

M. B. A.
(SEM III) ODD SEMESTER EXAMINATION 2015-16
(MANAGEMENT OF WORKING CAPITAL)

[Time: 3 hrs.]

[Max. Marks: 100]

Note- Attempt All Questions. All Questions carry equal marks:-**1. Attempt any four part of the following: (5×4= 20)**

- a) Distinguish between the permanent and temporary working capital.
- b) Discuss the factors that affect the liquidity of a firm.
- c) What are motives of holding cash?
- d) Write short note on commercial papers.
- e) Define Re-order level. How it is determined?
- f) Write the sources through which information can be collected for credit evaluation.

2. Attempt any two parts of the following: (10×2= 20)

- a) Discuss the Baumol's model for determining the cash balance for the firm.
- b) Discuss the important recommendations given by Chore Committee to promote greater credit discipline.
- c) The following information has been extracted from the records of a company.

Product cost sheet:

Raw materials	Rs. 45
Direct Labour	20
Overheads	40
Total	105
Profit	15
Selling Price	120

Raw materials, work in progress and finished goods are in stock on an average of two months, one month and one month respectively.

Time lag in payment of wages and overheads is 11/2 weeks.

Credit allowed to debtors is 2 months and by suppliers is 1 month.

20% of the output is sold against cash.

Cash balance is Rs. 1,00,000 and company will manufacture 1,44,000 units.

Prepare a statement showing the working capital requirements of the company.

3. Attempt any two parts of the following: (10×2= 20)

- a) Define float and types of float. Explain the technique of float management.
- b) Explain and illustrate the profitability liquidity trade off in working capital management.
- c) Discuss in detail the features of treasury bills and inter corporate deposits.

4. Attempt any two parts of the following: (10×2= 20)

- a) What are techniques of control of receivables? Explain the "Ageing schedule".
- b) Discuss ABC analysis of inventory management.

- c) ABC Ltd. Manufactures readymade garments and sells them on credit basis through a network of dealers. Its present sales are Rs. 60 lacs per annum with 20 days credit period. The company is contemplating an increase in the credit period with a view to increasing sales and the total fixed costs Rs. 8 lacs per annum. The company expects pre-tax return on investment @ 25%. Some other details are given as under :

Credit Policy	Average collection period (days)	Expected annual sales(Rs. Lacs)
I	30	65
II	40	70
III	50	74
IV	60	75

Which credit policy should company adopt? Present your answer in a tabular form. Assume 360 days a year. Calculations should be made upto two digits after decimal.

5. Attempt any two parts of the following.

(10X2=20)

- Examine the role of Bank Credit in financing of Working capital. What are the types of bank credit?
- Give a brief account of Nayak committee with respect to financing of small scale industries.
- Discuss different approaches of financing current assets.