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(Pages: 3)

Name:

Reg. No.....

SIXTH SEMESTER B.B.A. DEGREE EXAMINATION, APRIL 2020

(CUCBCSS-UG)

(Regular/Supplementary/Improvement)

CC15U BB6 B15 - WORKING CAPITAL MANAGEMENT

BBA – Core Course

(2015 Admission onwards)

Time: Three Hours

Maximum: 80 Marks

Part A

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

Choose the correct answer:

1. _____ is the total time gap between the purchase of raw material and the receipt from Debtors.
a. Collection period b. Operating cycle c. Reorder period d. None of these
2. _____ represents the credit extended by the supplier of goods and services.
a. Trade credit b. credit purchase c. Credit sales d. none of these
3. _____ is a financial institution which offers services relating to management and financing of debts arising out of credit sales.
a. NBFC b. Factor c. DFHI d. None of these
4. _____ defined as the expenses incurred as a result of shortfall of cash such as unexpected or expected shortage of cash balances to meet the requirements.
a. Cash equivalents b. Transaction cost c. Short cost d. None of these
5. _____ represent the basic criteria for extension of credit to customers.
a. Credit term b. Credit standard c. Credit limit d. None of these

Fill in the blanks:

6. EOQ stands for _____
7. _____ refers to that minimum amount of investment in all current assets which is required at all times to carry out minimum level of business activities.
8. _____ is a system of records maintained by the controlling department, which reflects physical movements of stocks and their current balance.
9. VED analysis is applicable to _____
10. Short-term financing refers to borrowing funds or raising credit for a maximum of one year period.

(10 x 1 = 10 Marks)

(1)

Turn Over

Part B**(6 x 4 = 24 Marks)**Answer any *eight* questions. Each question carries 2 marks.

11. Define Working capital management.
12. What is Gross concept of working capital?
13. Define Cash discount.
14. What is lead time?
15. What is Minimum stock level?
16. Define Inventory Turnover ratio.
17. What is working capital cycle?
18. What is EBIT?
19. What are Cash equivalents?
20. Define JIT.

(8 x 2 = 16 Marks)**Part C**Answer any *six* questions. Each question carries 4 marks.

21. What are the components of working capital?
22. Explain the objectives of Inventory Management.
23. Write a short note on significance of cash management.
24. Explain Miller and Orr model
25. Explain the trade-off between stock-out and carrying costs of inventory.
26. Discuss the determinants of credit policy.
27. From the following information, calculate minimum stock level, maximum stock level and re-ordering level:

(i) Maximum Consumption	:	200 units per day
(ii) Minimum Consumption	:	120 units per day
(ii) Normal Consumption	:	160 units per day
(iv) Reorder period	:	10-15 days
(v) Reorder quantity	:	1,600 units
(vi) Normal reorder period	:	10 days.

28. From the following particulars, calculate the Economic Order Quantity (EOQ):

Annual requirements	:	1,600 units
Cost of materials per units	:	` 40
Cost of placing and receiving one order	:	` 50
Annual carrying cost for inventory value	:	10%

Part DAnswer any *two* questions. Each question carries 15 marks.

29. Discuss the major cash management models.
30. Explain the techniques of Inventory control.
31. The management of Royal Industries has called for a statement showing the working capital to finance a level of activity of 1,80,000 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 Raw material		` 20
Direct labour		` 5
Overheads (including depreciation of ` 5 per unit)		` 15
	Total Cost	` 40
Profit		` 10
Selling price		` 50

Additional information: (a) Minimum desired cash balance is ` 20,000 (b) Raw materials are held in stock, on an average, for two months. (c) Work-in-progress (assume 50% completion stage) will approximate to half-a-month's production. (d) Finished goods remain in warehouse, on an average, for a month. (e) Suppliers of materials extend a month's credit and debtors are provided two month's credit; cash sales are 25% of total sale. (f) There is a time-lag in payment of wages of a month; and half-a-month in the case of overheads. From the above facts, you are required to prepare a statement showing working capital requirements.

(2 x 15 = 30 Marks)
