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

June 2016

Date :15.06.2016 **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)

Q.1. Select the most appropriate answer from the options given below: 8 marks

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

2 Which one of the following is not a ratio in measuring short-term solvency position of an organisation
   a. Current ratio
   b. Capital gearing ratio
   c. Quick ratio
   d. Absolute liquid ratio

3. The capital market is regulated by
   a. UTI
   b. RBI
   c.SEBI
   d IDBI.

4. On the basis of time, budget may be classified into which of the following categories
   a. Short-term
   b. Long-term
   c. current
   d. all three above

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

6. The number of major theories explaining the relatioship between capital structure,cost of capital and valuation of the firm is
   a.two
   b.four
   c.five
   d.six

7. Debtor turnover ratio is is credit sales divided by
   a.Average stock
   b.Sales
   c.Average debtors
   d.Average creditors

8. One of the following is an Investment company
   a. ICRA
   b. CARE
   c. CRISIL
   d. LIC

Q.2.State whether the followiong statements are true or false 8 Marks

a. The term overhead includes indirect material expenses
b. Break even point is a point where the total sales or revenue are equal to total costs.
c. Capital structure is that part of financial structure which represents short-term sources..
d. IRR does not consider the time value of money
e. Revenue variance includes sales variance.
f. Cost centre is also known as responsibility centre
g. Essentially,money market refers to a market for long-term funds.
h.Commercial paper is a long-term source of finance.

Q.3. Fill in the blanks with appropriate words: 8 marks

a. Costs that cannot be recovered once they have been incurred are called --------costs.
b. Break -even analysis is a technique of studying cost-volume---------- relationship.

c. CIMA stands for the Institute of Cost and Management -------------

d. Super quick ratio is Absolute liquid assets divided by Current ----------.

e. Leverage ratios indicate long-term --------- position of an organisation.

f. ROI is Return on -------------

g. Capital market is a place where people buy and sell financial instruments be it equity or ---------------

h. ARR method ignores the concept of time value of -----------

Q4. Expand the abbreviations- 8 marks

a. MCV

b. CAPM

c. OTCEI

d. EPS

e. CRISIL

f. SHCIL

g. DCF

h WACC

PART B

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

Q5. Write short notes on(any four)- (4 x4 = 16 marks)

a Performance budget

b. Common size statement

c. Wealth maximization

d. Profitability index

e. Cost centre

f. Marginal cost of capital

Q6. a. Discuss the various elements of cost

b. What is break-even chart? List its advantages.

Q.7 a. List the main differences between budget and forecast

b Define zero-base budgeting. What are its advantages?

Q.8 a. Discuss the importance and advantages of ratio analysis.

b. Explain the factors contributing to the time value of money.

Q9. a.Discuss the reasons due to which capital budgeting decisons are significant.

b. ABC & Co is considering a proposal for an investment of Rs. 40000 and the annual cash inflows for 5 years is Rs. 12000, Rs. 16000, Rs. 10000, Rs. 4000 and Rs.8000. Calculate the Payback priod and advise whether the proposal can be accepted if the standard payback prriod is 4 years.

PART- C (Compulsory) **20 Marks**

Q.10. Prepare a Cost Sheet based on the followinf details extracted from the books of a manufacturer:-

Particulars	**Rs.**
Materials Purchased and Consumed	12000
Direct Labour Expenses	22000
Direct Expenses	6300
Factory depreciation	110
Repairs and Renewals	220
Insurance	520
Rent, Rates and Taxes	630
Electric Consumption	150
Power	110
Fuel	60
Water	50
Watchman’s Wages	110
Factory Manager’s ’Salary	550
Foreman’s Salary	110
Office Stationary	50
General Charges	120
Bank Charges	160
Office Rent	100
Postage & Stamps	40
Telephones	10
Manager’ Salary	520
Office Clerk’s Salary	220
Advertising	110
Commission to Salesmen	220
Discounts	110

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