



# INDIAN INSTITUTE OF MATERIALS MANAGEMENT

## Post Graduate Diploma in Materials Management

June 2016

## Graduate Diploma in Materials Management

### PAPER No. 3 (New)

### BUSINESS ECONOMICS & FINANCIAL ACCOUNTING.

Date : 13.06.2016

Time : 2.00 p.m to 5.00 pm

Instructions :

1. From Part A – answer all questions (compulsory).
2. From Part B – Answer any 3 questions out of 5 questions. Each question carries 16 marks
3. Part C is a case study (compulsory). Read the case study carefully and answer the questions  
Each Question carries 10 marks

Max. Marks :100

Duration : 3 Hrs.

Total: 32 Marks

Total: 48 Marks

Total: 20 Marks

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#### PART A (compulsory).

( 32 x1 = 32 marks)

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

**8 marks**

1. Which of the following is in the tertiary sector of the economy?

- |              |                |
|--------------|----------------|
| a. transport | b. farming     |
| c. fishing   | d. electricity |

2. Which of the following is in the secondary sector of the economy?

- |            |             |
|------------|-------------|
| a. banking | b. gas      |
| c. finance | d. forestry |

3. Which of the following is in the primary sector of the economy?

- |                     |              |
|---------------------|--------------|
| a. mining           | b. education |
| c. animal husbandry | d. retail    |

4. A type of goods for which demand declines as the level of income or real GDP in the economy increases is called –

- |                        |                   |
|------------------------|-------------------|
| a. normal goods        | b. giffen goods   |
| c. complimentary goods | d. inferior goods |

5. Which of the economic systems is followed by India?-

- |                      |                      |
|----------------------|----------------------|
| a. mixed economy     | b. communist system  |
| c. capitalist system | d. none of the above |

6. IFRS is International Financial Reporting-

- |           |                      |
|-----------|----------------------|
| a. scheme | b. standard          |
| c. system | d. none of the above |

7. The number of basic types of corporate financial statements is-

- a. two
- b. three
- c. four
- d. six

8. One of the following is a current asset-

- a. bills payable
- b. dividend payable
- c. bank overdraft
- d. bills receivable

**Q2. State whether the following are true or false:**

**8 marks**

- a. Only listed companies are required to prepare and present cash flow statement.
- b. Vertical Analysis establishes a quantitative relationship of the various items in the financial statements on a particular date.
- c. Ratio Analysis does not help in decision making.
- d. A common size statement analysis indicates the relation of each component to the whole.
- e. Oligopsony is a market dominated by many sellers and a few buyers.
- f. The education system in India consists of primarily three levels.
- g. A multinational corporation can also be referred to as an International Corporation.
- h. Drawings is the amount of cash or other assets withdrawn by the owner for his/her official use.

**Q3. Expand the abbreviations-**

**8 marks**

- a. HDI
- b. CBDT
- c. SEBI
- d. NABARD
- e. STCI
- f. NHB
- g. GAPP
- h. GNI

**Q4. Fill in the blanks with appropriate words:**

**8 marks**

- a. \_\_\_\_\_ economics concentrates on behaviour of the economy as a whole.
- b. The factors of production are land, labour, capital and \_\_\_\_\_.
- c. A graph of all possible combinations of inputs that result in the production of a given level of output is called \_\_\_\_\_.
- d. Information is included in the \_\_\_\_\_ sector of the economy.
- e. Insurance is included in the \_\_\_\_\_ sector of the economy.
- f. The \_\_\_\_\_ statement is also called as the profit and loss account statement.
- g. Economic indicators fall into three categories, viz., leading, lagging and \_\_\_\_\_.
- h. A mixed economy means it supports both private and \_\_\_\_\_ ownership.

PART B  
(Answer any three)

**3x16 = 48 marks**

**Q. 5 Write short notes on any four**

- a. Market
- b. Financial Market
- c. Wholesale price index
- d. Infrastructure
- e. Accounting methods
- f. Accounting standards

Q 6. a. Discuss the role of Public and private sectors.  
b. Explain the different forms of Business organizations.

Q 7. a. Explain the criteria for market classification.  
b. Explain the role of government in an economy.

Q 8. a. Explain the risks an individual investor considers while investing in the capital market.  
b. Discuss the types of demand.

Q 9. a. Explain the main objectives of Accounting.  
b. Explain the qualitative characteristics of financial statements.

**PART- C**

**Q.10. (COMPULSORY)**

**20 marks**

Prepare a statement of changes in working capital from the following balance sheet of ABC Ltd.

**Balance Sheet as on 31/12/2013 and 31/12/2014**

Liabilities	2013 (Rs)	2014 (Rs)	Assets	2013 (Rs)	2014 (Rs)
Equity Share Capital	3,00,000	3,00,000	Fixed Assets	3,30,000	3,40,000
Debentures	1,40,000	1,40,000	Long term Investments	1,00,000	95,000
Tax payable	52,000	48,000	Bills Receivable	65,000	76,000
Interest payable	28,000	33,000	Stock	49,000	49,000
Sundry Creditors	41,000	48,000	Debtors	32,000	23,000
Dividend payable	35,000	32,000	Cash	20,000	18,000
<b>Total</b>	<b>5,96,000</b>	<b>6,01,000</b>		<b>5,96,000</b>	<b>6,01,000</b>

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