



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Materials Management

June 2011

PAPER No. 15

STRATEGIC COST AND FINANCIAL MANAGEMENT

Date :15.06.2011

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 sub-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

Q.1. Choose the right answer from below:

1. profit maximization denotes: -
 - a)Maximum profit to be earned in a given period.
 - b)Rejecting the non-profitable projects
 - c) Maximum social welfare.
 - d) None of above.
2. Direct method studies the deviation between : -
 - a) The two different cost of materials .
 - b) The quantity of materials and their price.
 - c) Actual cost of the materials.
 - d) None of the above.
3. Work in Progress account contains –
 - a) debit side
 - b) credit side
 - c) both the sides.
 - d) none of above.
- 4.Fund flow statement highlights the changes in the:
 - a) Cash receipts
 - b) Payments
 - c) Both
 - d) None of above.

5. Liquidity refers –

- a) ability to meet short term financial obligations.
- b) relationship between current assets & liabilities.
- c) acid test ratio
- d) none of above.

6. IRR considers the time value of:

- a) money
- b) equity
- c) both
- d) None of above.

7. Diversification occurs when –

- a) different assets make up a portfolio
- b) single asset make up a portfolio.
- c) both
- d) none of above.

8. As per capital structure theories- source of funds are :

- a) debt
- b) equity
- c) both
- d) none of above.

Q.2 True or False

- a) Profit maximization regarded as the best criterion of decision making -
- b) Managerial finance also involves forecasting -
- c) Treasurer & controller are the subordinates of finance manager.-
- d) unit costs are expressed in batch costing-
- e) uniform costing helps to adopt procedures of costing-
- f) Inter firm comparison helps to know over all view of the industry.
- g) lease financing is termed as equipment leasing-
- h) No growth is a model for valuations -

Q.3. Fill in the blanks.

Marks (8)

- a) RFR means _____
- b) The probability of an event is determined on the basis of _____ observation.
- c) _____ loan include a set maturity date.
- d) ----- bonds do not have maturity.
- e) To gain a majority interest in another firm called _____ firm
- f) The transferor is called the _____ in a lease.
- g) _____ lease rentals .
- h) MM approach stands for _____

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

- i) MCV
- ii) EBQ
- III) EPS.
- IV) ARR.
- V) DBCR
- VI) NOI approach.
- VII) CSO
- VIII) OMO

PART – B

Q.5. (a) Discuss objectives of financial management In detail?.

(b) What is MCV? Discuss the methods of computing MCV?

Q.6) (a) To manufacture one unit of product, the requirement is 2kgs of material @ Rs. 2 per Kgs actual output is 400 units. Actual quantity of material used is 850 kgs @ Rs. 1.80.find out the material cost variance. ?

(b) Factors affecting working capital?

Q.7 Discuss concept of Profitability Index/ Discounted Benefit ratio (DBCR)? Write down Merits of PI?

The initial cash outlay of a project is Rs.50000 and it generates cash inflows of Rs. 10,000, Rs.20,000 , Rs. 30,000 And Rs. 10,000. Assume 10% rate of discount . Find PI.

Q.8. (a) List down objectives of cash management?

(b) Define IRR with merits&demerits

Q.9. Write short notes (Any four)

a) Uniform casting.

b) Essentials of Interfirm comparison.

c) Types of Ratios.

d) Significance of Capital Budgeting

e) Sensitivity analysis

f) Bonds

PART- C

Q.10. Case Study....

a)What do you mean by Cash Budget? Write down steps in preparation of cash budget?

b) From the following information prepare cash budget for BCM Co.Ltd.

Particulars	Jan	Feb	March	April
Openingcashbalance	20,000			
Collectionfromcustomer	1,30,000	1,60,000	1,65,000	2,30,000
Payments:				
Raw materials purchase	25,000	45,000	40,000	63,200
Salary & wages	1,00,000	1,05,000	1,00,000	1,14,200
Other expenses	15,00	10,000	15,000	12,000
Income tax	6,000			
Machinery			20,000	

The firm wants to maintain cash balance of Rs. 25000 for each month. Creditors are allowed one month credit . There is no lag in payment of salary , other expenses.
