

**POST GRADUATE DIPLOMA IN GLOBAL  
BUSINESS LEADERSHIP (PGDGBL)**

**Term-End Examination**

**December, 2012**

**MGB-001 : FINANCIAL FRAMEWORK FOR  
BUSINESS DECISIONS**

*Time : 3 hours*

*Maximum Marks : 100*

*Note : Attempt any five questions. All questions carry equal marks.*

1. Why must financial statements be analysed ? Identify and briefly discuss the basic components of each of the three principal financial statements reported by business entities.
2. What is meant by the term break-even point? What benefits can be derived from break-even analysis ? What data are necessary to construct a break-even chart ?
3. What is the impact on earnings of the different methods of depreciation ? Explain.
4. Evaluate the following statement : "Ratio analysis is useless. A firm never paid its trade credit with a current ratio or met a long-term payment with a financial ratio".

5. What is the relevant range, and why must it be considered in preparing a flexible budget ?
  6. What does price variance measure ? How is it computed ?
  7. Why is no single working capital investment and financing policy necessarily optimal for all firms? Why additional factors need to be considered in establishing a working capital policy ?
  8. How do excess cash balances arise in a disbursement system? Why are ethical problems a greater issue in disbursement than in collection?
  9. What is the purpose of holding inventory ? If a firm reduces the average age of inventories, what effect might this action have on the cash cycle and on the firm's total sales ?
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