Indian Institute of Materials Management
Post Graduate Diploma in Materials Management
Graduate Diploma in Materials Management

Paper No. 3 (New)

Business Economics & Financial Accounting

Date: 15.06.2015
Max. Marks: 100

Time: 2.00 p.m to 5.00 pm
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
Each Question carries 10 marks
Total: 20 Marks

Part A (compulsory) (32 x1 = 32 marks)

Q.1. Choose the most appropriate option:
8 marks

1. Cash flow statement is to be prepared and presented only by –
   a. listed companies
   b. private companies
   c. partnerships
   d. co-operatives

2. Which of the following is in the secondary sector of an economy
   a. banking
   b. electricity
   c. retail
   d. insurance

3. Which of the following is in the tertiary sector of an economy?
   a. agriculture
   b. fisheries
   c. transport
   d. Mining
4. The role of government in an economy is to ensure
   a. economic security
   b. social security
   c. environmental security
   d. all of the above

5. The education system in India consists of primarily -
   a. three levels
   b. four levels
   c. five levels
   d. six levels

6. Which of the economic system is followed by India?
   a. Capitalist System
   b. Communist System
   c. Mixed economy
   d. None of the above

7. A good for which demand increases as the price increases and falls when the price decreases is -
   a. complimentary goods
   b. giffen goods
   c. inferior goods
   d. normal goods

8. One of the following is a non-current liability
   a. debentures
   b. copyrights
   c. goodwill
   d. land
Q.2. State whether the following statement is True or False: 8 Marks

a. Networth is total assets minus total liabilities.
b. Liberalisation is loosening the control of government.
c. A person who cannot pay his debts is called solvent.
d. Product Market is the market in which only real goods but not services are bought and sold.
e. Demography is the study of the growth, change, and structure of the human population.
f. Profit increases the owner’s equity.
g. Equity share capital is a current liability.
h. Increase in long-term loans from financial institutions is not a source of funds.

Q.3. Fill in the blanks: 8 marks

a. The objective of the firm is to maximize its value to its ________________.
b. Macro economics concentrates on behavior of the __________ as a whole.
c. A graph of all possible combinations of inputs that result in the production of a given level of output is called ________________
d. The primary sector of the economy is the sector of an economy which is making direct use of ________________ resources.
e. A country’s GDP is one of the ways of measuring the ______________ of its economy.
f. The amount of cash or other assets withdrawn by the owner for his/her personal use is called ________________.
g. Accounting records only those transactions which can be measured in ___________ terms.
h. GAAP means Generally Accepted Accounting ________________.

Q.4. Expand the following abbreviations: 8 marks

a. LARC  b. SCICI  c. HUDCO  d. NNP
b. TNC  c. AIS  d. IDBI  e. IAS
PART B

(Answer any three) 3x16 = 48 marks

Q.5. Write short notes on (any four) : 16 marks
   a. Quality Culture
   b. Infrastructure
   c. Trend Analysis
   d. Wholesale Price Index
   e. Book-keeping
   f. Human Development Index

Q.6. a. Discuss the concept of demand and the types of demand. 16 marks
     b. What is FDI? Discuss the role of FDI in India.

Q.7. a. Discuss Social Responsibility and Ethics. 16 marks
     b. Explain the different forms of business organizations.

Q.8. a. Discuss the role of MNCs in the economic development of underdeveloped countries. 16 marks
     b. Explain the factors of production.

Q.9. a. Discuss the limitations of Accounting Principles. 16 marks
     b. Discuss the limitations of financial statements.
The following ratios and other information have been extracted from the Balance Sheet of ABC Ltd., as at 31-3-2014:

1. Current Liabilities - 1.0 times working capital
2. Current assets - 2.5 times working capital
3. Working capital - Rs. 300000/
4. Liquidity ratio - 1.5
5. Stock turnover ratio - 6
6. Gross profits as percentage of sales - 20%
7. Debt collection period - 2 months
8. Shareholders’ capital - Rs. 500000/
9. Reserves and surplus - Rs.250000/
10. Fixed asset turnover - 2

**Draw up**

1) The Balance Sheet of ABC Ltd., as at 31-3-2014 from the above information and

2) Show the details of the working of the various items of the balance sheet.