



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management

June 2017

PAPER No. 15
COST AND FINANCIAL MANAGEMENT

Date :14.06.2017

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.
3. In Part B answer any 3 questions out of 5. Each question carries 16 marks
4. Part C is a case study with sub questions and it is compulsory.

Total marks-32

Total marks-48

Total marks-20

PART A

(32 marks)

(compulsory. Each sub question carry one mark)

Q1. Give the full form of

8 marks

- 1) CCC
- 2) ADCP
- 3) PBP
- 4) MSUV
- 5) SWIFT
- 6) STCI
- 7) DFHI
- 8) CHIPS

Q2. Write True or False

8 marks

- 1) Margin of safety indicates the excess of actual sale over break even sales.
- 2) DFHI was set up by Finance Ministry.
- 3) Retail banking is a high volume business.

- 4) In the primary market, shares of existing companies are bought and sold.
- 5) At breakeven point, the profit is zero.
- 6) Office Rent is a product cost.
- 7) Treasury Bill is a short term security.
- 8) Working capital is a long term fund.

Q3. Fill in the blanks

8 marks

- 1) Gross working capital refers to _____ .
- 2) Public deposits are _____ loan.
- 3) PM + DL + MOH is _____ .
- 4) Contribution = Sales minus _____ .
- 5) _____ indicates profit making capacity beyond the breakeven point.
- 6) Preference dividend cover = $\frac{\text{Net Profit After Tax}}{\text{-----}}$
- 7) A bank selling its services to other financial institutes is called _____ .
- 8) NSE was established in the year _____ .

Q4. Match the following

8 marks

Column A

Column B

1) Break Even Analysis	a) Decision Making
2) Advance from customers	b) Working Capital
3) William Sharpe	c) CAPM
4) IRR	d) Budgetary Control
5) Variance	e) Master Budget
6) ZBB	f) Cost Reduction
7) Summarized budget	g) Standard - Actual
8) Marginal Costing	h) NPV is zero

PART B

(Answer Any Three Questions each question carry 16 marks)

48 marks

Q5. Explain the factors affecting the need for working capital.

Q6. What are the key elements of cost?

Q7. Explain the steps in capital budgeting.

Q8. a From the following details find out: (i) P/V Ratio, (ii) Break-even point, and (iii) Margin of safety.

Sales Rs. 1,00,000

Total Cost Rs. 75,000

Fixed Cost Rs. 20,000

Net Profit Rs. 25,000

b. What are the assumptions of Break-even Chart?

Q9 a. Product X requires 20 kg of material at Rs. 4 per kg. The actual consumption of material for the manufacturing of product X came to 24 kg of material at Rs. 4.50 per kg. Calculate:

(i) Material Cost Variance

(ii) Material Price Variance, and

(iii) Material Usage Variance.

b. What are the uses of Ratio Analysis?

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

Q10. a. A choice is to be made between the two competing proposals which require an equal investment of Rs. 50,000 and are expected to generate net cash flows as under:

Years	Project A Rs.	Project B Rs.
1	25,000	10,000
2	15,000	12,000
3	10,000	18,000
4	Nil	25,000
5	12,000	8,000
6	6,000	4,000

Cost of capital of the company is 10%. The following are the present value factor at 10% p.a.

Year	1	2	3	4	5	6
P.V. Factor at 10%	0.909	0.826	0.751	0.683	0.621	0.564

Which proposal should be selected using NPV method? Suggest the best project.

b) A firm has the following capital structure as the latest statement shows:

Sources of funds	Rs.	After tax cost %
Debt	30,00,000	4
Preference shares	10,00,000	8.5
Equity share	20,00,000	11.5
Retained earnings	40,00,000	10
Total	1,00,00,000	

Based on the book values, compute the cost of capital.
