

INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management
Graduate Diploma in Materials Management

Paper 3
Business Economics, Accounting and Finance

Date: 10.06.2009
Time: 2.00pm to 5.00pm

Max Marks: 100
Duration : 3 hours

Instructions:

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|----|---|-----------------|
| 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 carefully and answer the Questions. | Total: 20 marks |
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PART A

Q 1. Choose the right answers from below:

1. an organization derives its business profit by formula
(a) Total revenue minus total cost (b) Negative abnormal profit minus Negative abnormal loss
2. Average cost means
(a) It is the total fixed costs Divided by the output (b) It is the total cost divided by the output
3. Break-even price means
(a) It is a price at which firms zero abnormal profits is equal to average cost
(b) It is a Product price fixed by Govt, which is below the equilibrium price of Firms.
4. Acid ratio is known as
(a) Quick Ratio (b) Solvency Ratio
5. Sundry credits is a part of
(a) Current liabilities (b) Fixed liability
6. Variable costs are those costs that vary with
(a) level of input (b) Level of output
7. A dividend is
(a) a long term liability (b) Short term liability
8. The type of depreciation is calculated based on fixed value on fixed percentage On a particular period is
(a) Straight line method of depreciation (b) Annuity method of depreciation

Q 2. Identify and discuss whether the following are sources or uses of working capital:

1. Operations
2. Dividend payments
3. Issue of share capital
4. Repayment of long term borrowings
5. Purchase of non-current assets

6. Long term borrowings
7. Sale of non-current assets
8. Increase in current liabilities.

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

1. andpurchases are recorded in the purchase book.
2. The debtors are written off from the balance sheet are called.....debts.
3. Debit the receiver and credit the giver fits in which rules of accounts.....
4. Balance sheet shows the financial status of business at atime.
5. When income exceeds expenditure in income and expenditure account represents
6. Goodwill in balance sheet treated as.....assets.
7. The ratio relationship between current assets and current liabilities isratio
8. The statement to differentiate balance of pass book and a cash book is known as

Q.4 Define structure and types of market? Explain factors influencing pricing policy.

PART B

Answer any three questions (3 x 16 = 48 marks)

Q.5 Define MNCs and its types, explain IT and MNCs companies contribution to Indian economy ?

Q.6 Write short notes on (any four);

- a) Mixed economy
- b) Glasnost and Perestroika
- c) Global recession and its impact on employment
- d) Role of FDI in India
- e) Corporate Governance
- f) Global melt-down

Q.7 Prepare a Journal and Ledger Accounts from the following:

1. A commenced business with Rs. 1 lakh
2. Deposited into bank Rs. 35,000/-
3. Procured furniture for office use - . Rs. 6,000/-
4. Incurred petty cash expenses Rs. 2,500/-
5. Sold goods to Mr. Harish - Rs. 10,000/-
6. Withdrew from Bank - Rs., 500/-
7. Withdrew from Bank for personal use – Rs. 4,500/-
8. Bank credited your account – Rs. 300/- as interest

Q.8 On 1st January, 2003 Metro Industries Ltd purchased two machines 1 and 2 costing Rs.1,00,000/- each and provided depreciation at 10% p.a. on straight line method basis. At the end of the 2006, the company decided to change the method to written value method respectively, the rate of depreciation remaining the same. Prepare machinery account upto 2006?

Q.9 Prepare trading, profit and loss account and balance sheet as at 31st March, 2008, after taking the adjustments given at the end:

Particulars	Amount Rs.	Amount Rs
Harish Capital	--	40,000
Harish's drawings	8,000	--
Machinery	20,000	--
Building	32,000	--
Debtors	10,000	--
Trade Expenses	300	--
Opening Stock	8,000	--
Salary	4,000	--
Rent for 11 months	2,200	--
Bad debts	500	--
Discount	460	560
Returns	760	1,600
Sales	--	78,000
Purchase	40,000	--
Commission	-	260
Furniture	2,000	--
Reserve for doubtful debts	--	800
Wages	7,000	--
Carriage	500	--
Overdraft	--	3,000
Creditors	--	12,000
Cash	500	--
Total	1,35,220	1,35,220

Adjustments

1. Allow interest on capital and drawings @ 5% and 4% respectively
2. Depreciate furniture @ 5% per annum
3. One month's rent outstanding
4. Prepaid salary amounted to Rs. 100/-
5. Interest on overdraft outstanding Rs. 500/-
6. Value of closing stock – Rs. 25,000/-
7. Provided RBD at 10% on debtors.

PART C (CASE STUDY)

Q 10. Mr. 'A' manufacture furnishes the following data relating to the manufacture of high standard product during the month of April 2006:

		Rs.
Raw materials consumed	-	70,000
Direct Labour Charges	-	40,000
Machine hour worked	-	4,600
Machine hour rate		7
Administrative overheads	-	20% on work cost
Selling overheads	-	Re. 2/- per unit
Units produced	=	15,000
Units sold	-	95,000 @ Rs. 20/- per unit

You are requested to prepare a cost from the above showing:

- a) Cost per unit
- b) Profit per unit sold & profit for the period
