

C 1739

23/03/2016

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Name.....

Reg. No.....

SIXTH SEMESTER B.B.A. DEGREE EXAMINATION, MARCH/APRIL 2016

(UG—CCSS)

Core Course

BB VIB 15—WORKING CAPITAL MANAGEMENT

Time : Three Hours

Maximum : 30 Weightage

Part A

Answer all questions.

Each bunch carries a weightage of 1.

- I. 1 _____ is the minimum amount of current asset required throughout the year for maintaining circulation of current asset.
- (a) Gross working capital. (b) Temporary working capital.
(c) Permanent working capital. (d) Net working capital.
- 2 Just in time is a technique for :
- (a) Inventory management. (b) Cash management.
(c) Receivables management. (d) Working capital management.
- 3 _____ is a money market instrument.
- (a) Share. (b) Debentures.
(c) Bonds. (d) Treasury bill.
- 4 Gross working capital represents _____.
- (a) Total current asset.
(b) Total current liability.
(c) Excess of current asset over current liability.
(d) None of these.
- II. 5 Cost of goods sold divided by average stock is equal to :
- (a) Materials turnover ratio. (b) Debtors turnover ratio.
(c) Creditors turnover ratio. (d) None of the above.

Turn over

6 EOQ means :

- (a) Economic over quantity. (b) Equal ordering quantity.
 (c) Economic ordering Quantity. (d) Economic ordering quality.

7 _____ is a current asset.

- (a) Bank overdraft. (b) Cash deposit.
 (c) Goodwill. (d) Investments.

8 Investments for short period are made at _____.

- (a) Primary market. (b) Capital market.
 (c) Money market. (d) Commodity market.

III. 9 The excess of current assets over current liabilities is called _____.

10 The rate of return on investments _____ on shortage of working capital.

11 _____ technique is used for the control of spare parts.

12 Baumol model is a model for _____ management.

(3 × 1 = 3 weightage)

Part B

Answer all questions.

Each question carries a weightage of 1.

13 What is meant by gross working capital ?

14 Define hard core working capital.

15 State the motives of holding cash.

16 What is meant by cash flow statement ?

17 What is stock turnover ratio ?

18 Explain VED analysis.

19 What is meant by safety stock ?

20 What is meant by safety margin of working capital ?

21 What is cash discount ?

(9 × 1 = 9 weightage)

Part C

Answer any five questions.

Each question carries a weightage of 2.

- 22 Explain the Miller-Orr model of cash management.
- 23 What are the criteria for selection of securities for short term investment ?
- 24 What are the determinants for appropriate receivable policy ?
- 25 What are the sources of Working Capital ?
- 26 Explain the role of finance management in inventory management.
- 27 From the following, you are required to forecast their working capital requirement.

Projected annual sales	Rs.46, 80,000
Percentage of net profit on cost of sales	20 %
Average credit period allowed to debtors	10 weeks
Average period allowed by creditors	8 weeks
Average stock carrying (in terms of sales requirements)	6 weeks

Add 20 % to computed figure to allow for contingencies.

- 28 Compute the economic ordering quantity from the following information.

Monthly usage of materials	4500 units.
Buying cost	Rs. 20.
Carrying cost	1% of buying cost.

(5 × 2 = 10 marks)

Part D

Answer any two questions.

Each question carries a weightage of 4.

- 29 What is working capital ? Explain the determinants of working capital.
- 30 What is inventory management ? Explain the need and objectives of inventory management.

Turn over

- 31 Gem Ltd. has called for a statement showing the working capital requirement to finance a level of activity of 3,60,000 units of output for the year. The cost structure for the Company's product, for the above mentioned activity level is detailed below.

Cost per unit (Rs/-)	
Raw materials	40
Direct labour	20
Over heads	25
Total	85
Profit	15
Selling price	100

- Raw materials are held as stock, on an average for 3 months.
- Work in process (100 % complete in regard to materials and 50% for labour and over heads) to be one month's production.
- Finished goods are in stock on an average of 2 months.
- Credit allowed by suppliers 2 months.
- One month credit allowed to debtors, calculation of debtors may be made at selling price.
- Minimum cash balance of Rs.45, 000 is expected to be maintained.
- The production pattern in assumed to be even during the year.

Prepare the statement of working capital requirements.

(2 × 4 = 8 weightage)