INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management

June 2015

PAPER No. 15 (New)
COST AND FINANCIAL MANAGEMENT

Date :17.06.2015 **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. The Capital Market is regulated by-
   a. RBI
   b. SBI
   c.IDBI
   d. SEBI

2 Which one of the following is not a ratio in measuring long-term solvency of an organization?
   a. Shareholder's equity ratios
   b.Debt equity ratio
   c.Current ratio
   d.Proprietary ratio

3.Profit maximization objective ignores-
   a.Optimum allocation of resources
   b.Time factor
   c. Maximum social welfare
   d. effective allocation of resources

4. One of the following is not a source of short term finance-
   a.debentures
   b trade credit
   c.Overdraft
   d. Cash credit

5. Inventory turnover ratio is sales divided by-
   a. Credit prchase

   b.average debtors

   c.average creditors

   d average inventory

6. One of the following is a credit rating agency-
   a.LIC

   B.UTI

   c.DCR

   D.SBI

7. As per the assumptions of capital structure theories, the number of sources of funds are only
   a.four

   b.two

   c.six

   d.five

8. The number of major theories explaining the relationship between capital structure,cost of capital and valuation of the firm is
   a. four

   b.two

   c.six

   d.five

Q2.State whether the following statements are true or false:

a. IRR considers the time value of money.

b. Capital structure is that part of financial structure which represents short-term sources.

c The number of steps involved in the computation of WACC is five.

d. Leverage ratio indicates the short term solvency position of an organization.

e The time that elapses to convert raw materials into cash is known as operating cycle.

f. Revenue variants does not include sales variants.

g. Commercial paper is a short-term source of finance.

h. Budgetary control is a guide to the management in the field of research and development in future.

Q3. Fill in the blanks with appropriate words:

a. A bond is an instrumentof long-term _________ by a borrower.

b. Spending on advertising or researching on a product idea is an example of _________ costs.

c. Public deposits may be accepted for a period of six months to _______ years.

d. WACC is waited average cost of __________.

e. NPV method takes into account the time value of ______________.

f. Capital Market is a place where people buy or sell financial instruments be it equity or ___________.

g. AMC is asset management __________.

h. Working Capital refers to short-term funds to meet _________ expenses.

Q4. Expand the abbreviations-

a. IRR

b. APM

c. ROCE

d. OTCEI

e. EBDT

f. CAPM

g. STCI

h NSE

PART B

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

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

a Profitability index
b .Money market
c. Profit maximization
d. Credit rating
e. NPV method
f Common size statements

Q6. **16 marks**

a. Define zero base budgeting.Outline the steps in zero base budgeting.
b. Discuss the definition and meaning of financial management.

Q.7. **16Marks**

a .Explain the importance of financial statements.
b What are the factors contributing to the time value of money

Q.8 Define ratio analysis and discuss the importance, advantages and limitations of ratio analysis.

16 marks

Q9. a. Explain the significance of capital budgeting decisions.

b. ABC & Co is considering a proposal for an investment of Rs. 60000 and the annual cash inflows for 5 years is Rs. 12000, Rs. 16000, Rs. 10000, Rs. 14000 and Rs.16000 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. Prepare a Cost Sheet based on the following details extracted from the accountings books of M's Ram & Co::-

Particulars	***Rs. 1-4-2004***	***Rs. 31-3-2005***
Stock of raw materials	100000	1,20,000
Stock of finished goods	2,00,000	300000
Stock of work-in-progress	40000	48000

Particulars	***Rs.***	***Particulars***	***Rs.***
Indirect Labour	1,00,000	Administrative expenses	2,00,000
Oil	20000	Electricity	60000
Insurance on fixtures	6000	Direct Labour	6,00,000
Purchase of raw materials	8,00,000	Depreciation on machinery	1,00,000
Sale commission	1,20,000	Factory rent	1,20,000
Salaries of salesmen	2,00,000	Property Tax on building	22000
Carriage outward	40000	Sales	25,00,000

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