



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Materials Management

Graduate Diploma in Materials Management

Dec 2011

PAPER No. 3

BUSINESS ECONOMICS, ACCOUNTING & FINANCE.

Date : 12.12.2011
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 |

PART A

Q1. Select the most appropriate answer from the options given below: 8 marks

1. One of the following is not included in the primary sector of the economy -

- a. Banking
- b. Animal Husbandry
- c. Farming
- d. Fishing

2. Which of the following is not a use of funds?

- a. Increase in fixed assets
- b. Increase in accrued expenses
- c. Payment of taxes
- d. Decrease in provisions

3. The situation when there is only one buyer in the market is called

- a. Oligopoly
- b. Oligosony
- c. Monopsony
- d. Monopoly

4. Which among the following is not a regulatory body?

- a. RBI
- b. SEBI
- c. CBDT
- d. IDBI

5. One of the following is disclosed by the trial balance

- a. Error of omission
- b. Error of commission
- c. Compensatory Error
- d. Error of amount which has been wrongly posted

6. One of the following will appear in the credit side of the trading account

- a. Wages
- b. Direct Expenses
- c. Closing Stock
- d. Carriage Inwards

7. Which one of the following countries is not included in the term 'Asian Tigers'?

- a. Hong Kong
- b. India
- c. Singapore
- d. South Korea

8. Niche brand is a brand with

- a. Low volume share and low price sensitivity
- b. High volume share and high price sensitivity
- c. Low volume share and high price sensitivity
- d. High volume share and low price sensitivity

Q2. State whether the following are true or false:

8 marks

- 1. Insurance services is an example of secondary economic activities.
- 2. Loss on sale of fixed assets is not an example of capital loss.
- 3. Fictitious assets and intangible assets are the same.
- 4. Depreciation is a source of funds
- 5. Disposable income is equal to personal income minus personal taxes.
- 6. Both P&L A/C and Balance Sheet are prepared for the accounting period.
- 7. Longer decision making process is not one of the disadvantages of a co-operative form of organization.
- 8. Economic indicators fall into three categories, leading, lagging and coincident.

Q3. Fill in the blanks with appropriate words:

8 marks

- 1. The objective of a firm is to maximize its value to its _____
- 2. _____ is the equation of personal happiness with consumption and the purchase of material possessions.
- 3. Journal is the book of _____ entry
- 4. $GDP = \text{_____} - \text{net factor income from abroad}$
- 5. The ratio of net profit before interest and tax to interest charges is called _____ ratio
- 6. Aggregate supply is the total of goods and _____ by a national economy during a specific time period.

7. For an enterprise, cash comprises cash in hand and demand deposits with _____
8. Life insurance corporation is an example of specialised _____ institution

Q4. Expand the abbreviations-

8 marks

1. MES
2. GDP
3. SIDBI
4. NNP
5. CPI
6. SEZ
7. IRR
8. GAAP

PART B

Q5. Write short notes on any four -

16 marks

- a. Double Entry Book-keeping
- b. Factors of Production
- c. Ratio Analysis
- d. Infrastructure
- e. Elements of cost
- f. International Monetary Fund

Q6. Explain 'trading blocs'. What are the types of the trading blocks? Give a SWOT analysis of a trading bloc.

16 marks

Q.7.

16Marks

- a] Discuss the Indian Foreign Trade Policy of Liberalisation.
- b] Discuss the role of public sector and private sectors.

Q.8 .

16 marks

- a] Why is cashflow statement prepared? Distinguish between Fundflow and Cashflow analysis.
- B] Explain the objectives and scope of Management Accounting.

Q9.

16 marks

- a] Explain the meaning, causes and need of Depreciation.
- B] Patel & co. has incurred the following expenditure-
 1. Rs. 90,000/- travelling expenses of their sales manager, who travelled to London to attend a meeting in order to increase sales- the visit was quite successful.
 2. Rs. 1000/- spent for installing machinery.
 3. Rs. 500000 spent on research and development.
 4. Rs. 700/- paid for fuel.

Classify the above expenditures as capital, revenue and deferred revenue expenditure giving u one sentence reason.

PART C

Q10.

20 marks

A] Pass journal entries to rectify the following errors

- 1 A sale of goods to Bharat Patel for Rs.2000 was passed through the Purchases book
- 2 Salary Rs.1000 paid to Ramesh Reddy was wrongly debited to his personal account
- 3 Furniture purchased on credit from Suresh Shah for Rs.1250 was entered in the Purchases book
- 4 Rs. 7500 spent on extension of building was debited to buildings repairs account
- 5 Goods returned by Krishna Kamath Rs. 1400 were entered in Returns outward book

B] Prepare the P/L A/c of M/S Bhagwandas & Co.for the year ended 31/3/2011 on the basis of following figures-

| | <i>Rs.</i> |
|---------------------------|------------|
| Gross profit for the year | 11970 |
| Salaries | 4825 |
| Rent and Taxes | 900 |
| General Expenses | 2350 |
| Brokerage expenses | 150 |
| Bad debts | 190 |
| Discount allowed | 340 |
| Commission received | 60 |
| Interest receivable | 340 |
| Depreciation | 590 |
| Bank Charges | 15 |
