

15U665

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Name:

Reg. No.....

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

(CUCBCSS-UG)

CC15U BB6 B15 - WORKING CAPITAL MANAGEMENT

BBA –Core Course

(2015 Admission)

Time: Three Hours

Maximum: 80 Marks

Part A

Choose the correct answer. Each question carries 1 mark.

1. In gross concept, working capital =
 - a. total assets
 - b. total current assets
 - c. net current assets
 - d. None of these
2. refers to the average time elapses between the purchase of raw materials and the final cash realisation
 - a. idle time
 - b. operating cycle
 - c. lead time
 - d. none of these
3. According to Conservative approach, all requirements of working capital fund should be met from sources.
 - a. short term
 - b. long term
 - c. internal
 - d. None of these
4. The length of time between the payment for the purchase and the receipt of sales Revenue is called
 - a. Cash equivalents
 - b. cash cycle
 - c. cash forecasting
 - d. None of these
5. Receivables = Debtors +
 - a. Bills payable
 - b. Bills receivable
 - c. Bill discounting
 - d. None of these

Fill in the blanks:

6. ratio indicates the speed with which cash is collected from debtors or receivables
7. is given for early or prompt payment.
8. The cost incurred in keeping or holding inventory is called
9. VED analysis is applicable to
10. is a method of inventory control which enables to know the stock position of every item of material at all times.

(10 x 1 = 10 Marks)

Part B

Answer any *eight* questions. Each question carries 2 marks.

11. Define working capital.
12. What is net current asset?
13. Define cash management.
14. What is optimum cash?
15. What is Miller-Orr model in cash management?
16. What is credit term?
17. What do you mean by ageing schedule of debtors?
18. What is EOQ?
19. What is stock velocity?
20. Define re-order level.

(8 x 2 = 16 Marks)

Part C

Answer any *six* questions. Each question carries 4 marks.

21. Briefly explain the determinants of working capital.
22. Write a short note on various sources of working capital.
23. Explain the techniques of accelerating cash inflows in a firm.
24. "Average age of receivables is an important yardstick of testing the efficiency of receivables management" – Explain.
25. Explain the trade-off between stock-out and carrying costs of inventory.
26. Discuss the role of finance manager in inventory management
27. Prepare an estimate of working capital requirement from the following information of trading concern:

Project annual sales – 1,00,000 units

Selling price – Rs. 8 per unit

Percentage of net profit on sales – 25%

Average credit period allowed to customers – 8 weeks

Average credit period allowed by suppliers – 4 weeks

Average stock holding in terms of sales requirements – 12 weeks

Allow 10% for contingencies

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28. Calculate EOQ from the following information. Also calculate the number of orders to be placed in a year.

Annual consumption – 10,000 Kg.

Cost of placing an order – Rs.50

Cost per Kg. of material – Rs.2

Storage cost – 8% on average inventory

(6 x 4 = 24 Marks)

Part D

Answer any *two* questions. Each question carries 15 marks.

29. Discuss the major cash management models.
30. Explain the various selective inventory control techniques.
31. S. K. Brothers wish to approach the bankers for temporary overdraft facility for the period from October 2010 to December 2010. During the period of this period of these three months, the firm will be manufacturing mostly for stock. You are required to prepare a cash budget for the above period.

Month	Sales	Purchases	Wages
August	3,60,000	2,49,600	24,000
September	3,84,000	2,88,000	28,000
October	2,16,000	4,86,000	22,000
November	3,48,000	4,92,000	20,000
December	2,52,000	5,36,000	30,000

- (a) 50% of credit sales are realized in the month following the sales and remaining 50% in the second following.
- (b) Creditors are paid in the month following the month of purchase
- (c) Estimated cash as on 1-10-2010 is Rs.50,000.

(2 x 15 = 30 Marks)

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