



INDIAN INSTITUTE OF MATERIALS MANAGEMENT  
Post Graduate Diploma in Logistics Management

Dec 2014

Paper 1  
Management Principles and Business Finance

Date: 13.12..2014  
Time: 10.00 AM to 1.00 PM

Max Marks: 100  
Duration: 3 Hours

**Instructions:**

- 1) Part A1 and A2 are compulsory
- 2) Part B: Answer any three questions with a maximum of two from part B1 or B2
- 3) Part C Compulsory

Total Marks=32  
Total Marks=48  
Total Marks=20

**PART A1 (Management Principles) (16 x1= 16 Marks)**

**Q.1. State True or False**

**8 marks**

1. A wide span of management results in few organizational levels.
- 2 The concept of Ombudsman has its origin in Sweden.
3. In their decision making, managers need not necessarily consider the external environment.
4. Creativity is the ability and power to develop new ideas.
- 5.The blue ocean strategy focuses on the market with no severe competition.
6. According to Peter Principle, managers tend to be promoted to the level of their competence.
- 7 There is a general agreement that a formal comprehensive appraisal should be conducted at least once a year.
- 8 .Teleconferencing is still a good substitute for face to face meetings.

**Q.2. Match A & B from the following-**

**8 marks**

A	B
1.Aziz Premji	a.Haier Group
2.Grapevine	b.Modern Management
3.Kim Woo Choong	c. Positive Reinforcement
4. Max Webber	d. Management thought
5.Peter Drukker	e.Wipro
6.B.F.Skinner	f. Informal Organisation
7.Henry Fayol	g.Daewoo
8.Zang Rheumer	h. Theory of bureaucracy

**Part A2-Finance** ( 16 x1= 16 marks)

**Q.3. State true or false .**

**8 marks**

1. Liquidity refers to ability of the firm to meet its obligations in the short term usually one year.
2. While an organisation must recover all its costs in the long run to be viable, fixed costs may not be relevant for the short term decisions.
3. The Balance sheet shows the financial condition of a business for the given period.
4. In the arrangement known as the T-account format, the left side is the credit side and the right side is the debit side.
5. A budget is a qualitative expression of plans.
6. In a stock split, the par value per share is reduced and the number of shares also is reduced.
7. SEBI is a regulatory arm of the Government of India.
8. While MEA is a stock measure, EVA is a flow measure.

**Q.4. Match Statement A & B from the following-**

**8 marks**

<b>Statement A</b>	<b>Statement B</b>
1. Corporate Governance.	a. Cost management
2. Consolidated Financial Statements	b. Competitive advantage strategy
3. Financial Leverage	c. Application of funds
4. Share Capital	d. Financial Intermediaries
5. Commercial Banks	e. Source of funds
6. Fixed Assets	f. Debt Finance
7. Michael Porter	g. Clause 32 of the listing agreement
8. Daniel Riley	h. Clause 49 of the listing agreement

**Part B**

**( Answer any three from Part B1 and B2) 16x 3= 48 marks**

**Part B1-Management principles**

Q.5 Discuss in detail the functions of managers.

Q.6.a. Define Organisation Culture. Discuss the influence of the leader on Organisation Culture.

b. Explain Maslow's hierarchy of needs theory.

- Q 7. Short notes-(any four)
- a ISO 9000
  - b Marginal Analysis
  - c Brain storming
  - d Whistle blowing
  - e Outsourcing
  - f Stress

**Part B2-Finance**

- Q 8 a. Discuss the problems in financial statement analysis.  
 b. Discuss the dos and don'ts of budgeting.
- Q.9. a. Discuss the features, advantages and disadvantages of preference share capital.  
 b. Explain the common elements of organisational restructuring by firms.

**Part C**

**20 marks**

**(Compulsory (10 x 2=20 Marks))**

Q 10.

- a) A Company is considering the most desirable capital structure ,the following estimates of the debt and equity capital(after tax) have been made available at various levels of debt equity mix.

Debt as a percentage of total capital employed	cost of debt(%)	cost of equity(%)
0	6.0	13
10	6.0	13
20	6.0	13.5
30	6.5	14.0
40	7.0	15.0
50	7.5	17.0

Determine the optimum debt-equity mix for the Company by calculation of overall cost of capital

- b) From the following data calculate the amount of current assets ,current liabilities and stock:

Current ratio -	2.8
Liquid ratio -	1.5
Working Capital -	Rs. 90,000

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