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SIXTH SEMESTER B.B.A. DEGREE EXAMINATION, MARCH/APRIL 2018

(CUCBCSS—UG)

BBA VI B15—WORKING CAPITAL MANAGEMENT

Time : Three Hours

Maximum : 80 Marks

Part I (Objective Questions)

Answer all ten questions.

Choose the correct answer.

1. Longer the operating cycle :

- (a) Larger the size of current assets.
- (b) The smaller the size of current assets.
- (c) Current assets remain the same.
- (d) None of the above.

2. Permanent working capital is also known as :

- (a) Regular working capital.
- (b) Core working capital.
- (c) Fixed working capital.
- (d) All of the above.

3. Which of the following is not a cost associated with receivable.

- (a) Administrative cost.
- (b) Delinquency cost.
- (c) Default cost.
- (d) Sunk cost.

4. EOQ is the _____ size of the order for a particular item of inventory.

- (a) Maximum.
- (b) Medium.
- (c) Optimum.
- (d) Least.

5. Danger of excessive working capital is :

- (a) Idle funds.
- (b) Huge accounts receivable.
- (c) Head level inventory.
- (d) All of these.

Fill in the blanks :

6. Cash is one of the components of _____.

7. When credit policy is tightened, sales will be _____.

Turn over

8. Inventory is one of the components of _____ assets.
9. Length of _____ cycle influences the amount of working capital.
10. _____ refers to the practice of firm's credit terms, credit standards and collection efforts.

(10 × 1 = 10 marks)

Part II (Short Answer Questions)

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

11. What is working capital ?
12. What do you mean by cash management ?
13. What is hard core working capital ?
14. What is hedging approach ?
15. What is conservative approach ?
16. What do you mean by over drafts ?
17. What is inventory ?
18. What are receivables ?
19. What is economic order quantity ?
20. What do you mean by net concept of working capital ?

(8 × 2 = 16 marks)

Part III (Short Essay Questions)

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

21. What are the different types of working capital ?
22. What are the various aspects of receivables management ?
23. What are the factors determining the cash needs ?
24. Discuss the importance of the working capital of a concern.
25. What are the benefits of receivables ?
26. What are the basic objectives of cash management ?
27. Explain the different concepts of working capital.

28. From the following information determine EOQ :

Annual requirement of material 8,000 units.

Ordering cost Rs. 2,000 per order

Carrying cost 5% of average inventory value

Price per unit Rs. 40

(6 × 4 = 24 marks)

Part IV (Essay Questions)

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

29. Explain the determinants of working capital.

30. What are the sources of working capital requirements ?

31. A Ltd. gives the following information :

Expected level of production	:	2, 40,000 Units
Raw materials to remain in stock on an average	:	2 Months
Processing period for each unit of product	:	1 Month
Finished goods remain in stock on average	:	3 Months
Credit allowed to customers from the date of despatch	:	3 Months
Expected ratios of cost to selling price :		
Raw material	:	60%
Direct wages	:	10%
Overheads	:	20%
Selling price per unit	:	Rs. 10
Expected margin on sale	:	10%

You are required to estimate the working capital requirements of A Ltd.

(2 × 15 = 30 marks)