

# Final Test Paper 15 INDIAN INSTITUTE OF MATERIALS MANAGEMENT COST AND FINANCIAL MANAGEMENT GDMM/PGDMM 3 YEARS

Instructions:

1. Answer all 50 questions. Each question carries 2 marks Total : 100 Marks
2. Duration 1 Hour.

**\*Required**

1. Email \*

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2. Name \*

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3. Roll Number \*

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4. 1. Period costs are associated with :

*Mark only one oval.*

- cost of purchased goods
- cost of manufactured goods
- cost of inventory
- selling function of the business

5. 2. The manufacturing and non-manufacturing costs are charged to which of the following cost centres?

*Mark only one oval.*

- operation and process cost center
- production cost center
- personal cost center
- impersonal cost center

6. 3. The fuel for an airline is an example of :

*Mark only one oval.*

- Fixed cost
- Variable cost
- semi-variable cost
- sunk cost

7. 4. To improve margin of safety, one of the following is not to be adopted :

*Mark only one oval.*

- increase level of production
- decrease the selling price
- reducing the fixed and variable costs
- substitute the existing products by more profitable products

8. 5. One of the following is a disadvantage of break-even chart:

*Mark only one oval.*

- the chart is useful for forecasting costs and profits at various levels of sales
- profitability of various products can be compared
- no importance is given to opening and closing stocks
- The chart can help study the relationship of cost, volume and profit.

9. 6. Which one of the following is a disadvantage of budgeting:

*Mark only one oval.*

- budget execution is not proper and automatic
- budget helps in solving problems in a disciplined manner
- it sets responsibilities of employees in relation to the function of business
- budgeting helps in feeling of cooperation and understanding between different departments

10. 7. Which one of the following is not an advantage of budgetary control:

*Mark only one oval.*

- it takes the help of different levels of management in the preparation of the budget
- it is a tool for comparing the actual results with that of the budget
- budgets are prepared on the basis of forecasts and estimates about the future.
- budgetary control is a good guide to the management for making future plans

11. 8. Mutual Funds are subject to monitoring and inspection by

*Mark only one oval.*

- DEA
- RBI
- DCA
- SEBI

12. 9. Prime cost excludes :

*Mark only one oval.*

- cost of direct materials
- cost of direct wages
- cost of direct expenses
- rent of the factory

13. 10. The number of budgets that may be prepared for each year in the case of seasonal business like sugar, apparel, etc is :

*Mark only one oval.*

- two
- three
- four
- five

14. 11. Criticism against ZBB is:

*Mark only one oval.*

- it helps in identifying and controlling wasteful expenditure
- it requires a lot training for managers
- it enables management to allocate resources according to benefit or importance it is a convenient
- tool in integrating the managerial functions of planning and control

15. 12. No. of categories cost variance can be classified is:

*Mark only one oval.*

- two
- four
- three
- five

16. 13. Which one of the following is a drawback of the profit-maximization objective:

*Mark only one oval.*

- optimum utilization of available resources
- efficient allocation of resources
- it is regarded as the best criterion of decision-making
- time factor is ignored

17. 14. A forecast can be for a period upto :

*Mark only one oval.*

- one year
- two years
- four years
- five years

18. 15. Which of the following steps should be taken first in budgetary control :

*Mark only one oval.*

- calculation of the variance and analysing the reasons for the same.
- measurement of the actual performance at the end of the budget period
- preparation of budgets for each function of the organisation
- revision of budgets in the light of the desired results.

19. 16. Which of the following cannot be classified as functional budget:

*Mark only one oval.*

- sales budget
- purchase budget
- fixed budget
- production cost budget

20. 17. Marginal costing helps the management in measuring the performance efficiencies of a

*Mark only one oval.*

- department
- product line
- sales division
- all of the above

21. 18. Zero Base Budgeting is classified on the basis of

*Mark only one oval.*

- time
- new concept
- function
- flexibility

22. 19. Which one of the following is not an advantage of ratio analysis

*Mark only one oval.*

- ratios are computed on the basis of financial results which are historical in nature
- the government agencies will analyse ratios of a firm for review of its performance
- the credit rating agencies will analyse the ratios of a firm to give the credit rating to the firm
- the financial analysts will analyse ratios for making comparisons and recommending to the investing public

23. 20. Fixed interest bearing funds divided by equity shareholder's funds is :

*Mark only one oval.*

- capital gearing ratio
- debt equity ratio
- net worth ratio
- current ratio

24. 21. Fixed assets turnover ratio is calculated by dividing sales by:

*Mark only one oval.*

- total assets
- working capital
- capital employed
- fixed assets

25. 22. Debtors turnover ratio is credit sales divided by

*Mark only one oval.*

- Average debtors.
- Bad debts
- Average stock
- Average creditors

26. 23. Which budget can be classified on the basis of flexibility

*Mark only one oval.*

- Short term
- Current
- Long term
- fixed

27. 24. The number of major theories explaining the relationship between capital structure, cost of capital and valuation of the firm is:

*Mark only one oval.*

- four
- two
- three
- six

28. 25. WACC is the abbreviation for:

*Mark only one oval.*

- Weighted Accounting Cost of Capital
- Weighted Average Cost of Capital
- Weighted Accurate Cost of Capital
- Weighted Annual Cost of Capital

29. 26. Most commercial papers have maturity ranging from:

*Mark only one oval.*

- one to three months
- three to six months
- six to twelve months
- twelve to eighteen months

30. 27. Operating cycle is the time that elapses to convert raw materials into:

*Mark only one oval.*

- sale
- cash
- semi-finished goods
- finished goods

31. 28. Which of the following is a long term source of funds available for working capital?:

*Mark only one oval.*

- trade credit
- over draft
- venture capital financing
- public deposits

32. 29. Which one is the disadvantage of IRR method?:

*Mark only one oval.*

- it considers time value of money
- it considers cash flows throughout the life of the project
- it may give results inconsistent with NPV method
- it is not in conflict with the concept of maximising the welfare of the equity share holders



33. 30. The no.of approaches available to calculate the cost of equity capital is:

*Mark only one oval.*

three

four

five

six

34. 31. Computation of cost of preference shares will be only for:

*Mark only one oval.*

redeemable and irredeemable

cumulative and non-cumulative

participating and non-participating

convertible and non-convertible

35. 32. Computation of cost of capital/ of WACC involves:

*Mark only one oval.*

three steps

four steps

five steps

six steps

36. 33. Pick the entry from the following which is not a current asset:

*Mark only one oval.*

cash

inventory

proposed dividend

sundry debtors

37. 34. IRR method is also known by the following names except?:

*Mark only one oval.*

- marginal efficiency of capital
- changing discount rate
- time adjusted rate of return
- rate of return over cost

38. 35. Which of the following is an attribute and not a limitation of the financial statements?:

*Mark only one oval.*

- financial statements are essentially interim reports
- financial statements take into consideration only the financial factors
- financial statements must meet the requirements of law
- it is not always possible to discover false figures in financial statements

39. 36. Which of the following statements about leverage or capital structure ratios is incorrect?:

*Mark only one oval.*

- ratios measure relative interest of lenders in a business organization
- ratios measure relative interest of proprietors in a business organization
- the ratios help the management in the proper administration of the capital
- ratios indicate the short term solvency position of an organization

40. 37. One of the following is an advantage of the payback period method:

*Mark only one oval.*

- it ignores cash flows after payback period
- it does not take into consideration time value of money
- cost involvement in calculating payback period is very less as compared to sophisticated methods
- there is no rational basis for setting a minimum payback period

41. 38. The procedure for estimation of working capital involves:

*Mark only one oval.*

- four steps
- two steps
- three steps
- six steps

42. 39. One of the following is not a short term (money market ) security:

*Mark only one oval.*

- commercial bills
- equities
- treasury bills
- certificate of deposit

43. 40. Essentially, a money market refers to a market for:

*Mark only one oval.*

- short term funds
- long term funds
- medium term funds
- only international funds

44. 41. The number of Regulatory bodies for the Indian capital market is:

*Mark only one oval.*

- two
- four
- three
- six

45. 42. Treasury bills ( T bills) are issued by the government for periods ranging from :

*Mark only one oval.*

- upto 7 days
- 7 days to 14 days
- 14 days to 364 days
- beyond 364 days

46. 43. One of the following is not a credit rating agency:

*Mark only one oval.*

- CRISIL
- CARE
- ICRA
- UTI

47. 44. Portfolio management in investment companies comprises:

*Mark only one oval.*

- 3 stages
- 5 stages
- 4 stages
- 6 stages

48. 45. Inventory ratio is calculated by dividing inventory by

*Mark only one oval.*

- current assets
- working capital
- debtors
- capital employed

49. 46. Which one of the following is a limitation of ARR method:

*Mark only one oval.*

- it is simple to understand
- information is easily drawn from accounting records
- it uses arbitrary cut off as standard for acceptance or rejection rule
- it takes into account all profits of the project's life period

50. 47. Which one of the following is not included in Office and Administration overheads?

*Mark only one oval.*

- indirect materials used in office such as printing and stationery
- indirect labour such as salaries payable to office manager, accountant etc.
- indirect expenses such as rent, insurance, office lighting etc.
- indirect labour such as salaries of salesmen, sales manager etc.

51. 48. Cash budgets are prepared by using any of the following methods except :

*Mark only one oval.*

- Receipts and Payments Method
- Adjusted Profit and Loss Method
- Balance –sheet Method
- Functional budgets method

52. 49. Which one of the following is not a ratio in measuring long term solvency position of an organisation

*Mark only one oval.*

- Defensive interest ratio
- Debt equity ratio
- Capital gearing ratio
- Proprietary ratio

53. 50. One of the following is an Investment company

*Mark only one oval.*

CARE

ICRA

LIC

DFHI

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