

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

Term-End Examination

June, 2012

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

Time : 3 hours

Maximum Marks : 100

Note : Attempt any five questions.

All questions carry equal marks.

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1. The capital of a company is as follows : 20
- | | |
|-----------------------------------|------------------|
| 9% preference shares of ₹ 10 each | 3,00,000 |
| Equity shares of ₹ 10 each | <u>8,00,000</u> |
| | <u>11,00,000</u> |
- Further PAT is ₹ 2,70,000 / - Depreciation ₹ 60,000/- Equity Dividend paid is @ 20%, Market price of equity share ₹ 40%. Tax Rate is 35%. You are required to compute the following
- Dividend yield on equity shares
 - Cover for preference and equity dividends
 - EPS
 - P/E Ratio
2. Why is it necessary to evaluate depreciation ? 20
it relevant for cash flows ? What difference does it make in financial decisions ? Illustrate with an appropriate example.

3. What is working capital ? Illustrate different approaches of management of working capital. Differentiate between aggressive and defensive approaches of working capital. 20
4. What do you understand by the terms budget and budgetary control ? Enumerate the advantages of budgetary control with the help of an example. 20
5. What is the significance of the term variance relating to standard costing ? What type of variances are computed for : 20
- (a) Materials
- (b) Labour and
- (c) Factory overheads ?
6. What is BEP ? For a company, the following data is available. 20

Figure in ₹

	Based on 100% capacity	Shutdown Expenditure
Direct Wages	2,09,964	-
Direct Material	2,44,552	-
Work Expenses	88,292	93,528
Selling and Distribution Exp.	21,000	40,188
Administrative Exp.	9,492	20,508
Net Sales	8,40,000	-

Calculate :

- (a) The value of output at which the business breaks even.
- (b) The percentage of capacity at which it breaks even.

7. Valuation of inventory may be done by a number of ways. What are these? Illustrate with a suitable example. Does it matter in Financial Decisions? **20**
8. Cash flow statement is as useful to shareholders and lenders as to management. Elucidate the statement with suitable examples. **20**
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