



INDIAN INSTITUTE OF MATERIALS MANAGEMENT  
Post Graduate Diploma in Materials Management

June 2017

Graduate Diploma in Materials Management

PAPER No. 3  
BUSINESS ECONOMICS & FINANCIAL ACCOUNTING.

Date : 12.06.2017  
Time : 2.00 p.m to 5.00 pm

Max. Marks :100  
Duration : 3 Hrs.

Instructions :

1. From Part A – answer all questions (compulsory). **Total: 32 Marks**
2. From Part B – Answer any 3 questions out of 5 questions. Each question carries 16 marks **Total: 48 Marks**
3. Part C is a case study (compulsory). Read the case study carefully and answer the questions **Total: 20 Marks**

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**PART A (compulsory).**

**( 32 x1= 32 marks)**

**Q1. Expand the following**

- a. EXIM Bank
- b. IBRD
- c. NAFTA
- d. EEC
- e. NHB
- f. WIPO
- g. GIC
- h. ICRA

**Q2. Match the following**

**A**

- a. Regulatory Body
- b. Tertiary Sector
- c. Asian Tiger
- d. Purchase of Apartment
- e. Loss on issue of Share
- f. Sensitivity analysis
- g. Total Debt divided by Total Assets
- h. FEMA

**B**

- a. Retail
- b. Investment Activity
- c. Assumptions
- d. SEBI
- e. Singapore
- f. Debt ratio
- g. RBI
- h. Fictitious assets

### **Q3. State True or False**

- a. Debenture is a long term promissory note
- b. In IRR, unknown factor is interest rate
- c. Pre-Investment study reports is part of master plan report
- d. RBI issue Treasury Bills
- e. Scheduled commercial banks are part of first schedule of RBI
- f. Lease cannot be cancelled at short notice in an operating lease
- g. Working capital is short term fund requirements
- h. RBI manages Foreign exchange in International Trade

### **Q4. Fill in the blanks**

- a. There are only two kinds of funds used by a company i.e debt and \_\_\_\_\_
- b. Financial Institutions are allowed to issue certificate of Deposits between 1 and \_\_\_\_\_ years.
- c. Company bonds have high risk of \_\_\_\_\_ compound to Government bonds
- d. Dividend payout ratio is dividend per share divided by \_\_\_\_\_ per share
- e. Financial leverage ratio is called \_\_\_\_\_ ratio
- f. Escrow Account is a \_\_\_\_\_ account
- g. There are 3 types of mergers Horizontal, Vertical and \_\_\_\_\_
- h. Overheads cost is \_\_\_\_\_ cost.

## **PART B**

**(Answer any three)**

**3x16 = 48 marks**

Q5. Write short notes on any four

- a. Transfer pricing
- b. Debentures
- c. Financial Market
- d. Human Development Index
- e. Types of unemployment
- f. Convertible bonds

Q6. Explain laissez faire economy

Q7. What are the roles of Financial institutions in India?

Q8. What are the sources of information for financial analysis?

Q9. What are the differences between book keeping and accounting?

## PART C

### Q10. Case Study ( compulsory)

**20 Marks**

A Company is planning to have the most desirable capital structure. The following estimate of the debt and equity capital have been made at various levels of debt-equity mix.

Decide the optimum debt-equity ratio mix for the company by calculating of the cost of capital

Debt as percentage of Total Capital Employed	Cost of debt (%)	Cost of Equity (%)
0	6	13
10	6	13
20	6	13.5
30	6.5	14
40	7	15
50	7.5	17

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