

**JUN-2010**

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

**PAPER 1**

**Management Principles And Business Finance**

Date: 12.06.2010  
Time: 10.00 PM to 1.00 PM

Max Marks: 100  
Duration: 3 hours

**Instructions:**

1. PART A1 and A2 are compulsory. Answer all questions. Total Marks:32
2. PART B: Answer any three questions with a maximum two from part B1 or B2 Total Marks:48
3. PART C Compulsory Total Marks :20
4. Please read the instructions on the answer sheet carefully.

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**Part A1 – Management Principles**

- Q1 Indicate whether the following statements are TRUE (T) or FALSE (F)
1. Management is an art and science
  2. The aim of managers is not to create surplus.
  3. Managers do not have the social responsibilities
  4. Theory Z is concerned with the managerial practice of Japan.
  5. The meaning of mission of a business is not to indicate what for the business exists.
  6. Appraisal should be an integral part of system of managing.
  7. The managerial function of leading is defined as the process of influencing people so that they will contribute to organization and group goals.
  8. Communication does not tend to be clear when it is expressed in a language and transmitted in a way that can be understood by the receiver.

- Q2. Match the following

1	Effective Communication	A	Current assets minus current liabilities
2	Coaching style of Leadership	B	Prepared for a specified period
3	Working Capital	C	Simple words should be used
4	Income Statement	D	Attrition rate taken into account
5	Man power planning	E	One of the major part of management principle
6	Outsourcing	F	Helps in developing Human capital
7	Staffing	G	Helps in giving more stress on core competency
8	Training approach	H	It believes more on training and development of employees

**Part A2  
(Finance)**

- Q3 Choose the correct answer
1. Balance sheets prepared for
    - a. A period
    - b. Indicating Profit
    - c. Closing/Opening of particular date
    - d. None of the above
  2. Which of the following is not current asset?
    - a. Bank balance

- b. Short term fixed deposit
  - c. Account receivable
  - d. Land
3. Current ratio is
    - a. Current Assets divided by Fixed Assets
    - b. Cash in hand divided by Current Liabilities
    - c. Current Assets divided by Current Liabilities
    - d. None of the above
  4. At Break Even Point (BEP)
    - a. Total revenue is more than the total cost
    - b. Fixed cost is equal to variable cost
    - c. Sum of fixed cost and variable cost is equal to total revenue
    - d. None of the above
  5. Manufacturing cost does not include:
    - a. Material cost
    - b. Labour Cost
    - c. Distribution Cost
    - d. Overhead Cost
  6. Cost of goods sold does not include
    - a. Direct Material cost
    - b. Direct labour cost
    - c. Factory overhead cost
    - d. Operating expenses
  7. Fixed Asset turnover is
    - a. Ratio of fixed and current assets
    - b. Ratio of net sales and net fixed assets
    - c. Ratio of net fixed assets and net sales
    - d. None of the above
  8. Operating budget does not include
    - a. Sales budget
    - b. Production budget
    - c. Material and purchase budget
    - d. Cash budget

Q4. Fill in the blanks

1. Balance sheet of accompany is prepared for on ..... Where as profit and loss account is prepared for a .....
2. Current ratio helps to measure the liquidity and ..... of a firm.
3. The current assets, stock, and current liabilities of a firm are Rs. 20,000, Rs. 6,000 and Rs. 10,000 respectively, then the liquid ratio will be .....
4. Full forms of LIFO and FIFO methods of inventory valuation are ..... and ..... respectively.
5. .... statement highlights the difference sources and application of funds between two accounting periods.
6. Goodwill of corporate is ..... asset.
7. The present book value of machine is Rs. 1,00,000 where as original purchase price was Rs. 2,00,000 then accumulated depreciation is Rs. ....
8. Decision of increasing / decreasing CRR, Repo rate and Reverse Repo rate is taken by .....

### Part B1- Management Principles

- Q5 What are the managerial functions? Explain.
- Q6 Explain McGregor's Theory X and Theory Y.
- Q7 Write short notes on any FOUR
1. Staffing
  2. Importance of HRD
  3. Span of Control
  4. Importance of Leadership
  5. What are the precautions to be taken while participating in group discussion
  6. Management by objective (MBO)
  7. Components of organizational structure
  8. Managerial grid

### Part B2 – Finance

- Q8 a) What is meant by financial statement? Discuss the objectives of financial statement  
b) What is meant by Cash flow statement? Explain the uses of Cash flow statement.
- Q9 Write short notes on any Four of the following
1. Budgetary Control
  2. Capital Market
  3. Fiscal Policy
  4. Difference between Capital and revenue expenditure
  5. Merger and Acquisition
  6. Venture Capital

### Part 'C' - Case Study

- Q10 Sam Industries Ltd plans to sell 30,000 units next year. The expected cost of goods sold is as follows.

	Per Unit (Rs)
Raw Materials	200
Manufacturing expenses	60
Operating expenses including selling and distribution expenses	40
Selling price	400
The duration at various stages of the operating cycle is expected to be as follows	
Raw material stage	2 months
Work in progress stage	1 month
Finished goods stage	½ month
Debtors stage	1 month

Assuming monthly sales level to be 2500 (i.e. 30,000 units Annual) units calculate

- a. Profitability (Annual)
- b. Calculate the investment in various current assets
- c. Calculate working capital requirement if desired cash balance is 5% of the working capital requirement. (Assuming 25% as manufacturing expenses for work in progress)

NB: State the assumptions made if any