

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

Term-End Examination

December, 2011

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

Time : 3 hours

Maximum Marks : 100

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

1. What is a cash flow statement ? What is meant by the terms cash, cash equivalents and cash flows in the content of cash flow statements ? 20
2. The following extracts of financial information relate to Curious Ltd. : 20

		(₹ in lakhs)	
Balance Sheet as at 31st March,		2010	2009
Share Capital	10	10	10
Reserves and Surplus	30	30	10
Loan Funds	60	60	70
	<u>100</u>	<u>100</u>	<u>90</u>
Fixed Assets (Net)	30	30	30
Current Assets :			
Stocks	30	30	20
Debtors	30	30	30
Cash and Bank Balances	10	10	20
Other Current Assets	30	30	10
	<u>100</u>	<u>100</u>	<u>80</u>
Less : Current Liabilities	30	30	20
Net	70	70	60
Total Assets	<u>100</u>	<u>100</u>	<u>90</u>
Sales	270	270	300

- (a) Calculate, for the two years. Debt-Equity Ratio, Quick Ratio, and Working Capital Turnover Ratio ; and
- (b) Find the sales volume that should have been generated in the year 2009-2010 if the company were to have maintained its Working Capital Turnover Ratio.
3. Distinguish between "Gross Operating Cycle" and "Net Operating Cycle". Illustrate the relevance of these cycles with the help of an example. 20
4. What is CVP Analysis ? Why is it done ? Explain with examples the relevance of BEP with single and multiple products. 20
5. For a company, the following data is available. 20

	2010	2009
(a) Net Sales	₹ 86,000	71,000
(b) PAT	12,000	11,000
(c) Total Assets	49,000	41,000
(d) Shareholder's equity	27,000	21,000

At the end of 2008 the company had total assets of ₹ 35000 and shareholder's equity of ₹ 18000.

Compute (i) the profit margin (ii) asset turnover (iii) ROA (iv) ROE for 2009 and 2010. Comment on the profitability of the company.

6. Distinguish between LIFO and FIFO. What difference does it make if different method of inventory valuation is followed ? Illustrate with an example. 20
7. What is depreciation ? Explain the difference between SLM and WDV methods of depreciation by taking an appropriate example. 20
8. Distinguish between (*any two*) : 20
- (a) Operating and Financial Leverage
 - (b) Cash Flow and Fund Flow
 - (c) Stock and Flow items
 - (d) Current Ratio and Quick Ratio
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