INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Materials Management

June 2018

PAPER No. 15

COST AND FINANCIAL MANAGEMENT

Date :13.06.2018 **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 Give the expansion of the following **8 marks**

a. CAPM
b. WACC
c. CRISIL
d. AMFI
e. APM
f. MCV
g. ARR
h. OTCEI

Q.2 State True or False **8 marks**

a Direct materials+Direct labour +Direct expenses = Prime cost

b Margin of safety indicates the soundness of the business firm.

c Commercial paper is a long-term credit instrument.

d. For garment industry, cloth is an indirect material for ready- made garments.

e. Hundis are short –term credit instruments dealt with in the Indian money markets.

f The change in price levels due to inflation will distort the reliability of ratio analysis.

g. There are five major theories explaining the relationship between capital structure, cost of capital and valuation of the firm.

h. Budgets prepared for a period of 5-10 years are called short-term budgets. .

Q.3 Fill up the blanks **8 marks**

a . Break-even analysis is a technique of studying cost-volume- -----------------relationship.

b A budget is a tool of planning and -----------

c . Costs can be classified into fixed costs and ----------------costs.

d . DSCR is Debt service ----------- ratio.

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

f . CFAT is Cash flows after ------------

g. T- bills are issued by ------------- on behalf of Government of India.

h . Money market refers to a market for----------- term funds.

Q. 4 Match the following

Column A	**Column B**
1. LIC	a. Infrastructure
2. CARE	b. Fixed cost
3. SEBI	c. Sunk cost
4. NYSE	d Variable cost
5. Municipal bonds	e. Capital markets
6. Manager's salary	f. Regulatory body
7. Advertising cost	g. Credit rating
8. fuel for airline	h. Investment company

PART B

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

Q 5. Write short notes (on any four) (4x4 = 16 marks)

a Margin of Safety

b Common size statements.

c Concept of budget

d Credit rating

e Money market.

f Trend ratios.

Q6 a) Discuss in detail the various elements of cost.

Q 7. Discuss the meaning and significance of capital budgeting. Which are the three main obstacles to \ capital budgeting?

Q8 What is the importance of working capital? Mention long-term and short-term sources of finance available for working capital.

Q9 a) Explain Net Present Value method and its limitations.

b) A decision has to be taken between two competing proposals which require an equal investment of Rs.1,00,000/- and are expected to generate net cash flows as under:

Years	Project A (Rs.)	Project B(Rs)
1	50000	20000
2	30000	24000
3	20000	36000
4	6000	50000
5	24000	16000
6	12000	8000

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

Advise the best proposal to be selected using NPV method.

PART- C (Compulsory) 20 Marks

Q 10 Calculate the prime cost, factory cost, cost of production .cost of sales and profit from the following data:

	Rs.		Rs.
Direct materials	2,00,000	office stationery	1000
Direct wages	50,000	Telephone charges	250
Direct expenses	10,000	Postage and telegrams	500
Wages of foreman	5,000	Salesmen's salaries	2500
Electric power	1,000	Travelling expenses	1,000
Lighting :factory	3,000	Repairs &renewal plant	7,000
Office	1,000	Office premises	1,000
Storekeeper's wages	2,000	Carriage outwards	750
Oil &water	1,000	Transfer to reserves	1,000
Rent: Factory	10,000	Discount on shares	1,000
Office	5,000	Written off	
		Advertising	2,500
Depreciation plant	1,000	Warehousing charges	1,000
Office	2500	Sales	3,79,000
Consumable store	5,000	Income tax	20000
Manager's salary	10,000	Dividend	4,000
Director's fees	2,500		

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