



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Logistics Management

June 2012

Paper 1
Management Principles and Business Finance

Date: 09.06.2012
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

Q1. Indicate whether following statements are True or False

8 marks

1. Strategy is defined as the determination of the basic long term objectives of an enterprise
2. Productivity implies effectiveness and efficiency in individual and organisational performance
3. Management involves establishing an intentional structure of roles for people in an organization.
4. The mission identifies the basic function of an enterprise.
5. Mr. Alex F Osborn is called the father of brainstorming.
6. Informal organization is a network of personal and social relations.
7. The process of decentralisation involves determining the results expected from position
8. Job rotation is to broaden the knowledge of managers or potential managers

Q2. Match A & B from the following-

8 marks

- | A | B |
|------------------------------|------------------------------------------------------------------------|
| 1. Theory z | 1. Japanese managerial practices |
| 2. Policies | 2. General statements that guide manager's thinking in decision Making |
| 3. Non- programmed decisions | 3. Unstructured, novel and ill defined no recurring situations |
| 4. Virtual organisation | 4. Gain flexibility |
| 5. Staffing | 5. Feeling and keeping filled positions as per the requirements |
| 6. Assessment centre | 6. Technique for selecting and promoting managers |
| 7. David Mclland | 7. Motivation |
| 8. B.F. Skinner | 8. Positive reinforcement |

Part A2-Finance

Q3. Select the most appropriate alternative

8 marks

1. The economic resources of a business are called-

- a) Assets, b) Liabilities, c) Owner's equity, d) Accounts receivable

2. A business organization has assets of Rs. 1,00,000 and liabilities are Rs. 40,000. How much is the owner's equity?

- a) Rs. 60,000. b) 0, c) Rs. 1,00,000, d) Rs. 1,40,000

3. Purchase of goods on credit will-

- a) Increase an asset and increase in liability
b) Increase an asset and increase in owner's equity
c) Increase one asset and decrease another asset
d) Increase one liability and decrease another liability

4. Payment to creditors will-

- a) Increase one asset and decrease another asset
b) Decrease an asset and decrease in owner's equity
c) Decrease an asset and decrease a liability
d) Increase an asset and increase a liability

5. Report of assets, liabilities and owner's equity is called-

- a) Balance sheet, b) Financial statement, c) Income statement
d) Statement of proprietor's fund

6. Double entry principle results in-

- a) capital + liabilities = assets
b) revenue = expenses
c) capital + profit = assets + expenses
d) none of the above

7. An account has two sides called-

- a) debit and credit
- b) asset and liability
- c) revenue and expenses
- d) journal and ledger

8. Purchase of machinery for cash is recorded by a -

- a) debit to cash and credit to machinery
- b) debit to cash and debit to machinery
- c) debit to machinery and credit to cash
- d) credit to cash and credit to machinery

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

8 marks

Statement A	Statement B
1.Cash inflow.	1.Nature of business
2.Fund based lending	2.Regular operations of business
3.Factor affecting working capital requirement	3.Regular operations of business
4.Receivable management	4.Controlling debtors
5.Operating cashflow	5.Bank references
6.Objective of cash management	6.Accelerate cash collections
7.ABC analysis of receivables	7.Cash sales
8..Sources of credit information	8.Trade off between risk & profitability

Part B1-Management principles

(answer any two each 16 x 2 = 32 marks)

Q5 Explain what is MBO? What are the failures of MBO?

Q6.What is reengineering? What are its key aspects and limitations of reengineering?

Q7-Short notes-(any four)

1. Communication barriers
2. Functions of committees
3. Maslow's hierarchy of needs
4. Manager development process
5. Factors influencing job design
6. Decentralization in office
7. Formal organisation

Part B2-Finance

(Answer any one 16 x 1 = 16 marks)

Q8..Explain the features and structure of capital market of India

Q9.The XYZ Ltd wants to acquire ABC Ltd by exchanging 1.6 shares for every share of ABC Ltd.It anticipates to maintain the existing P/E ratio subsequent to the merger also.The relevant financial data are furnished below:

Earnings after taxes	Rs.15,00,000	Rs.4,50,000
Number of equity shares outstanding	Rs.3,00,000	Rs.75,000
Market price per share	Rs.35	Rs.40

- a)What is the exchange ratio based on market prices?
- b)What is pre-merger EPS and the P/E ratio for each company?
- c)What was the P/E ratio used in acquiring ABC Ltd?
- d)What is EPS of XYZ Company after acquisition?
- e)What is the expected market price per share of the merged company?

Part C-Case study compulsory**20 marks**

Q10.

From the following Trial balance of Mr.Manjunath, ,Prepare Trading, Profit and loss account and Balance sheet for the year ended 31st March,2005.

Trial Balance of Mr.Manjunath for the year ended 31st March,2005

Particulars	Debit(Rs.)	Credit(Rs.)
Capital Account		15,000
Drawings Account	3,250	
Stock(1.4..2004)	17,445	
Return Inwards	554	
Carriage Inwards	1,240	
Deposit with landlord	1,000	
Return outwards		840
Carriage Outwards	1,100	
Loan to Surinder(given on 1.4.2004-Interest rate 6% p.a.)	1,000	
Interest on above		25
Rent for shop premises	820	
Rent outstanding and payable		130
Purchases	12,970	
Debtors	4,000	
Creditors		3,000
Advertisement expenses	954	
Loan from Mohinder(taken on 30.9.2004-interest payable at 6%p.a.		1,200
Bad debts	400	
Patents and patterns	500	
Sales		27,914
Discount allowed	330	
Salaries	754	
Cash	62	
Goodwill	1,730	
TOTAL	48,109	48,109

Adjustments-

1.Rs.200 out of advertisement expenses are to be carried forward to next year.

2.A sum of Rs.600 paid for purchase of a typewriter on 1st October,2004 has been wrongly debited to purchases account. This is to be rectified and depreciation on the typewriter is to be written off at 15% p.a.