INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management
PAPER No. 15
STRATEGIC COST AND FINANCIAL MANAGEMENT

Dec 2012

Date :12.12.2012 **Max. Marks :100**
Time : 2.00 p.m to 5.00 pm **Duration : 3 Hrs.**

Instructions:

1. From Part A – answer all questions (compulsory). Each sub questions carries 1 mark. **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) with questions. Read the case study carefully and answer the questions. **Total: 20 Marks**
4. Please read the instructions given in the answer sheet

Part A

(1 x 32= 32 marks)

Q.1. Choose the right answer from below:

1.Under sensitivity analysis,usually, no.of assumptions under which estimations of the cash inflows of a project made is-

a) two
b) three
c) four
d) six

2.Inter Corporate Deposits are usually made for a maximum of

a) six months
b) nine months
c) three months
d) twelve months

3. Cross border lease is one in which the parties involved are in different-

a) countries
b) continents
c) districts
d) states

4.Treasury Bills are the obligations of the government for a period of less than-

a) 2 years
b) 3years
c) 1 year
d) 5 years

5. One of the following is not a source of long-term funds-

a) Equity Share
b) Warrants
c) Debentures
d) Working Capital

6. Debt Ratio is calculated as Total Debt divided by-

a) total assets
b) sales
c) average inventory
d) interest charges

7. The responsibility of managing Foreign Exchange Management Act 1999 is that of-

a) SBI
b) NABARD
c) UTI
d) RBI

8. Allocation of Canteen Cost to various departments is done on the basis of-

a) Asset Value
b) Area
c) Horse power of machines
d) No. Of employees

Q.2. Fill in the blanks. Marks (8)

a) Fixed Asset Turnover ratio is measured by dividing _____________ by net fixed assets.

b) Long term loans from banks are commonly set for more than ______________ years.

c) Operating Leverage is a measure of how sensitive net operating income is to percentage changes in ___________.

d) Scheduled Commercial Banks constitute those banks which have been included in the ___________ Schedule of the RBI Act,1934.

e) Capital Market is regulated by ____________ to offer better protection to the Investors.

f) The Responsibility Centre which is measured in terms of both the expenses incurred and revenue earned is known as __________ centre.

g) Zero coupon bonds are sold at discounted value and will be given at the ____________ value after the maturity period.

h) John J.Hampton classifies leases into three basic types viz.,1-operating lease,2-service lease,3- ___________ lease.

Q.3 State whether the following are True or False-

a) Return on Equity is After Tax Earning divided by Stockholder's Equity.

b) Net Profit Margin is After Tax Earnings divided by Sales

c) Pay back period method does not ignore cash flows after pay back period.

d) The market wherein resources are mobilized by companies through issue of new securities is termed as the secondary market.

e) Commercial Paper is short term, unsecured promissory note issued by large companies.

f) Pre-investment planning studies include preparation of Master Plans.

g) Conglomerate Mergers are effected among firms that are in same or related business activity.

h) In an operating lease, usually, the lease cannot be cancelled at short notice.

Q.4. Give the full-form of the following -

a) DCF
b) FIFO
c) ROI
d) EBDT
e) PPF
f) RRBs
g) CRISIL
h) NBFC

PART – B

(answer any three 16 x 3 = 48 marks)

Q.5. Write short notes on [any four] -

a] Fund flow statement
b] Debentures
c] Transfer Pricing
d] Internal Rate of Return
e] Commercial Paper
f] Commercial Banks

Q.6) (a) Explain the meaning , advantages and limitations of Uniform Costing.
(b) Dicsuss the objectives of Financial Management.

Q.7. a]Explain Sensitivity Analysis.List out the advantages and disadvantages of the technique.
b] Explain the factors affecting Working Capital.

Q.8.a] Explain Net Present Value method. What are its limitations?

b) A Choice is to be made between the two competing proposals which require an equal investment of RS. 50000 and are expected to generate net cash flows as under:

Years	**Project A** Rs.	**Project B** Rs.
1	25000	10000
2	15000	12000
3	10000	18000
4	NIL	25000
5	12000	8000
6	6000	4000

Cost of capital of the company is 10%. The following are the present value factor at 10% p.a.

Year :	1	2	3	4	5	6
P.V. Factor at 10% :	0.909	0.826	0.751	0.683	0.621	0.564

Suggest the best proposal to be selected using NPV method.

Q.9.a] Explain a Cash Budget.Discuss the steps in the preparation of a cash budget.

b) Define Material Cost Variance.Explain the methods of computing Material Cost Variance.

PART- C (compulsory) 20 marks

Q.10.

Based on the following information of RMZ Co Ltd , estimate the working capital needed to finance a level of activity of 1,10,000 units of production after adding a 10 percent safety contingency:

	Amount[per unit]s Rs.
Raw materials	78
Direct Labour	29
Overheads[excluding depreciation]	58
Total Costs	165
Profit	24
Selling price	189

Additional Information

Average raw materials in stock: One Month

Average materials- in -process[50 percent completion stage): Half a month

Average finished goods in stock: One month

Credit allowed by suppliers:One month

Credit allowed to customers:two months

Time lag in payment of wages : One and half weeks

Overhead expenses:One month

One fourth of the sales is on cash basis. Cash balance is expected to be Rs. 2,15,000. It may be assumed that production is carried on evenly throughout the year and wages and overhead expenses accrue similarly.

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