



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Materials Management

June 2015

Graduate Diploma in Materials Management

PAPER No. 3 (New)

BUSINESS ECONOMICS & FINANCIAL ACCOUNTING.

Date : 15.06.2015

Max. Marks :100

Time : 2.00 p.m to 5.00 pm

Duration : 3 Hrs.

Instructions :

1. From Part A – answer all questions (compulsory).
2. From Part B – Answer any 3 questions out of 5 questions. Each question carries 16 marks
3. Part C is a case study (compulsory). Read the case study carefully and answer the questions
Each Question carries 10 marks

Total: 32 Marks

Total: 48 Marks

Total: 20 Marks

PART A (compulsory).

(32 x1 = 32 marks)

Q.1. Choose the most appropriate option:

8 marks

1. Cash flow statement is to be prepared and presented only by –

- a. listed companies
- b. private companies
- c. partnerships
- d. co-operatives

2. Which of the following is in the secondary sector of an economy

- a. banking
- b. electricity
- c. retail
- d. insurance

3. Which of the following is in the tertiary sector of an economy?-

- a. agriculture
- b. fisheries
- c. transport
- d. Mining

4. The role of government in an economy is to ensure
- a. economic security
 - b. social security
 - c. environmental security
 - d. all of the above
5. The education system in India consists of primarily -
- a. three levels
 - b. four levels
 - c. five levels
 - d. six levels
6. Which of the economic system is followed by India?-
- a. Capitalist System
 - b. Communist System
 - c. Mixed economy
 - d. None of the above
7. A good for which demand increases as the price increases and falls when the price decreases is -
- a. complimentary goods
 - b. giffen goods
 - c. inferior goods
 - d. normal goods
8. One of the following is a non-current liability
- a. debentures
 - b. copyrights
 - c. goodwill
 - d. land

Q.2. State whether the following statement is True or False:

8 Marks

- a. Networth is total assets minus total liabilities.
- b. Liberalisation is loosening the control of government.
- c. A person who cannot pay his debts is called solvent.
- d. Product Market is the market in which only real goods but not services are bought and sold.
- e. Demography is the study of the growth, change, and structure of the human population.
- f. Profit increases the owner's equity.
- g. Equity share capital is a current liability.
- h. Increase in long-term loans from financial institutions is not a source of funds.

Q.3. Fill in the blanks:

8 marks

- a. The objective of the firm is to maximize its value to its _____.
- b. Macro economics concentrates on behavior of the _____ as a whole.
- c. A graph of all possible combinations of inputs that result in the production of a given level of output is called -----
- d. The primary sector of the economy is the sector of an economy which is making direct use of _____ resources.
- e. A country's GDP is one of the ways of measuring the _____ of its economy.
- f. The amount of cash or other assets withdrawn by the owner for his/her personal use is called _____.
- g. Accounting records only those transactions which can be measured in _____ terms.
- h. GAAP means Generally Accepted Accounting _____.

Q.4. Expand the following abbreviations:

8 marks

- | | | | |
|---------|----------|----------|--------|
| a. LARC | b. SCICI | c. HUDCO | d. NNP |
| e. TNC | f. AIS | g. IDBI | h. IAS |

PART B

(Answer any three)

3x16 = 48 marks

Q.5. Write short notes on (any four) : 16 marks

- a. Quality Culture
- b. Infrastructure
- c. Trend Analysis
- d. Wholesale Price Index
- e. Book-keeping
- f. Human Development Index

Q.6. a. Discuss the concept of demand and the types of demand. 16 marks

- b. What is FDI? Discuss the role of FDI in India.

Q.7. a. Discuss Social Responsibility and Ethics. 16 marks

- b. Explain the different forms of business organizations.

Q.8. a. Discuss the role of MNCs in the economic development of underdeveloped countries. 16 marks

- b. Explain the factors of production.

Q.9. a. Discuss the limitations of Accounting Principles. 16 marks

- b. Discuss the limitations of financial statements.

PART- C

Q.10. (COMPULSORY)

20 marks

The following ratios and other information have been extracted from the Balance Sheet of ABC Ltd., as at 31-3-2014:

1. Current Liabilities-	1.0 times working capital
2. Current assets-	2.5 times working capital
3. Working capital-	Rs. 300000/-
4. Liquidity ratio-	1.5
5. Stock turnover ratio-	6
6. Gross profits as percentage of sales –	20%
7. Debt collection period-	2 months
8. Shareholders' capital-	Rs. 500000/-
9. Reserves and surplus-	Rs.250000/-
10.Fixed asset turnover-	2

Draw up

- 1) The Balance Sheet of ABC Ltd., as at 31-3-2014 from the above information and
- 2) Show the details of the working of the various items of the balance sheet.
