Final Test Paper 15 INDIAN INSTITUTE OF MATERIALS MANAGEMENT COST AND FINANCIAL MANAGEMENT GDMM/PGDMM 3 YEARS

Instructions:
1. Answer all 50 questions. Each question carries 2 marks Total : 100 Marks
2. Duration 1 Hour.

*Required

1. Email *

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2. Name *

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3. Roll Number *

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4. 1. Period costs are associated with :

Mark only one oval.

☐ cost of purchased goods

☐ cost of manufactured goods

☐ cost of inventory

☐ selling function of the business
5. The manufacturing and non-manufacturing costs are charged to which of the following cost centres?

*Mark only one oval.*

- operation and process cost center
- production cost center
- personal cost center
- impersonal cost center

6. The fuel for an airline is an example of:

*Mark only one oval.*

- Fixed cost
- Variable cost
- semi-variable cost
- sunk cost

7. To improve margin of safety, one of the following is not to be adopted:

*Mark only one oval.*

- increase level of production
- decrease the selling price
- reducing the fixed and variable costs
- substitute the existing products by more profitable products

8. One of the following is a disadvantage of break-even chart:

*Mark only one oval.*

- the chart is useful for forecasting costs and profits at various levels of sales
- profitability of various products can be compared
- no importance is given to opening and closing stocks
- The chart can help study the relationship of cost, volume and profit.
9. 6. Which one of the following is a disadvantage of budgeting:

Mark only one oval.

☐ budget execution is not proper and automatic
☐ budget helps in solving problems in a disciplined manner
☐ it sets responsibilities of employees in relation to the function of business
☐ budgeting helps in feeling of cooperation and understanding between different departments

10. 7. Which one of the following is not an advantage of budgetary control:

Mark only one oval.

☐ it takes the help of different levels of management in the preparation of the budget
☐ it is a tool for comparing the actual results with that of the budget
☐ budgets are prepared on the basis of forecasts and estimates about the future.
☐ budgetary control is a good guide to the management for making future plans

11. 8. Mutual Funds are subject to monitoring and inspection by

Mark only one oval.

☐ DEA
☐ RBI
☐ DCA
☐ SEBI

12. 9. Prime cost excludes:

Mark only one oval.

☐ cost of direct materials
☐ cost of direct wages
☐ cost of direct expenses
☐ rent of the factory
13. The number of budgets that may be prepared for each year in the case of seasonal business like sugar, apparel, etc is:

*Mark only one oval.*

- [ ] two
- [ ] three
- [ ] four
- [ ] five

14. Criticism against ZBB is:

*Mark only one oval.*

- [ ] it helps in identifying and controlling wasteful expenditure
- [ ] it requires a lot training for managers
- [ ] it enables management to allocate resources according to benefit or importance
- [ ] it is a convenient tool in integrating the managerial functions of planning and control

15. No. of categories cost variance can be classified is:

*Mark only one oval.*

- [ ] two
- [ ] four
- [ ] three
- [ ] five

16. Which one of the following is a drawback of the profit-maximization objective:

*Mark only one oval.*

- [ ] optimum utilization of available resources
- [ ] efficient allocation of resources
- [ ] it is regarded as the best criterion of decision-making
- [ ] time factor is ignored
17. 14. A forecast can be for a period upto:

*Mark only one oval.*

- [ ] one year
- [ ] two years
- [ ] four years
- [ ] five years

18. 15. Which of the following steps should be taken first in budgetary control:

*Mark only one oval.*

- [ ] calculation of the variance and analysing the reasons for the same.
- [ ] measurement of the actual performance at the end of the budget period
- [ ] preparation of budgets for each function of the organisation
- [ ] revision of budgets in the light of the desired results.

19. 16. Which of the following cannot be classified as functional budget:

*Mark only one oval.*

- [ ] sales budget
- [ ] purchase budget
- [ ] fixed budget
- [ ] production cost budget

20. 17. Marginal costing helps the management in measuring the performance efficiencies of a

*Mark only one oval.*

- [ ] department
- [ ] product line
- [ ] sales division
- [ ] all of the above
21. Zero Base Budgeting is classified on the basis of

*Mark only one oval.*

- [ ] time
- [ ] new concept
- [ ] function
- [ ] flexibility

22. Which one of the following is not an advantage of ratio analysis

*Mark only one oval.*

- [ ] ratios are computed on the basis of financial results which are historical in nature
- [ ] the government agencies will analyse ratios of a firm for review of its performance
- [ ] the credit rating agencies will analyse the ratios of a firm to give the credit rating to the firm
- [ ] the financial analysts will analyse ratios for making comparisons and recommending to the investing public

23. Fixed interest bearing funds divided by equity shareholder’s funds is:

*Mark only one oval.*

- [ ] capital gearing ratio
- [ ] debt equity ratio
- [ ] net worth ratio
- [ ] current ratio

24. Fixed assets turnover ratio is calculated by dividing sales by:

*Mark only one oval.*

- [ ] total assets
- [ ] working capital
- [ ] capital employed
- [ ] fixed assets
25. Debtors turnover ratio is credit sales divided by

Mark only one oval.

- Average debtors.
- Bad debts
- Average stock
- Average creditors

26. Which budget can be classified on the basis of flexibility

Mark only one oval.

- Short term
- Current
- Long term
- Fixed

27. The number of major theories explaining the relationship between capital structure, cost of capital and valuation of the firm is:

Mark only one oval.

- Four
- Two
- Three
- Six

28. WACC is the abbreviation for:

Mark only one oval.

- Weighted Accounting Cost of Capital
- Weighted Average Cost of Capital
- Weighted Accurate Cost of Capital
- Weighted Annual Cost of Capital
26. Most commercial papers have maturity ranging from:

Mark only one oval.

☐ one to three months
☐ three to six months
☐ six to twelve months
☐ twelve to eighteen months

27. Operating cycle is the time that elapses to convert raw materials into:

Mark only one oval.

☐ sale
☐ cash
☐ semi-finished goods
☐ finished goods

28. Which of the following is a long term source of funds available for working capital?:

Mark only one oval.

☐ trade credit
☐ over draft
☐ venture capital financing
☐ public deposits

29. Which one is the disadvantage of IRR method?:

Mark only one oval.

☐ it considers time value of money
☐ it considers cash flows throughout the life of the project
☐ it may give results inconsistent with NPV method
☐ it is not in conflict with the concept of maximising the welfare of the equity share holders
30. The no. of approaches available to calculate the cost of equity capital is:

*Mark only one oval.*

- [ ] three
- [ ] four
- [ ] five
- [ ] six

31. Computation of cost of preference shares will be only for:

*Mark only one oval.*

- [ ] redeemable and irredeemable
- [ ] cumulative and non-cumulative
- [ ] participating and non-participating
- [ ] convertible and non-convertible

32. Computation of cost of capital/ of WACC involves:

*Mark only one oval.*

- [ ] three steps
- [ ] four steps
- [ ] five steps
- [ ] six steps

33. Pick the entry from the following which is not a current asset:

*Mark only one oval.*

- [ ] cash
- [ ] inventory
- [ ] proposed dividend
- [ ] sundry debtors
37. 34. IRR method is also known by the following names except?:

Mark only one oval.

☐ marginal efficiency of capital
☐ changing discount rate
☐ time adjusted rate of return
☐ rate of return over cost

38. 35. Which of the following is an attribute and not a limitation of the financial statements?:

Mark only one oval.

☐ financial statements are essentially interim reports
☐ financial statements take into consideration only the financial factors
☐ financial statements must meet the requirements of law
☐ it is not always possible to discover false figures in financial statements

39. 36. Which of the following statements about leverage or capital structure ratios is incorrect?:

Mark only one oval.

☐ ratios measure relative interest of lenders in a business organization
☐ ratios measure relative interest of proprietors in a business organization
☐ the ratios help the management in the proper administration of the capital
☐ ratios indicate the short term solvency position of an organization

40. 37. One of the following is an advantage of the payback period method:

Mark only one oval.

☐ it ignores cash flows after payback period
☐ it does not take into consideration time value of money
☐ cost involvement in calculating payback period is very less as compared to sophisticated methods
☐ there is no rational basis for setting a minimum payback period
41. The procedure for estimation of working capital involves: 

*Mark only one oval.*

- [ ] four steps
- [ ] two steps
- [ ] three steps
- [ ] six steps

42. One of the following is not a short term (money market) security: 

*Mark only one oval.*

- [ ] commercial bills
- [ ] equities
- [ ] treasury bills
- [ ] certificate of deposit

43. Essentially, a money market refers to a market for: 

*Mark only one oval.*

- [ ] short term funds
- [ ] long term funds
- [ ] medium term funds
- [ ] only international funds

44. The number of Regulatory bodies for the Indian capital market is: 

*Mark only one oval.*

- [ ] two
- [ ] four
- [ ] three
- [ ] six
45. Treasury bills (T bills) are issued by the government for periods ranging from:

Mark only one oval.
- Upto 7 days
- 7 days to 14 days
- 14 days to 364 days
- Beyond 364 days

46. One of the following is not a credit rating agency:

Mark only one oval.
- CRISIL
- CARE
- ICRA
- UTI

47. Portfolio management in investment companies comprises:

Mark only one oval.
- 3 stages
- 5 stages
- 4 stages
- 6 stages

48. Inventory ratio is calculated by dividing inventory by

Mark only one oval.
- Current assets
- Working capital
- Debtors
- Capital employed
46. Which one of the following is a limitation of ARR method:

*Mark only one oval.*

- [ ] it is simple to understand
- [ ] information is easily drawn from accounting records
- [ ] it uses arbitrary cut off as standard for acceptance or rejection rule
- [ ] it takes into account all profits of the project's life period

47. Which one of the following is not included in Office and Administration overheads?

*Mark only one oval.*

- [ ] indirect materials used in office such as printing and stationery
- [ ] indirect labour such as salaries payable to office manager, accountant etc.
- [ ] indirect expenses such as rent, insurance, office lighting etc.
- [ ] indirect labour such as salaries of salesmen, sales manager etc.

48. Cash budgets are prepared by using any of the following methods except:

*Mark only one oval.*

- [ ] Receipts and Payments Method
- [ ] Adjusted Profit and Loss Method
- [ ] Balance sheet Method
- [ ] Functional budgets method

49. Which one of the following is not a ratio in measuring long term solvency position of an organisation

*Mark only one oval.*

- [ ] Defensive interest ratio
- [ ] Debt equity ratio
- [ ] Capital gearing ratio
- [ ] Proprietary ratio
53. 50. One of the following is an Investment company

*Mark only one oval.*

- [ ] CARE
- [ ] ICRA
- [ ] LIC
- [ ] DFHI

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