

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

**JUNE-2010**

**PAPER No. 3**  
**Business Economics, Accounting & Finance**

**Date : 14.06.2010**  
**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**
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**PART A**

**Q ) 1.** Choose the right answers from choice given below:-

1. A cost is a) a sacrifice b) measure of consumption
2. Cost of sale is a) works plus administration cost  
b) cost incurred in production, administration  
and manufacturing functions
3. The Guiding Factors for stores requisitioning are :  
a) maximum stock level b) minimum stock level c) re order level
4. Advantage of ABC analysis include the following except:  
a) low stock turnover b) optimum investment
5. LIFO assumption of cost flow when applied in period of rising prices:  
a) overstates profit and closing stock b) understates profit and closing stock
6. BE analysis may be described as:  
a) Comparison between production and cost  
b) Comparison between sales and cost
7. Fixed cost per unit decreases when:  
a) Production volume increases  
b) Prime cost per unit decreases
8. Prime cost includes: a) factory overhead only  
b) direct material, direct labor and direct expenses.

**Q 2 PART –A - Fill in the blanks with appropriate words:-**

1. Straight line method of depreciation is also known as \_\_\_\_\_.
2. Wages paid to instal a new machine should be debited to \_\_\_\_\_ Account.
3. Employees provident fund is a \_\_\_\_\_ Account.
4. Prepaid insurance is a \_\_\_\_\_ Account.
5. SLR cannot be less than \_\_\_\_\_ % of demand and time liabilities of a bank.
6. Currency of India refers to \_\_\_\_\_.
7. The situation with increasing unemployment and inflection is termed as \_\_\_\_\_.
8. Indian economy is very much dependant on \_\_\_\_\_.

**Q 3 PART A**

Expand the following abbreviation:

1. IFCI 2. DEMAT 3. L.C 4. V.C 5. IMF 6. WPI 7. FDI 8. MOF

**Q 4 PART A** State whether the following statements are true or false.

1. It is not necessary to depreciate building if it is not in use.
2. “Capital” and “Campitalisation” are synonymous terms.
3. Net working capital is that portion of a Firm’s current assets which is financed by the long terms funds.
4. A high breakeven point would include a high operating leverage.
5. The Cost of converting raw material to finished product is known as conversion cost.
6. The perpetual inventory system means a continues stocking system.
7. Financial accounting provide information for fixing prices
8. Salaries paid to sales man come under direct cost.

**PART- B**

**Answer any three questions each question carries 16 marks (3 x 16)=48 marks.**

- Q 5.** Mr. X took a loan of Rs. 2,00,000 from Mr. Y on 1.5.2009@ 10% P.A interest. He repaid Rs. 50,000 on 1.10.2009. the rate of TDS on interest is 10% P.A. Pass Necessary entries in the books of X & Y. The interest was paid on 5.4.2010
- Q 6.** Mr. A, a proprietor, furnished the following Trial balance as on 31 March 2008, and additional information. Prepare trading & profit & loss Account for the year ended on 31.3.2008

Particular	Debit	Credit
Plant and Machinery	50,000	
Furniture & Fittings	30,000	
Land & Building	60,000	
Debtors & Creditors	2,10,000	90,800
Bill Receivable / payable	10,000	5600
Investments	50,000	
Provision for doubtful debts		10,000
Provision for discount on debtors		2400
Sales / Cost of goods sold	5,60,000	6,20,000
Capital/Drawing	12,775	3,08,000
Rent	11,000	6500
General expenses	6,000	
Office & Administration expenses	13,200	
Discount	2,000	1000
Bad debts	3000	
Interest	3,750	4500
Selling & Distribution expenses	36,075	
Income tax paid	1,000	
Loan taken form bank		50,000
Closing stock	40,000	
Total	10,98,800	10,98,800

**Additional information :-**

- a) Rent has been paid for 11 months and has been received for 13 months b) Write off further bad debts Rs. 6000 (c) Additional discount of Rs. 2000 Receipt from creditors. (d) Additional Discount of Rs.4000 given to debtors. (e) Maintain a provision for doubtful debt @ 10% (f) maintain a provision for discount on debtors @ 2% (g) Plant and machinery figure of Rs. 50,000 includes a machine Rs. 20,000 was purchased on 1.7.2008. wages Rs. 1,000 for its erection have been debited to general expenses account. Provide depreciation on plant & Machinery @ 10% (h) A furniture costing Rs. 20,000 was purchased on 1.4.2008 but it was not recorded as no payment was made. Wages Rs. 1000 paid for its erection have been debited to general expenses account. Depreciate furniture @ 10% P.A. (i) General expenses include a sum of Rs. 4000 spent on the erection of a cycle stand on 1.4.2007. Provided 5% depreciation on building. (j) A fire broke out on 1.4.2008 destroying goods costing Rs. 200.

**Q.7.** On 1.4.2007 M/s. ABC Ltd. Purchased a second hand machine for Rs. 80,000 and spent Rs. 20,000 on its cartage, repairs and installation the Residual value at the end of its expended useful live of 4 year is estimated at Rs. 40,000. on 30.9.2009 the machine was sold for Rs. 50,000 Depreciation is to be provided according to SLM. Prepare Machinery account and Depreciation account for the first 3 years assuming that accounts are closed on 31<sup>st</sup> March each year.

**Q.8.** What are the different Sectors of economy? Comment.

**Q.9.** What does the law of demand state ? What are the factors affecting demands?

**PART –C (CASE STUDY)**

**Q 10.**

From the following Particulars of a Manufacturing firm.

Prepare a statement showing (a) Cost of material used. (b) works cost (c) Cost of production and (d) cost of goods sold.

Stock of material on 1.1.08	40,000	Finished good sold	24,00,000
Purchase of raw material	11,00,000	Works overhead charges	1,50,000
Stock of finished goods as on 1.1.08	50,000	Office & general expenses	1,00,000
Productive Wages	50,000	Stock of Raw material on 31.1.08	1,40,000
		Stock of finished goods as on 31.1.08	60,000