



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Logistics Management

Dec 2012

Paper 1
Management Principles and Business Finance

Date: 08.12.2012

Max Marks: 100

Time: 10.00 AM to 1.00 PM

Duration: 3 Hours

Instructions:

- 1) Part A1 and A2 are compulsory
- 2) Part B: Answer any three questions with a maximum of two from part B1 or B2
- 3) Part C Compulsory

Total Marks=32
Total Marks=48
Total Marks=20

Part :A: 1 (1 x16= 16 marks)

Q.1. Indicate whether the following statements are True or False:

- (i) Goal Management provides organizations with a mechanism to effectively communicate corporate goals and strategic objectives to each person across the entire organization.
- (ii) Ethics is adopting moral values, a sense of right or good.
- (iii) There is nothing permanent except change.
- (iv) Strategies and policies are not closely related.
- (v) Organizational culture is the major principles that help its members to understand what the organization stands for, how it does things, and what it considers important.
- (vi) Job enrichment means increasing an employee's wages and control over his work.
- (vii) The main and ultimate purpose of communication is to get across a message to the Recipient.
- (viii) Manpower planning is a strategy for the acquisition, utilization, improvement and presentation of an enterprise's human and material resources.

Q. 2 Match A & B from the following-

A	B
1. Conventional reward / punishment to gain compliance from followers	a) Exchange of facts, ideas, emotions, & opinions between two or more persons
2. Autocratic /authoritative Style	b) Standing Orders
3. Innovative approach	c) Management & Worker's Union
4. Joint management councils	d) Transactional Leadership
5. Internal Change Agent	e) Link between company & consultants
6. Collective Bargaining	f) Successful Exploitation of new ideas
7. Communication Process	g) Insecure, uninformed & afraid of boss
8. Cross functional Team	h) People with different skills & expertise

Part : A :2: (Finance) (1 x16= 16 marks)

Q.3. Indicate whether the following statements are True or False :

- (i) The credit balance in Profit & loss account shows loss for the year and
- (ii) The amount withdrawn by the businessman from his business for personal use is called capital.
- (iii) The current ratio indicates the long term solvency of the business.
- (iv) The balance sheet has two sides, assets and liabilities.
- (v) The balance of Profit & Loss account is transferred to the Balance Sheet
- (vi) Share Capital is a source of long term finance.
- (vii) The net working capital is the difference between Current Assets & Current Liabilities.
- (viii) Only financial transactions of the business are recorded in the books of accounts.

Q.4. Select the right answer from the following multiple choice answers:

(1) Equity financing to small and often risky businesses in turn for a share in ownership of the firm is called as _____.

- (a) Venture Capital
- (b) Promoter's Capital
- (c) Minority Share holding
- (d) Working Capital

- (2) The excess of current assets over current liabilities is called as _____.
- (a) Gross Working Capital (b) Net Working Capital
(c) Seasonal Working Capital (d) Fixed Working Capital
- (3) Decrease in current liabilities results into _____ in working capital.
- (a) Decrease (b) Destruction (c) Increase (d) Appreciation
- (4) Liquidity Ratio measures the _____ term liquidity position of the following.:
- (a) Long-term (b) Medium Term (c) Mid Term (d) Short Term
- (5) Trading on equity means use of _____ capital in the capital structure.
- (a) Equity Capital (b) Borrowed Capital (c) Debt. Capital (d) Equity & Debt. Capital
- (6) Net Profit after tax divided by the number of equity shares gives _____.
- (a) Dividend Per Share (b) Profit Per Debenture
(c) Earning Per Share (d) Dividend Pay Out
- (7) Stock of inventory is considered as a part of _____ asset.
- (a) Fixed (b) Current (c) Floating (d) Fictitious
- (8) Bank overdraft account normally shows _____ balance :
- (a) Credit (b) Debit (c) Nil (d) Excess

Part : B : 1 – Management Principles :

Answer any three questions with a maximum of two from part B1 or B2 (16 x 3 = 48 marks)

Q.5. What is Management ? What are the functions of Management.?

Q.6. What is Business Finance ? What are the sources of Business Finance ?

Q.7. Write Short Notes on any Four :

- (a) Multi-National Corporations
(b) Empowerment
(c) Controlling Techniques
(d) Job – Enrichment

- (e) Manpower Planning
- (f) HRD Mechanism
- (g) Motivational Techniques

Part :B: 2 – Finance

Q.8. The Balance sheet of Yash Ltd as on 31st March,2012 is given below :

Liabilities	(Rs.Lakhs)	Assets	(Rs.Lakhs)
Equity Share Capital	2.00	Land	0.80
Reserve & Surplus	1.00	Building	2.00
12% Debentures	5.00	Machinery	3.00
Creditors	0.70	Debtors	1.10
Bills Payables	0.20	Stock	2.00
Proposed Dividend	0.20	Cash & Bank	0.40
Provision for tax	0.20		
	<u>9.30</u>		<u>9.30</u>

You are required to calculate the following ratios and comment on the financial position of the company :

- (a) Proprietary Ratio (b) Current Ratio (c) Liquid Ratio
- (d) Capital Gearing Ratio (e) Stock Working Capital Ratio

Q.9. A Ltd wishes to arrange overdraft facilities with its bankers during the period 1st April to 30th June,2012.It will be manufacturing mostly for stock. Prepare a Cash Budget for the above period from the above data indicating the extent of the bank facilities the company will require at the end of each month.

(i)

Month	Sales	Purchases	Wages
	Rs	Rs	Rs
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

- (ii) 50% of the credit sales are realized in the month following the sales and the

remaining 50 percent in the second month following. Creditors are paid in the month of purchase.

(iii) Cash at bank as on 01-4-2012 is estimated at Rs.25,000/- .

Part : C: Compulsory

20 marks

Q.10. : KP Ltd. Has been manufacturing Diesel Engines. The data for the last four years is given below : Year ended 31st March.:---

Particulars	2009	2010	2011	2012
	(Rs.Lakhs)	(Rs.Lakhs)	(Rs.Lakhs)	(Rs.Lakhs)
Sales	136	392	637	802
Net Profit	6	18	26	24
Earning Per Share (Rs.)	1.0	2.87	3.87	3.31
Dividend Per Share(Rs.)	----	0.71	0.95	0.98
Return on Equity (%)	----	14.7	13.9	10.8
Number of plants	2	8	13	14
Market Share	61%	44%	38%	40%
Engines produced	10,000	44,500	57,500	63,000

You are required to calculate :-

- (a) Sales Margins
- (b) Equity Turnover
- (c) Average Profit Per Plant
- (d) Equity Capital
- (e) Comment on the Company's Performance over the period.

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