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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)