

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

Term-End Examination

June, 2013

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

Time : 3 hours

Maximum Marks : 100

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

1. The methods of depreciation does not alter the total amount of deductions from income during the life of an asset. What does it alter and why is that important.
2. Explain what is meant by "contribution margin" ? Why does contribution analysis exclude fixed costs that might otherwise be included in break-even analysis.
3. What are the objectives of reporting financial statements ? Briefly explain each of the three basic types of business entities. What are the limitations of the use of financial statements ?
4. What does an efficiency variance measure ? How is it computed ?

5. The three basic groups of financial ratios are liquidity, leverage, and profitability ratios. Discuss the nature of each group and list two examples that you would use to measure that aspect of the firm's financial condition.
 6. Define and describe the difference between the "operating cycle" and "cash conversion cycle" for a typical manufacturing company. Why does a firm need to make investments in working capital ?
 7. "For some inventory items, the cost of administering an inventory system may outweigh the benefits". Explain this statement, outlining an approach that a company may follow to overcome this problem.
 8. What do the sales volume variance and the flexible budget measure ? When should a cost variance be calculated ?
 9. Compare and contrast centralized and decentralized concentration systems. Why do firms neglect the importance of cash concentration systems in designing a cash management system ?
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