

16U665

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Name:

Reg. No.....

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

(Regular/Supplementary/Improvement)

(CUCBCSS-UG)

CC15U BB6 B15 - WORKING CAPITAL MANAGEMENT

BBA –Core Course

(2015 Admission onwards)

Time: Three Hours

Maximum: 80 Marks

Part I

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

Choose the correct answer:

1. Working Capital Turnover measures the relationship of Working Capital with:
(a) Fixed Assets, (b) Sales,
(c) Purchases, (d) Stock.
2. Net working capital means:
(a) Current assets + current liability (b) Current assets only
(c) Current assets - current liability (d) None of these
3. A low inventory turnover means.....
(a) Investment tied up in stock (b) Obsolete goods on hand
(c) Adverse impact on liquidity (d) All of the above
4. Use of safety stock by a firm would
(a) Increase inventory cost (b) Decrease inventory cost
(c) No effect on cost (d) None of the above
5. Miller- Orr model deals with
(a) Optimum cash balance (b) Optimum finished goods
(c) Optimum receivables (d) All the above

Fill in the blanks:

6. The excess of current assets over current liabilities is called
7. Trade credit is a Source of short term finance.
8. Average stock levels = Minimum stock levels +
9. is the time taken by the bank in collecting the payment from the customer's bank.
10. incomes are incomes received in advance before supplying goods or services.

(10 × 1 = 10 Marks)

(1)

Turn Over

Part II

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

11. What is VED analysis?
12. What is lock box system?
13. Define operating cycle.
14. What is seasonal working capital?
15. What is MMMF?
16. State the difference between factoring and forfeiting?
17. Define receivables management.
18. What is aging schedule of inventory?
19. What is delinquency cost of receivables?
20. What is meant by badla financing?

(8 × 2 = 16 Marks)

Part III

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

21. What are the factors determining the working capital requirement of a business?
22. How do the working capital management policies affect a firm's risk and profitability?
23. Explain the Baumol's model of cash management.
24. Explain briefly the various techniques of cash forecasting.
25. A tube manufacturing company gives the following details of their operation during the year 2016-17.

Ordering cost	200 per order
Inventory carrying cost	20% p.a
Cost of tubes	750 per tube
Normal usage	250 per week
Minimum usage	150 per week
Maximum usage	400 per week
Lead time to supply	8-10 weeks

Determine the following:-

- a) EOQ
- b) Maximum level of stock
- c) Minimum level of stock and
- d) Re-order level.

(2)

26. Explain the theories of working capital management.
27. What are the different methods of preparing a cash budget?
28. Explain the important techniques of inventory management.

(6 × 4 = 24 Marks)

Part IV

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

29. The performa cost sheet of a company provides the following particulars :

Elements of cost	Amount per unit (Rs)
Raw materials	90
Direct labour	30
Overheads	<u>70</u>
Total cost	190
Profit	<u>70</u>
Selling price	<u>260</u>

The following particulars are available:

- a) Raw materials in stock on an average for 4weeks
- b) Materials are in process on an average for 2weeks
- c) Finished goods are in stock on an average for 4weeks
- d) Credit allowed by suppliers is 4weeks
- e) Credit allowed to customers is 8weeks
- f) Lag in payments of wage is 2weeks
- g) Lag in payment of overhead expenses is 2 weeks
- h) ½ of the output is sold against cash
- i) Cash in hand and at bank is expected to be Rs 100,000

You are required to prepare a statement showing the working capital needed to finance a level of activity of 208,000 units (p.a) of production. You may assume that production is carried on evenly throughout the year, wage and overheads accrue similarly and are completely introduced for half the processing time, i.e 1week.

30. Define working capital. Explain the various sources of working capital financing.
31. What do you mean by credit policy? Explain the various credit evaluation models.

(2 × 15 = 30 Marks)

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