



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management
PAPER No. 15
COST AND FINANCIAL MANAGEMENT

Dec 2016

Date :19.12.2016
Time : 2.00 p.m to 5.00 pm

Max. Marks :100
Duration : 3 Hrs.

Instructions:

1. The question paper is in three parts
2. Part A is compulsory. Each sub question carries one mark.
3. In Part B answer any 3 questions out of 5. Each question carries 16 marks
4. Part C is a case study with sub questions and it is compulsory.

Total marks-32
Total marks-48
Total marks-20

PART A

(32 marks)

(compulsory. Each sub question carry one mark)

Q1. Select the most appropriate answer from the options given below:

8 marks

1. Which one of the following is not a ratio in measuring long term solvency position of an organisation
 - a. Defensive interest ratio
 - b. Debt equity ratio
 - c. Capital gearing ratio
 - d. Proprietary ratio

2. Debtors turnover ratio is credit sales divided by
 - a. Sales
 - b. Average debtors.
 - c. Average stock
 - d. Average creditors

3. One of the following is an Investment company
 - a. CARE
 - b. ICRA
 - c. UTI
 - d. CRISIL

4. On the basis of time ,budget can be divided into which of the following categories
 - a. Short term
 - b. Current
 - c. Long term
 - d. All the three above

5. The maturity period of Commercial Papers varies between 90 days to
- a. 180 days
 - b. 270 days
 - c. 360 days
 - d. 400 days
6. Profit maximization objective ignores
- a. Effective allocation of resources
 - b. Time factor
 - c. Maximum social welfare
 - d. Optimum utilization of resources
7. The no. of steps involved in computation of Cost of capital is
- a. Three
 - b. Four
 - c. Five
 - d. Six
8. Mutual Funds are subject to monitoring and inspection by
- a. DEA
 - b. RBI
 - c. DCA
 - d. SEBI

Q.2. State whether the following statements are true or false:

8 marks

- a. Commercial Paper is a short-term source of finance.
- b. Cost Centre is also known as Responsibility Centre.
- c. LIC is an Investment Company.
- d. CRISIL is not an Investment Company.
- e. Capital market is regulated by RBI.
- F. Budget and Forecast are the same.
- g. Current ratio is not an important ratio in measuring short-term solvency.
- h. Working Capital refers to long-term funds to meet operating expenses.

Q.3. Fill in the blanks with appropriate words:

8 marks

- a. Spending on advertising or researching a product idea are examples of ----- costs.
- b. There are two kinds of variances viz., cost variance and ----- variance
- c. ROCE is Return on Capital -----.
- d. ARR Method ignores the concept of time value of-----

- e. CAPM Stands for Capital Asset Pricing -----
- f. Gross Working Capital refers to the total -----assets
- g. Super Quick Ratio is Absolute Liquid assets divided by current -----
- h. Debentures is a long term source of -----

Q4. Expand the abbreviations-

8 marks

- a. OTCEI
- b. CRISIL
- c. CARE
- d. AMC
- e. ZBB
- f. LRV
- g. DFHI
- h. DCF

PART B

(Answer Any Three Questions each question carry 16 marks)

48 marks

Q5. Write short notes on(any four)- (4 x4 = 16 marks)

16 marks

- a. Flexible budget
- b. Common-size statement
- c. Trend ratios
- d. Cost centre
- e. Objectives of a budget
- f. Money market

Q6. a. Discuss the various elements of cost.

8 marks

b. What is break-even chart? List its advantages

8 marks

Q.7.a..Explain the factors contributing to the time value of money.

8 marks

b. Discuss the importance and advantages of ratio analysis.

8 marks

Q.8 .a Explain cost of capital. What is its importance?

8 marks

- b. ABC & Co is considering a proposal for an investment of Rs. 40000 and the annual cash inflows for 5 years is Rs. 12000, Rs. 12000, Rs. 10000, Rs. 4000 and Rs.8000. Calculate the Payback period and advise whether the proposal can be accepted if the standard payback period is 4 years.**

8 marks

Q.9. a. Explain at least six sources of working capital. 8 Marks

b Explain the steps involved in computation of Weighted Average Cost of Capital 8 marks

PART- C (Compulsory)

20 Marks

Q.10. Prepare a Cost Sheet based on the following details extracted from the accountings books of a manufacturer:-

Particulars	Rs.
Materials Purchased and Consumed	14000
Direct Labour Expenses	22000
Direct Expenses	7300
Factory depreciation	110
Repairs and Renewals	220
Insurance	620
Rent, Rates and Taxes	730
Electric Consumption	200
Power	110
Fuel	60
Water	50
Watchman's Wages	160
Factory Manager's 'Salary	650
Foreman's Salary	110
Office Stationary	50
General Charges	170
Bank Charges	160
Office Rent	130
Postage & Stamps	40
Telephones	10
Manager' Sal	550
Office Clerk's Salary	240
Advertising	130
Commission to Salesmen	230
Discounts	140
