

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

**Term-End Examination**

**June, 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. The following are the summarised balance sheets of Philips India Ltd. as on 31<sup>st</sup> December, 2009 and 2010 : 20

Liabilities	2009	2010	Assets	2009	2010
Share Capital	9,00,000	9,00,000	Fixed assets	8,00,000	6,40,000
General Reserve	6,00,000	6,20,000	Investments	1,00,000	1,20,000
P & L A/c	1,12,000	1,36,000	Stocks	4,80,000	4,20,000
Creditors	3,36,000	2,68,000	Debtors	4,20,000	9,10,000
Provision for taxation	1,50,000	20,000	Bank	2,98,000	3,94,000
Mortgage loan	-	5,40,000			
Total :	20,98,000	24,84,000	Total :	20,98,000	24,84,000

**Additional Information :**

- (a) Investment costing Rs. 16,000 were sold during the year for Rs. 17,000.
- (b) Provision for tax made during year was Rs. 18,000.

(c) During the year part of the fixed assets costing Rs. 20,000 were sold for Rs. 24,000. The profit was included in profit and loss account.

(d) Dividend paid during the year amounted to Rs. 80,000.

You are required to prepare a statement of sources and uses of cash.

2. Explain briefly the concept of working capital and discuss the factors which determine the working capital of a business. 20

3. Explain depreciation and discuss any two methods of charging depreciation alongwith their accounting treatment. 20

4. 

1	Sales (Rs.)	Profit (Rs.)
Period 1	10,000	2,000
Period 2	15,000	4,000

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From the above data you are required to calculate :

(a) P/V ratio

(b) Fixed cost

(c) Break even sales volume

(d) Sales to earn a profit of Rs. 3000

(e) Profit when sales are Rs. 8000

5. Define "Marginal Cost" and 'Marginal Costing'. 20  
How would you treat variable cost and fixed cost in marginal costing ? State managerial uses of marginal cost analysis.
6. What is a budget ? Explain the concept and 20  
process of zero-base budgeting.
7. What do you understand by variance analysis ? 20  
Explain how different variances are calculated ?  
Assume data to illustrate your answer.
8. What is cost volume profit analysis and what are 20  
its objective ? How is this analysis used for decision  
making in an organisation ?
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