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

June 2014

Date :18.06.2014 | **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
(1 x32 = 32 marks)

Q.1. Choose the right answer from below: 8 marks

1. Debt to equity ratio is calculated by dividing total debt by

a) total assets

b) sales

c) average inventory

d) interest charges

2.Long term loans are commonly set for more than

a) 1 year

b) 3 years

c) 2 years

d) 5 years

3. As per capital structure theories, the kinds of funds used by a firm are-

a) equity

b) debt

c) both

d) none of the above

4. Allocation of supervision costs to various departments is done on the basis of -

a) asset value

b) area

c) cost of material used

d) no of employees

June 2011

5. Profit maximization objective ignores-

   a) time factor

   b) effective allocation of resources

   c) optimum utilization of resources

   d) maximum social welfare

6. The no. of basic propositions of Modigliani-Miller approach is-

   a) 5

   b) 3

   c) 6

   d) 4

7. Stock exchanges in India function under overall supervision of-

   a) RBI

   b) UTI

   c) SEBI

   d) SBI

8. Long term funds do not include-

   a) equity shares

   b) warrants

   c) debentures

   d) working capital

Q.2. Fill in the blanks. **8 marks**

a) Perpetual bonds do not have ______________.

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

c) The current ratio expresses the relationship between the firm's current assets and its current ______

d) Payback period method does not take into consideration the time value of ___________

e) Operating leverage is a measure of how sensitive net operating income is to percentage changes in _____________.

f) Inter-corporate deposits are usually made for a maximum of ___________ months.

g) There are 3 types of mergers – vertical merger, horizontal merger and __________ merger.

h) IPO is Initial Public ______________.

Q.3 State whether the following are True or False- **8 marks**

a) Debenture is an evidencing document, i.e, long-term promissory note.
b) Commercial Paper represents short term, secured promissory note issued by firms.
c) Overhead costs are indirect costs that cannot be directly related to a particular service or product.
d) Liquidity refers to the ability of a firm to meet its long-term financial obligations as and when they arise.
e) Dividend payout ratio is dividend per share divided by earning per share.
f) In IRR method, interest rate is a known factor.
g) RBI acts as banker to the State Governments.
h) Leasing aircraft is not a typical example of big ticket lease.

Q.4. Give the full-form of the following - **8 marks**

a) BERL
b) CSO
c) CRISIL
d) CARE
e) NPV
f) EPS
g) EOQ
h) FIFO

PART – B **48 marks**

Write any three questions. Each question carries 16 marks

Q.5. Write short notes on [any four] - **16 marks**

a] Bonds
b] Public Debt
c] Batch costing
d] Equity shares
e] Cross-border lease
f] Non-Banking Finance Companies

Q.6. a] Explain the meaning, advantages and limitations of Uniform Costing. **8 marks**

b] Explain cash flow v/s accounting profit. **8 marks**

Q.7. a] Discuss the objectives of Financial Management. **8 marks**

b] Explain RBI's norm for bank credit. **8 marks**

Q.8. a] Explain probability assignment method. **8 marks**

b] What are the factors affecting working capital? **8 marks**

Q.9. a] Explain IRR method with its merits and demerits. **8 marks**

b] A project requires an initial investment of Rs. 2,40,000/- and the annual cash inflows for 5 years is Rs. 1,00,000/-, Rs.60,000/-, Rs. 50,000/-, Rs.60,000/- and Rs. 40,000/- respectively. Calculate the payback period and advise whether the proposal should be accepted based on a standard payback period of 3 years. **8 marks**

PART- C (compulsory) 20 marks

Q.10. a] Explain the meaning of cash budget. Discuss the steps in preparation of cash budget.

B] Based on the following data, prepare the cash budget for ABC Company Ltd.for the period April to July.

Particulars	**April**	**May**	**June**	**July**
Opening Cash Balance	40000			
Collection from customers	150000	170000	160000	190000
<u>Payments</u>				
Raw material purchase	35000	40000	45000	60000
Salary and wages	120000	120000	120000	130000
Other expenses	20000	18000	15000	16000
Insurance			11000	
Machinery	5000	25000		

The firm wants to maintain minimum cash balance of Rs.30000 for each month. 2 months credit is allowed by raw-material suppliers, and there is no time lag in payment of salaries and other expenses.

****