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

Dec 2017

Date :13.12.2017 **Max. Marks :100**
Time : 2.00 p.m to 5.00 pm **Duration : 3 Hrs.**

Instructions:

1. The question paper is in three parts
2. Part A is compulsory. Each sub question carries one mark. **Total marks-32**
3. In Part B answer any 3 questions out of 5. Each question carries 16 marks **Total marks-48**
4. Part C is a case study with sub questions and it is compulsory. **Total marks-20**

PART A **(32 marks)**

(compulsory. Each sub question carry one mark)

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

1. Profit maximization objective ignores-
   a. Time factor
   b. Effective allocationof resources
   c .Optiimum utilizationof resources
   d, Maximum social welfare

2 Which one of the following is not a ratio in measuring short-term solvency position of an Organization
   a. Current ratio
   b. Capital gearing ratio
   c. Quick ratio
   d. Absolute liquid ratio

3. The capital market is regulated by
   a. UTI
   b. RBI
   c.SEBI
   d IDBI.

4. On the basis of time, budget may be classified into which of the following categories
   a. Short-term
   b. Long-term
   c. current
   d. all three above

5. One of the following is not a source of long term funds-
   a. Working Capital
   b. Warrants
   c. Equity shares
   d. Debentures

6. The number of major theories explaining the relatioship between capital structure,cost of capital and valuation of the firm is
   a.two
   b.four
   c.five
   d.six

7. Debtor turnover ratio is credit sales divided by
   a. Average stock
   b. Sales
   c. Average debtors
   d Average creditors

8 One of the following is an Investment company
   a. ICRA
   b. CARE
   c. CRISIL
   d. LIC

Q. 2. State whether the followiong statements are true or false:

a. The term overhead includes indirect material expenses
b. Break even point is a point where the total sales or revenue are equal to total costs.
c Capital structure is that part of financial structure which represents short-term sources.
d. IRR does not consider the time value of money.
e Revenue variance includes sales variance.
f. Cost centre is also known as responsibility centre
g. Essentially,money market refers to a market for long-term funds.
h. Commercial paper is a long-term source of finance.

Q3. Fill in the blanks with appropriate words:

a. Costs that cannot be recovered once they have been incurred are called --------costs.
b. Break -even analysis is a technique of studying cost-volume---------- relationship.
c. CIMA stands for the Institute of Cost and Management -------------
d. Super Quick Ratio is Absolute Liquid Assets divided by Current ----------.
e. Leverage ratios indicate long-term --------- position of an organisation.
f. ROI is Return on -------------
g. Capital market is a place where people buy and sell financial instruments be it equity or --------
h. ARR method ignores the concept of time value of --------

Q4. Expand the abbreviations-

a. MCV
b. CAPM
c. OTCEI
d. EPS
e. CRISIL
f. SHCIL
g.DCF
h WACC

PART B

(Answer Any Three Questions each question carry 16 marks) 48 marks

Q5. Write short notes on(any four)- 16 marks

a Performance budget
b.Common size statement
c.Wealth maximization
d.Profitability index
e.Cost centre
f. Marginal cost of capital

Q6. 16 marks

a.Discuss the various elements of cost
b. What is break-even chart? List its advantages.

Q.7. 16Marks

a .List the main differences between budget and forecast
b. Define zero-base budgeting. What are its advantages?

Q.8 . 16 marks

a Discuss the importance and advantages of ratio analysis.
b Explain the factors contributing to the time value of money..

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Q9. 16 marks

a. Discuss the reasons due to which capital budgetting decisions are significant.
b. ABC & Co is considering a proposal for an investment of Rs. 60000 and the annual cash inflows for 5 years is Rs. 18000, Rs. 20000, Rs. 15000, Rs. 6000 and Rs.12000. Calculate the Payback priod and advise whether the proposal can be accepted if the standard payback period is 4 years.

PART- C (Compulsory) 20 Marks

Q.10. Calculate the prime cost, factory cost ,cost of production ,cost of sales and Profit from the following details:

ITEM	Rs.
Direct materials	2,00,000
Direct wages	50.000
Direct expenses	10,000
Wages of foreman	5,000
Electric power	1,000
Lighting: Factory	3,000
Office	1,000
Storekeeper's wages	2.000
Oil and water	1,000
Rent: Factory	10,000
Office	5,000
Depreciation Plant	1,000
Office	2,500
Consumable store	5,000
Manger's salary	10.000
Director's fees	2,500
Office stationery	1,000
Telephone charges	250
Postage and telegrams	500
Salesmen's salaries	2,500
Travelling expenses	1,000
Repairs and renewal plant	7,000
Office premises	1,000
Carriage outward	750
Transfer to reserves	1,000
Discount on shares written off	1,000
Advertising	2,500
Warehouse charges	1,000
Sales	3,79,000
Income tax	20,000
Dividend	4,000
