

C 40023

(Pages : 3)

Name.....

Reg. No.....

SIXTH SEMESTER U.G. DEGREE EXAMINATION, MARCH 2023

(CUCBCSS—UG)

B.B.A.

BBA VI B 15—WORKING CAPITAL MANAGEMENT (FINANCE SPECIALISATION)

(2017—2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part I (Objective Questions)*Answer all ten questions.**Each question carries 1 mark.**Choose the correct answer.*

1. Net working capital is the excess of current assets over _____.
 - a) Current liabilities.
 - b) Liquid assets.
 - c) Long term liabilities.
 - d) Capital employed.
2. The approach of using more long term funds for financing needs is known as _____.
 - a) Hedging.
 - b) Conservative.
 - c) Aggressive.
 - d) Conventional.
3. Inventory means :
 - a) Stock of raw material and stores.
 - b) Stock of work in progress.
 - c) Stock of finished goods.
 - d) All of these.
4. Bank overdraft is a :
 - a) Current liability.
 - b) Current assets.
 - c) Fixed asset.
 - d) None of these.
5. Which of the following is a short term source of fund ?
 - a) Outstanding expenses.
 - b) Accrued income.
 - c) Wages paid.
 - d) None of these.

Turn over

Fill in the blanks :

6. _____ is also known as short term cash forecasting.
7. _____ refers to the level of inventory at which the total inventory cost is minimum.
8. _____ is a creditorship security.
9. Credit allowed by suppliers is _____.
10. _____ is the motive to hold cash as a financial reserve.

(10 × 1 = 10 marks)

Part II (Short Answer Questions)

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

Each question carries 2 marks.

11. Define Receivables.
12. What is operating cycle ?
13. What is variable working capital ?
14. What are Preference shares ?
15. What is regular working capital ?
16. What is hard core working capital ?
17. Define working capital.
18. What is Baumol's model of cash management ?
19. What is permanent working capital ?
20. What is aggressive approach ?

(8 × 2 = 16 marks)

Part III (Short Essay Questions)

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

Each question carries 4 marks.

21. What are the factors determining the cash level ?
22. What are the points to be considered by the financial manager for an effective working capital financial plan ?
23. Describe the objects of working capital in a business.

24. What are the motives behind holding cash ?
25. Explain the methods of accelerating cash inflows.
26. What are the benefits of maintaining receivables ?
27. What are the types of working capital policies ?
28. From the following information determine EOQ.

Total annual consumption 600 Units.

Cost per unit Rs. 6.

Order cost Rs. 10 per order.

Carrying cost 20 % of average inventory.

(6 × 4 = 24 marks)

Part IV (Essays Questions)

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

Each question carries 15 marks.

29. Give a lucid account of the various sources of working capital available to a firm?
30. Discuss all the factors which exercise influence on the demand for working capital in a business concern.
31. C Ltd. gives the following information :

| | | |
|---|-----|--------------|
| Expected level of production | ... | 30,000 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 C Ltd.

(2 × 15 = 30 marks)

C 20034

(Pages : 3)

Name.....

Reg. No.....

SIXTH SEMESTER U.G. DEGREE EXAMINATION, MARCH 2022

(CUCBCSS—UG)

B.B.A.

BBA VIB 15—WORKING CAPITAL MANAGEMENT (FINANCE SPECIALISATION)

(2014—2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part I (Objective Questions)*Answer all ten questions.**Each question carries 1 mark.*

Choose the correct answer :

1. Net working capital means :
 - a) Current asset plus current liability.
 - b) Current asset minus current liability.
 - c) Current assets only.
 - d) None of these.
2. According to _____ approach, permanent current assets and a part of variable current assets should be financed by long term funds.
 - a) Conventional.
 - b) Hedging.
 - c) Conservative.
 - d) Aggressive.
3. Which of the following does not include in credit terms ?
 - a) Credit period.
 - b) Monitoring of credit.
 - c) Discounts.
 - d) Credit standards.
4. Working capital cycle is also known as :
 - a) Cash cycle.
 - b) Production cycle.
 - c) Operating cycle.
 - d) None of these.
5. If the length of the operating cycle is more :
 - a) The working capital requirement will be less.
 - b) The working capital requirement will be more.
 - c) The fixed capital requirement will be less.
 - d) None of these.

Turn over

Fill in the blanks :

6. Cash is the most _____ asset.
7. When credit policy is liberalised, sales will be _____.
8. Raw materials, work in progress, finished goods and stores and spares are the components of _____.
9. EOQ is a technique of _____ management.
10. _____ refers to the duration for which credit is granted to customers.

(10 × 1 = 10 marks)

Part II (Short Answer Questions)

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

Each question carries 2 marks.

11. What are equity shares ?
12. What is trade credit ?
13. What is Miller Orr model of cash management ?
14. What is gross working capital concept ?
15. What do you mean by commercial paper ?
16. What is receivables management ?
17. What do you mean by factoring ?
18. What do you mean by retained earnings ?
19. What are accrued expenses ?
20. What is called convertible preference share ?

(8 × 2 = 16 marks)

Part III (Short Essay Questions)

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

Each question carries 4 marks.

21. State the importance of the working capital of a concern.
22. What are the benefits of holding inventories ?
23. What are the motives for holding cash ?

24. What are the objectives of receivables management ?
25. Explain Miller-Orr cash management model.
26. What are the costs of maintaining receivables ?
27. Describe the need of working capital in a business.
28. From the following information determine EOQ.

Annual consumption of material 1,800 Units

Order cost Rs. 1,000 per order

Purchase price per unit Rs. 50

Storage cost or carrying cost 20 % of average inventory

(6 × 4 = 24 marks)

Part IV (Essays Questions)

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

Each question carries 15 marks.

29. Discuss the various sources of working capital available to a firm.
30. What are the factors that determine the working capital requirements of a business ?
31. B Ltd. gives the following information :

| | | |
|---|-----|--------------|
| Expected level of production | ... | 60,000 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 B Ltd.

(2 × 15 = 30 marks)

C 1040

(Pages : 3)

Name.....

Reg. No.....

SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2021

(CUCBCSS—UG)

B.B.A.

BBA VIB 15—WORKING CAPITAL MANAGEMENT (FINANCE SPECIALISATION)

Time : Three Hours

Maximum : 80 Marks

Section A (Objective Questions)

Answer all questions.

Each question carries 1 mark.

Choose the correct answer :

1. Which of the following is not a motive to hold cash ?

- a) Transaction Motive. b) Precautionary Motive.
c) Capital Investment. d) None of the above.

2. Baumol's Model of Cash Management attempts to :

- a) Minimise the holding cost. b) Minimization of transaction cost.
c) Minimization of total cost. d) Minimization of cash balance.

3. Which of the following is not an element of credit policy ?

- a) Credit Terms. b) Collection Policy.
c) Cash Discount Terms. d) Sales Price.

4. Which of the following is not a technique of receivables management ?

- a) Funds Flow Analysis. b) Ageing Schedule.
c) Days sales outstanding. d) Collection Matrix.

5. Receivables Management deals with :

- a) Receipts of raw materials. b) Debtors collection.
c) Creditors Management. d) Inventory Management.

Turn over

Fill in the blanks :

6. A _____ is a financial institution, which renders services relating to the management and financing of sundry debtors that arises from credit sales.
7. Net working capital is the excess of current assets over _____.
8. _____ is also known as short term cash forecasting.
9. Length of _____ cycle influences the amount of working capital.
10. When credit policy is liberalised, sales will be _____.

(10 × 1 = 10 marks)

Section B (Short Answer Questions)

Answer at least five questions.

Each question carries 4 marks.

All questions can be attended.

Overall Ceiling 20.

11. What is hard core working capital ?
12. What do you mean by over drafts ?
13. What is economic order quantity ?
14. What is trade credit ?
15. What do you mean by commercial paper ?
16. What do you mean by retained earnings ?
17. Define receivables.
18. What are Preference Shares ?
19. What is Baumol's model of cash management ?
20. What is permanent working capital ?

(5 × 4 = 20 marks)

Section C (Short Essay Questions)

Answer at least four questions.

Each question carries 8 marks.

All questions can be attended.

Overall Ceiling 32.

21. State the importance of the working capital of a concern.
22. Explain the different concepts of working capital.
23. What are the factors determining the cash needs ?

24. What are the objectives of receivables management ?
25. What are the points to be considered by the financial manager for an effective working capital financial plan ?
26. What are the motives behind holding cash ?
27. Explain the methods for accelerating cash inflows.
28. Calculate the Economic Order Quantity (EOQ) from the following particulars :

| | | |
|---|---|-----------------------|
| Annual usage | : | 10,000 units |
| Cost of materials per unit | : | Rs. 2 |
| Cost of placing and receiving one order | : | Rs. 50 |
| Annual carrying cost of one unit | : | 8% of inventory value |

(4 × 8 = 32 marks)

Section D (Essay Questions)

Answer any one question.

The question carries 18 marks.

29. Explain the determinants of working capital.
30. What are the sources of working capital requirements ?
31. From the following estimates, calculate the average amount of working capital required :

a) Average amount locked up in stocks :

| | | |
|-------------------------|-----|--------|
| Stock of materials | ... | 10,000 |
| Stock of finished goods | ... | 12,500 |

b) Average credit given :

| | | |
|-----------------------------|-----|----------|
| Local sales-3 weeks credit | ... | 1,04,000 |
| Export sales-6 weeks credit | ... | 3,12,000 |

c) Lag in payment for :

| | | |
|-------------------|-----|----------|
| Purchases-3 weeks | ... | 78,000 |
| Wages- 2 weeks | ... | 2,27,500 |

Add 10% to provision for contingencies.

(1 × 18 = 18 marks)

SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2020

(CUCBCSS—UG)

B.B.A.

BBA VIB 15—WORKING CAPITAL MANAGEMENT (FINANCE SPECIALISATION)

Time : Three Hours

Maximum : 80 Marks

Part I (Objective Questions)

*Answer all ten questions.
Each question carries 1 mark.*

Choose the correct answer :

1. What are the aspects of working capital management ?
 - (a) Inventory management.
 - (b) Receivable management.
 - (c) Cash management.
 - (d) All of the above.
2. The Transaction Motive for holding cash is for :
 - (a) Safety Cushion.
 - (b) Daily Operations.
 - (c) Purchase of Assets.
 - (d) Payment of Dividends.
3. Which of the following is not considered by Miller-Orr Model ?
 - (a) Variability in cash requirement.
 - (b) Cost of transaction.
 - (c) Holding cost.
 - (d) Total annual requirement of cash.
4. Ageing schedule incorporates the relationship between :
 - (a) Creditors and Days Outstanding.
 - (b) Debtors and Days Outstanding.
 - (c) Average Age of Directors.
 - (d) Average Age of All Employees.
5. EOQ is the quantity that minimizes :
 - (a) Total Ordering Cost.
 - (b) Total Inventory Cost.
 - (c) Total Interest Cost.
 - (d) Safety Stock Level.

Turn over

Fill in the blanks :

6. _____ function includes a firm's attempts to balance cash inflows and outflows.
7. Cash is one of the components of _____.
8. EOQ is a technique of _____ management.
9. When credit policy is tightened, sales will be _____.
10. _____ refers to the level of inventory at which the total inventory cost is minimum.

(10 × 1 = 10 marks)

Part II (Short Answer Questions)

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

Each question carries 2 marks.

11. What is working capital ?
12. What is hedging approach ?
13. What is inventory ?
14. What do you mean by net concept of working capital ?
15. What is inventory management ?
16. What is receivables management ?
17. What are accrued expenses ?
18. What is operating cycle ?
19. What is regular working capital ?
20. What is aggressive approach ?

(8 × 2 = 16 marks)

Part III (Short Essay Questions)

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

Each question carries 4 marks.

21. What are the different types of working capital ?
22. What are the benefits of holding inventories ?
23. Explain Miller-Orr cash management model.
24. What are the costs of maintaining receivables ?

25. Describe the objects of working capital in a business.
26. Describe the need of working capital in a business.
27. What are the benefits of receivables ?
28. The Annual consumption is 80,000 units, Cost to place one order is Rs. 1,200, Cost per unit is Rs. 50 and carrying cost is 6 % of Unit cost. Find Economic Order Quantity (EOQ).

(6 × 4 = 24 marks)

Part IV (Essay Questions)

*Answer any two out of the three questions in about 800 words.
Each question carries 15 marks.*

29. Give a lucid account of the various sources of working capital available to a firm.
30. What are the factors that determine the working capital requirements of a business ?
31. From the following estimates, calculate the average amount of working capital required :

| | Rs. |
|--|--------------|
| (a) Average amount locked up in stocks : | |
| Stock of materials | ... 20,000 |
| Stock of finished goods | ... 25,000 |
| (b) Average credit given : | |
| Local sales - 3 weeks credit | ... 2,08,000 |
| Export sales - 6 weeks credit | ... 6,24,000 |
| (c) Lag in payment for : | |
| Purchases - 3 weeks | ... 1,56,000 |
| Wages - 2 weeks | ... 4,55,000 |

Add 10 % to provision for contingencies.

(2 × 15 = 30 marks)

C 60025

(Pages : 3)

Name.....

Reg. No.....

SIXTH SEMESTER B.B.A. DEGREE EXAMINATION, MARCH 2019

(CUCBCSS)

B.B.A.

BBA VI B 15—WORKING CAPITAL MANAGEMENT

Time : Three Hours

Maximum : 80 Marks

Part I (Objective Questions)

Answer all ten questions.

Each question carries 1 mark.

Choose the correct answer.

1. Net working capital means :
 - (a) Current asset + Current Liability.
 - (b) Current Asset – Current Liability.
 - (c) Current Asset only.
 - (d) Current liability only.
2. Time gap between the production of goods and actual realisation after sales is known as :
 - (a) Operating cycle.
 - (b) Cash cycle.
 - (c) Business cycle.
 - (d) None of these.
3. The most liquid asset is ————.
 - (a) Cash.
 - (b) Debtors.
 - (c) Bills Receivable.
 - (d) Inventories.
4. Receivables are created as a result of :
 - (a) Cash sales.
 - (b) Credit sales.
 - (c) Working capital.
 - (d) Bills receivable.
5. Public deposits of companies are :
 - (a) Unsecured loan.
 - (b) Secured loan.
 - (c) Collateral loan.
 - (d) None of these.

Turn over

Fill in the blanks :

6. A company is interested in _____ operating cycle.
7. According to _____ approach, permanent current assets and a part of variable current assets should be financed by long term funds.
8. Surplus cash is _____.
9. _____ involvement is one of the characteristics features of receivables.
10. Raw materials, work in progress, finished goods and stores and spares are the components of _____.

(10 × 1 = 10 marks)

Part II (Short Answer Questions)

Answer any **eight** out of the ten questions in two or three sentences.
Each question carries 2 marks.

11. Define Working Capital.
12. What do you mean by retained earnings ?
13. What are receivables ?
14. What is economic order quantity ?
15. What do you mean by accrued expenses ?
16. What do you mean by net concept of working capital ?
17. What is called convertible preference share ?
18. What is Baumol's model of cash management ?
19. What is permanent working capital ?
20. What is aggressive approach ?

(8 × 2 = 16 marks)

Part III (Short Essay Questions)

Answer any **six** out of the eight questions in about 200 words.
Each question carries 4 marks.

21. Explain the different concepts of working capital.
22. Describe the objects of working capital in a business.

23. Explain the approaches of working capital management.
24. What are the motives behind holding cash ?
25. From the following particulars, calculate the EOQ :

Annual requirement : 1600 Units.

Cost of material per unit : Rs. 40.

Cost of placing and receiving one order : Rs. 50.

Annual carrying cost of inventory : 10 % of inventory value.

26. Explain the methods of accelerating cash inflows.
27. Explain Miller-Orr cash management model.
28. What are the benefits of receivables ?

(6 × 4 = 24 marks)

Part IV (Essay Questions)

*Answer any two out of the three questions in about 800 words.
Each question carries 15 marks.*

29. Explain the various sources of working capital financing ?
30. Prepare an estimate of working capital requirement from the following information of trading concern :
 - 1 Projected Annual sales : 2,00,000 Units.
 - 2 Selling price : Rs. 8 Per Unit.
 - 3 Percentage of net profit on sales : 25 %
 - 4 Average credit period allowed to customers : 8 weeks.
 - 5 Average credit period allowed by suppliers : 4 Weeks.
 - 6 Average stock holding in terms of sales requirements : 12 Weeks.
 - 7 Allow 10 % for contingencies.
31. Discuss all the factors which exercise influence on the demand for working capital in a business concern.

(2 × 15 = 30 marks)

L 40025

(Pages : 3)

Name.....

Reg. No.....

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)

C21054

(Pages : 3)



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)

C 1739

(Pages : 4)

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

23

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)

24

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

25

- 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 | <u>25</u> |
| Total | 85 |
| Profit | <u>15</u> |
| 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)

C 80022

(Pages : 3)

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)