

## SIXTH SEMESTER B.B.A. DEGREE EXAMINATION, MARCH 2017

(CUCBCSS—UG)

## BBA VI B 15—WORKING CAPITAL MANAGEMENT

Time : Three Hours

Maximum : 80 Marks

## Part I (Objective Questions)

Answer all ten questions.

Choose the correct answer.

1. Dangers of excessive working capital is :
 

(a) Idle funds.	(b) Huge amounts of receivable.
(c) High level inventory.	(d) All of these.
2. Working capital cycle is also known as :
 

(a) Cash cycle.	(b) Production cycle.
(c) Operating cycle.	(d) None of these.
3. The most important item of current assets :
 

(a) Bills receivable.	(b) Debtors.
(c) Cash.	(d) Stocks.
4. Accounts receivables include bills receivable and :
 

(a) Cash.	(b) Accounts.
(c) Debtors.	(d) Creditors.
5. Depreciation is a :
 

(a) Cash expense.	(b) Non-cash expense.
(c) Charge to profit and loss account.	(d) None of these.

Fill in the blanks :

6. The rate of return on investments \_\_\_\_\_ with the shortage of working capital.
7. Gross operating cycle is equal to inventory conversion period plus \_\_\_\_\_.
8. Cash is one of the components of \_\_\_\_\_.
9. When credit policy is liberalised, sales will be \_\_\_\_\_.
10. Inventory is one of the components of \_\_\_\_\_ assets.

(10 × 1 = 10 marks)

Turn over

## Part II (Short Answer Questions)

Answer any **eight** out of the ten questions in two or three sentences.

11. What is gross working capital concept ?
12. What are Preference shares ?
13. What is conservative approach ?
14. What do you mean by commercial paper ?
15. What is regular working capital ?
16. What do you mean by over drafts ?
17. What is receivables management ?
18. What is inventory ?
19. What do you mean by factoring ?
20. What is hard core working capital ?

(8 × 2 = 16 marks)

## Part III (Short Essay Questions)

Answer any **six** out of the eight questions in about 200 words.

21. Describe the need of working capital in a business.
22. What are the factors determining the cash needs ?
23. What are the motives for holding cash ?
24. What are the points to be considered by the financial manager for an effective working capital financial plan ?
25. What are the approaches to determine working capital mix ?
26. What are the objectives of receivables management ?
27. Discuss the importance of the working capital of a concern.
28. The annual demand for an item is 3,200 units. The unit cost is Rs. 6.00 and inventory carrying cost is 25%. If the cost of one procurement is Rs. 150, determine :
  - (a) EOQ.
  - (b) No. of orders per year.
  - (c) Time between two consecutive orders.

(6 × 4 = 24 marks)

#### Part IV (Essay Questions)

Answer any **two** out of the three questions in about 800 words.

29. What are the factors that determine the working capital requirements of a business ?
30. What are the sources of working capital requirements ?
31. Prepare an estimate of working capital requirement from the following information of trading concern :
  - (a) Projected Annual sales : 4,00,000 Units.
  - (b) Selling price : Rs. 8 Per Unit.
  - (c) Percentage of net profit on sales : 25%.
  - (d) Average credit period allowed to customers : 8 weeks.
  - (e) Average credit period allowed by suppliers : 4 Weeks.
  - (f) Average stock holding in terms of sales requirements : 12 Weeks.
  - (g) Allow 10% for contingencies.

(2 × 15 = 30 marks)

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