

SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2020

(CUCBCSS—UG)

B.B.A.

BBA VIB 15—WORKING CAPITAL MANAGEMENT (FINANCE SPECIALISATION)

Time : Three Hours

Maximum : 80 Marks

Part I (Objective Questions)

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

Choose the correct answer :

1. What are the aspects of working capital management ?
 - (a) Inventory management.
 - (b) Receivable management.
 - (c) Cash management.
 - (d) All of the above.
2. The Transaction Motive for holding cash is for :
 - (a) Safety Cushion.
 - (b) Daily Operations.
 - (c) Purchase of Assets.
 - (d) Payment of Dividends.
3. Which of the following is not considered by Miller-Orr Model ?
 - (a) Variability in cash requirement.
 - (b) Cost of transaction.
 - (c) Holding cost.
 - (d) Total annual requirement of cash.
4. Ageing schedule incorporates the relationship between :
 - (a) Creditors and Days Outstanding.
 - (b) Debtors and Days Outstanding.
 - (c) Average Age of Directors.
 - (d) Average Age of All Employees.
5. EOQ is the quantity that minimizes :
 - (a) Total Ordering Cost.
 - (b) Total Inventory Cost.
 - (c) Total Interest Cost.
 - (d) Safety Stock Level.

Turn over

Fill in the blanks :

6. ——— function includes a firm's attempts to balance cash inflows and outflows.
7. Cash is one of the components of ———.
8. EOQ is a technique of ——— management.
9. When credit policy is tightened, sales will be ———.
10. ——— refers to the level of inventory at which the total inventory cost is minimum.

(10 × 1 = 10 marks)

Part II (Short Answer Questions)

Answer any eight out of the ten questions in two or three sentences.

Each question carries 2 marks.

11. What is working capital ?
12. What is hedging approach ?
13. What is inventory ?
14. What do you mean by net concept of working capital ?
15. What is inventory management ?
16. What is receivables management ?
17. What are accrued expenses ?
18. What is operating cycle ?
19. What is regular working capital ?
20. What is aggressive approach ?

(8 × 2 = 16 marks)

Part III (Short Essay Questions)

Answer any six out of the eight questions in about 200 words.

Each question carries 4 marks.

21. What are the different types of working capital ?
22. What are the benefits of holding inventories ?
23. Explain Miller-Orr cash management model.
24. What are the costs of maintaining receivables ?

25. Describe the objects of working capital in a business.
26. Describe the need of working capital in a business.
27. What are the benefits of receivables ?
28. The Annual consumption is 80,000 units, Cost to place one order is Rs. 1,200, Cost per unit is Rs. 50 and carrying cost is 6 % of Unit cost. Find Economic Order Quantity (EOQ).

(6 × 4 = 24 marks)

Part IV (Essay Questions)

Answer any two out of the three questions in about 800 words.

Each question carries 15 marks.

29. Give a lucid account of the various sources of working capital available to a firm.
30. What are the factors that determine the working capital requirements of a business ?
31. From the following estimates, calculate the average amount of working capital required :

Rs.

- (a) Average amount locked up in stocks :

Stock of materials	...	20,000
Stock of finished goods	...	25,000

- (b) Average credit given :

Local sales - 3 weeks credit	...	2,08,000
Export sales - 6 weeks credit	...	6,24,000

- (c) Lag in payment for :

Purchases - 3 weeks	...	1,56,000
Wages - 2 weeks	...	4,55,000

Add 10 % to provision for contingencies.

(2 × 15 = 30 marks)