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

June2015

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: 8 marks

1. Profit maximization objective ignores-
   a. Time factor
   b. Effective allocationof resources
   c.optiimum utilizationof resources
   d.. maximum social welfare

2. Cross border lease is in one in which parties are in different
   a. states
   b. countries
   c. districts
   d. continents

3. The responsibility for monitoring the monetary policy of India is that of-
   a. SBI
   b. EXIM Bank
   c. RBI
   d. UTI

4. Intermediate- term loans are usually running less than
   a. 2 years
   b. 4 years
   c. 6 years
   d. 3 years

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

6. Equity ratio is calculated as Ordinary Shareholder's Interest divided by
   a. sales
   b. total assets
   c. average inventory
   d. interest charges

7. The responsibility of managing FEMA 1999 is that of
   a. SBI
   b. NABARD
   c. RBI
   d. UTI

8. The number of basic propositions of Modigliani Miller approach is
   a. 2
   b. 6
   c. 4
   d. 3

Q2.State whether the followiong statements are true or false: 8 marks

a. Commercial Paper represents a short-term unsecured promissory note issued by firms.
b. In IRR method, interest rate is an unknown factor.
c. Leasing aircraft is a typical example of a small ticket lease.
d. Under sensitivity analysis, the estimation of the cash inflows of a project is made under four.assumptions.
e. Debt Ratio is calculated by dividing total debt by total assets.
F. Issuer of coins is RBI.
g. Capital Market is regulated by RBI.
h. Work-in-progress contains only one side,namely,credit side.

Q3. Fill in the blanks with appropriate words: 8 marks

a. Debenture is an evidencing document i.e.long term promissory ____________.
b. Overhead costs are indirect costs that cannot be directly related to a particular service or ------.
c. Scheduled commercial banks constitute those banks which have been included in the _________ schedule of the RBI Act,1934
d. Perpetual bonds do not have ______________.
e. Financial leverage ratios are also called ____________ ratios.
f. There are three types of mergers- vertcal merger, horizontal merger and ________ merger.
g. IPO is initial __________ Offering.
h. EPS is __________ per share.

Q4. Expand the abbreviations 8 marks

a. EBQ
b. ROE
c. PPF
d. CRR
e. SLR
f. EBIT
g. CFAT
h. BELR

PART B

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

Q5. Write short notes on(any four)- **16 marks (4 X4)**

a. Bonds
b. Convertible bonds
c. Process costing
d. Regional rural banks
e. Cooperative Credit
f. Transfer Pricing

Q6 a. What are Warrants and their advantages? **8 marks**
b. Discuss the concept and importance of domestic savings. **8 marks**

Q.7.a Explain the meaning and concept of Leasing. **8 marks**
b Compare Financial lease and Operating lease. **8 marks**

Q.8 a. Explain the IRR method and its merits and demerits. **8 marks**

b. The initial cash outlay of a project is Rs.50,000/-, and it generates cash inflows of Rs.10,000/-,Rs.20,000/-,Rs.30,000/-,and Rs.10,000/-.Assume 10% rate of discount. Calculate the Profitability Index. **8 marks**

.Q9.a. What is MCV? Discuss the methods of computing MCV. **8 marks**

b. DEF Ltd., is considering two projects. Each requires an investment of Rs.10,000. The company's cost of capital is 10%.The net cash inflows from investments in the two projects X and Y are given below- **8 marks**

Year	**1**	**2**	**3**	**4**	**5**
X (Rs)	5000	4000	3000	1000	__
Y(Rs.)	1000	2000	3000	4000	5000

If the Company has fixed three years payback period as the cut-off point, state which project should be accepted?.

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.

****