



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management

June 2012

Graduate Diploma in Materials Management

PAPER No. 3

BUSINESS ECONOMICS, ACCOUNTING & FINANCE.

Date : 11.06.2012
Time : 2.00 p.m to 5.00 pm

Max. Marks :100
Duration : 3 Hrs.

Instructions :

- | | |
|--|------------------------|
| 1. From Part A – answer all questions (compulsory). | Total: 32 Marks |
| 2. From Part B – Answer any 3 questions out of 5 questions. Each question carries 16 marks | Total: 48 Marks |
| 3. Part C is a case study (compulsory). Read the case study carefully and answer the questions | Total: 20 Marks |
-

PART A

Q1. Select the most appropriate answer from the options given below: 8 marks

1. One of the following is not included in the tertiary sector of the economy -

- a. Banking
- b. Finance
- c. Insurance
- d. Farming

2. Net current assets are the same as

- a. Working capital
- b. Total Assets less current liabilities
- c. Fixed assets
- d. Capital less liabilities

3. The situation when market is dominated by many sellers and a few buyers is called

- a. Oligopoly
- b. Monopoly
- c. Oligopsony
- d. Monopsony

4. Mainstream brand is a brand with

- a. low volume share and low price sensitivity

- b. high volume share and high price sensitivity
- c. low market share and high price sensitivity
- d. average volume and average price sensitivity

5. Cash generated in business means

- a. Profit and Depreciation
- b. Profit less depreciation
- c. Net profit
- d. None of the above

6. Ministerial conference, which is the topmost body of the WTO meets in every

- a. 3 years
- b. 2 years
- c. 6 months
- d. 5 years

7. Cashflow statement takes into account

- a. all revenues and expenditures
- b. only income from sales
- c. all revenues and expenditures excluding depreciation
- d. none of the above

8. One of the following will not appear in the debit side of the Trading Account

- a. Wages
- b. Direct expenses
- c. carriage inwards
- d. Sales (less returns)

Q2. State whether the following are true or false:

8 marks

1. Inventory is not included to calculate Quick Ratio.
2. Financial Statements disclose only monetary facts.
3. Journal is not the basic book of original entry.
4. Depreciation is not a source of funds.
5. Decrease in value of stock is a source of fund.
6. Increase in working capital is a use of fund.
7. Errors of omission are disclosed by the trial balance.
8. The Capital Market is overseen by the RBI.

Q3. Fill in the blanks with appropriate words:

8 marks

1. Common size income statements present the various items in the income statement as a percentage of _____.
2. Under the double entry system, every debit has a _____.
3. The term Asian Tigers refers to the highly industrialized economies of Hongkong, Taiwan, Singapore and _____.
4. Proprietary Ratio is worked out by dividing shareholders' funds by total _____.
5. Profit on sale of fixed assets is an example of _____ profit.
6. Goodwill is classified as _____ asset.
7. Operating profit means profit before interest and _____.
8. Fixed assets are those held not for _____ in the normal course of business.

Q4. Expand the abbreviations-

8 marks

1. NNP
2. HUDCO
3. SIDBI
4. IFC
5. NAFTA
6. WPI
7. STCI
8. ASEAN

PART B (any three)

Q5. Write short notes on any four -

16 marks

- a. Micro vs Macro-Economics
- b. Infrastructure
- c. Financial Market
- d. Human Development Index
- e. International Accounting Standard
- f. World Bank

Q6.

16 marks

- a) Explain Double Entry System of Accounting. What are its advantages and disadvantages?
- b) Discuss the role of SMEs in India.

Q.7.

16Marks

- a] Explain the need, meaning and uses of Funds Flow Statement. What are its limitations?
- b] Discuss the concept of Cost Accounting.

Q.8 .

16 marks

- a] Discuss the different forms of business organization.
- b) Explain the role of Government in an Economy.

Q9.

16 marks

- a] What is FDI? Discuss the role of FDI in India.
- b) Pass journal entries to rectify the following errors:
 - i. Sales book was overcasted by Rs. 500/-.
 - ii. Rs.200/-received as rent from the tenant was debited to rent account.
 - iii. Received Rs. 700/- from Suresh Shah was credited to sales book.
 - iv. Paid Rs. 300/- as salary but was debited Rs. 40/- in salary account.
 - v. Paid Rs. 20/- as repairs was recorded Rs.30/- in repairs account.

PART C

Q10.

20 marks

The following balances were extracted from the books of X & Co.on 31.12.2011.

Particulars	Rs.
X's capital	15000
X's drawings	2700
Stock 1.1.11	11000
Purchases	35000
Sales	62000
Returns inwards	1200
Returns outwards	800
Wages	5740
Salaries	8200
Electricity charges	1120
Discounts received	300
Discounts paid	770
Depreciation	750
Bills payable	4500
Plant & Machinery	15000
Provision for bad debts	1000
Debtors	8000
Creditors	19800
Cash in hand	700
Cash at bank	12800
Bills receivable	420

Prepare the Trading and Profit & Loss Account for the year ended 31.12.2011 and the Balance Sheet as on that date.The value of the closing stock on 31.12.2011 was Rs. 13500.
