

C 80022

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Name.....

Reg. No.....

SIXTH SEMESTER B.B.A. DEGREE EXAMINATION, MARCH/APRIL 2015

(UG-CCSS)

Core Course

BB VI B 15—WORKING CAPITAL MANAGEMENT

Time : Three Hours

Maximum : 30 Weightage

Part A

Answer all questions.

Each bunch carries a weightage of 1.

- I. 1. Which of the following is a basic principle of finance as it relates to the management of working capital ?
- (a) Profitability varies inversely with risk.
 - (b) Liquidity moves together with risk.
 - (c) Profitability moves together with risk.
 - (d) Profitability moves together with liquidity.
2. Working Capital Turnover measures the relationship of Working Capital with :
- (a) Fixed Assets.
 - (b) Sales.
 - (c) Purchases.
 - (d) Stock.
3. Which of the following is not a motive to hold cash ?
- (a) Transactionary Motive.
 - (b) Pre-cautionary Motive.
 - (c) Capital Investment.
 - (d) None of these.
4. Which of the following is not an element of credit policy ?
- (a) Credit Terms.
 - (b) Collection Policy.
 - (c) Cash Discount Terms.
 - (d) Sales Price.
- II. 5. The amount of current assets required to meet a firm's long-term minimum needs is referred to as _____ working capital.
- (a) Permanent.
 - (b) Temporary.
 - (c) Gross.
 - (d) Net.
6. Cash required for meeting specific payments should be invested with an eye on :
- (a) Yield.
 - (b) Maturity.
 - (c) Liquidity.
 - (d) All of these.

Turn over

7. Which of the following is related to Receivables Management ?
- (a) Cash Budget. (b) Economic Order Quantity.
(c) Ageing schedule. (d) All of these.
8. Marketable securities are primarily :
- (a) Equity shares. (b) Preference shares.
(c) Fixed deposits with companies. (d) Short-term debt investments.
- III. 9. Cheques deposited in bank may not be available for immediate use due to _____.
10. Baumol's Model of Cash Management attempts to _____.
11. _____ identify the appropriate credit policy.
12. Working capital management entails _____ decisions.

(12 × ¼ = 3 weightage)

Part B

Answer **all** questions.

Each question carries a weightage of 1.

13. What do you mean by working capital ?
14. What is floatation ?
15. What do you mean by commercial paper ?
16. What does the term liquidity mean ?
17. What is Conservative financing strategy ?
18. What is Operating cycle of a business ?
19. What is ABC Analysis ?
20. What do you mean by safety stock ?
21. What is call money market ?

(9 × 1 = 9 weightage)

Part C

Answer **any five** questions.

Each question carries a weightage of 1.

22. Explain the important components of receivables management system.
23. How does simulation approach help in cash forecasting ?
24. Distinguish between the Walker's Approach and Trade off Approach.
25. Explain the objective of cash management system.
26. List out the different kinds of instruments in the money market.

27. Calculate Economic Order Quantity from the following information. Also state the number of orders to be placed in a year.

Consumption of materials per annum —10,000 Kg.

Order placing cost per order—Rs.50

Cost per Kg. of raw materials—Rs.2

Storage costs 8% on average inventory.

28. Prepare a Cash Budget from the following information for the month of February 2014:

	Rs.
Cash in hand on February 1 10, 000
Sales for January, 2014	... 1,00,000
Sales for February 2014	... 1, 50,000
Purchases for January 2014	... 50,000
Purchases for February 2014	... 70,000
Operating Expenses January 2014 10,000
Operating Expenses February 2014	... 20,000

Credit from suppliers one month, Sales recovery 60% of the month of sale and the balance in the following month.

(5 × 2 = 10 weightage)

Part D

Answer any two questions.

Each question carries a weightage of 4.

29. What are the various factors influencing the determination of working capital ?
30. Explain the techniques that you would adopt for controlling inflows of cash.
31. ABC Ltd sells its products on a gross profit of 20% sales. The following information is extracted from its accounts for the year ended 31st March 2014.

	Rs.
Sales (3 months credit)	... 40,00,000
Raw Materials	... 12,00,000
Wages (15 days in arrears)	... 9,60,000
Manufacturing expenses (one month in arrears)	... 12,00,000
Administration expenses (one month in arrears)	... 4,80,000
Sales promotion expenses (payable half yearly in advance)	... 2,00,000

The company enjoys one month's credit from suppliers of raw materials and maintains 2 months stock of raw materials and one and half months finished goods. Cash balance is maintained at Rs. 1,00,000 as a precautionary balance. Assuming a 10% margin, find out the working capital requirements of ABC Ltd.

(2 × 4 = 8 weightage)