonstrate autonomy while evaluating the scenario.
D3 Demonstrate convergent /lateral / creative thinking	Innovation and creative thought have been applied A range of sources of information has been used	LO 1.2, To achieve a D3 , while answering the question, innovation and creative thought should have been applied with proper in text referencing. LO 4.3, To achieve a D3 , reflections of innovation and creative thoughts should be made. LO 4.4, To achieve a D3 , while discussing the problems of SMEs, innovation and creative thought have been applied in the answer.

Assignment Brief

Purpose of this assignment

In a competitive environment, with capital being a constrained resource the Finance Manager's role in managing the resources becomes imperative. The Finance Manager's role is to make appropriate decisions to increase the wealth of the shareholders. During the process of decision making, he ensures to handle the agency problem adequately and do consider the prime and allied factors that affect the financial plans for a corporation.

In this role he also needs to understand the types of banks from where he can access short and long term capital. While accessing the financial markets for various sources of capital, he has to determine the suitable mix of finance, the possibility of ploughing back of profits and the suitability of venture capital funding for his enterprise.

Case Scenario

Rashid and Khalid both work for XYZ Inc. (a Small and Medium Sized Enterprise). Rashid works as a clerical assistant in the Accounting Department, and Khalid works as a packager in the Shipping Department. During their lunch break one day, they began talking about the developments in their company. Khalid complained that he had always worked hard trying not to waste packing materials, efficiently and cost-effectively performing his job. In spite of his efforts and those of his co-workers in the department, the firm's stock price has declined nearly OMR 1 per share over the past 10 months. Rashid indicated that he shared Khalid's frustration, particularly because the firm's profits had been rising. Neither could he understand why the firm's stock price was falling as profits rose. Rashid indicated that he had seen documents describing the firm's profit sharing plan under which all managers were partially compensated on the basis of the firm's profits. He suggested that maybe it was profit that was important to management, because it directly affected their pay. Khalid said, "That doesn't make sense, because the stockholders own the firm. Shouldn't management do what's best for stockholders? Something's wrong!" Rashid responded, "Well, maybe that explains why the company wasn't concerned with the stock price. Look, the only profits that stockholders receive are in the form of cash dividends, and this firm has miserly paid dividends during its 2-year history. We as stockholders therefore don't directly benefit from profits. The only way we benefit is for the stock price to rise." Khalid said, "That probably explains why the firm is being sued by state and federal environmental officials for dumping pollutants in the sea. Why spend money for pollution control? It increases costs, lowers profits, and therefore lowers management's earnings!"

It was also identified that the firm has taken bank loan from two different banks, one an investment bank and another a retail bank. The loan instalments have been piled up since 6 months and further non-payment of the loan instalment could adversely affect the company's reputation. The present debt equity ratio is 4 : 1 (ie debt is four times to equity). The firm's management is also considering venture capital to improve its present capital structure and payoff the existing bank loans.

LO 1 : Understand finance theory as it applies to corporate financial decisions

Task 1

LO1 - Assessment Criteria 1.1: (P, M1, D2)

Compare and contrast wealth maximization and profit maximization

To achieve **pass**, you have to compare and contrast the wealth maximization and profit maximization approaches of the discussed firm.

To achieve a **M1**, give your effective judgements advocating the profit versus wealth maximization approach of the discussed firm.

To achieve a **D2**, demonstrate autonomy while evaluating the scenario.

Task 2

LO1 - Assessment Criteria 1.2: (P, M2, D3)

Discuss the implications of the separation of ownership and control.

To achieve **pass**, discuss the implications (advantages and limitations) of the separation of ownership and control for XYZ Inc .

To achieve a **M2**, use a range of sources of information to answer the question.

To achieve a **D3**, while answering the question, innovation and creative thought should have been applied with proper in text referencing.

Task 3

LO1 - Assessment Criteria 1.3: (P, M3, D1)

Explain factors that affect financial planning

To achieve **pass**, explain factors that affect financial planning of XYZ Inc from the scenario.

To achieve a **M3**, use appropriate structure and approach to answer the question.

To achieve a **D1**, propose realistic improvements against the defined characteristics for success of the firm.

Task 4

LO4 - Assessment Criteria 4.1: (P, M2, D2)

Explain the role and functions of various types of banks.

To achieve a **pass**, explain the role and functions of banks in Oman.

To achieve a **M2**, use a range of methods and techniques to highlight the roles and functions of banks in Oman.

To achieve a **D2**, demonstrate autonomy while critically discussing the roles and functions of various types of banks in Oman.

Task 5

LO4 - Assessment Criteria 4.2: (P, M2, D2)

Describe factors to be considered in deciding a suitable finance mix for an organization.

To achieve a **pass**, describe factors to be considered in deciding a suitable finance mix for the chosen organization.

To achieve a **M2**, use a range of sources of information to explain the combination of finance mix.

To achieve a **D2**, demonstrate autonomy while critically evaluating combination of finance mix.

Task 6

LO4 - Assessment Criteria 4.3: (P, M2, D3)

Describe the importance of internally generated funds.

To achieve **pass**, describe the importance of internally generated funds of XYZ Inc from the scenario.

To achieve a **M2**, use a range of sources of information to answer the question with proper referencing.

To achieve a **D3**, reflections of innovation and creative thoughts should be made.

Task 7

LO4 - Assessment Criteria 4.4: (P, M2, D3)

Describe the financing problems of Small and Medium Enterprises.

To achieve **pass**, describe the financing problems of Small and Medium Enterprises like XYZ Inc as discussed in the scenario.

To achieve a **M2**, use a range of sources of information to answer the question with proper referencing.

To achieve a **D3**, while discussing the problems of SMEs, innovation and creative thought have been applied in the answer.

Task 8

LO4 - Assessment Criteria 4.5: (P, M1, D2)

Describe the features of venture capital.

To achieve **pass**, describe the features of venture capital.

To achieve a **M1**, give your effective judgements advocating the suitability of venture capital of the discussed firm.

To achieve a **D2**, demonstrate autonomy while evaluating the scenario.

Guidance notes:

1. Use standard document formats and structures.
2. Word process the documents.
3. Use 12 point Arial or Times New Roman script.
4. Provide a list of references and use the Harvard referencing system.
5. Complete the title page and sign the statement of authenticity.
6. Upload the entire assignment in MS word format only on Turnitin.
7. Staple only once to keep the pages of your work together.
8. Late submission, late work will only be marked on the next occasion the unit is taught.
9. Submit the work along with the Turnitin report to the respective assessors in their offices.
10. Collect the assignment submission form duly signed by the assessor and the learner.
11. Grades are subject to External Verification.

Word Limit : 4500 words

Achievement Summary

Qualification	Pearson BTEC Level 5 HND Diploma in Business	Assessor name	Dr. Salman / Mr Ali
Unit Number and title	Financial Management	IV name	Ms Sujata Suresh
Student Number		Student name	

Criteria Reference	To achieve the criteria the evidence must show that the student is able to:	Achieved? (tick)
LO1		
1.1	Compare and contrast wealth maximization and profit maximization	
1.2	Discuss the implications of the separation of ownership and control.	
1.3	Explain factors that affect financial planning	
4.1	Explain the role and functions of various types of banks.	
4.2	Describe factors to be considered in deciding a suitable finance mix for an organization.	
4.3	Describe the importance of internally generated funds.	
4.4	Describe the financing problems of Small and Medium Enterprises.	
4.5	Describe the features of venture capital.	

Higher Grade achievements (where applicable)

Grade descriptor	Achieved? (tick)	Grade descriptor	Achieved? (tick)
M1: Identify and apply strategies to find appropriate solutions		D1: Use critical reflection to evaluate own work and justify valid conclusions	
M2: Select/design and apply appropriate methods/techniques		D2: Take responsibility for managing and organising activities	
M3: Present and communicate appropriate findings		D3: Demonstrate convergent/lateral /creative thinking	

Assignment Feedback

Formative Feedback: Assessor to Student

Action Plan

Summative feedback

Feedback: Student to Assessor

Assessor Signature		Date	
IV Signature		Date	
Student Signature		Date	