

**SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2021**

(CUCBCSS—UG)

B.B.A.

BBA VIB 15—WORKING CAPITAL MANAGEMENT (FINANCE SPECIALISATION)

Time : Three Hours

Maximum : 80 Marks

**Section A (Objective Questions)**

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

Choose the correct answer :

1. Which of the following is not a motive to hold cash ?
  - a) Transaction Motive.
  - b) Precautionary Motive.
  - c) Capital Investment.
  - d) None of the above.
2. Baumol's Model of Cash Management attempts to :
  - a) Minimise the holding cost.
  - b) Minimization of transaction cost.
  - c) Minimization of total cost.
  - d) Minimization of cash balance.
3. Which of the following is not an element of credit policy ?
  - a) Credit Terms.
  - b) Collection Policy.
  - c) Cash Discount Terms.
  - d) Sales Price.
4. Which of the following is not a technique of receivables management ?
  - a) Funds Flow Analysis.
  - b) Ageing Schedule.
  - c) Days sales outstanding.
  - d) Collection Matrix.
5. Receivables Management deals with :
  - a) Receipts of raw materials.
  - b) Debtors collection.
  - c) Creditors Management.
  - d) Inventory Management.

**Turn over**

Fill in the blanks :

6. A \_\_\_\_\_ is a financial institution, which renders services relating to the management and financing of sundry debtors that arises from credit sales.
7. Net working capital is the excess of current assets over \_\_\_\_\_.
8. \_\_\_\_\_ is also known as short term cash forecasting.
9. Length of \_\_\_\_\_ cycle influences the amount of working capital.
10. When credit policy is liberalised, sales will be \_\_\_\_\_.

(10 × 1 = 10 marks)

### Section B (Short Answer Questions)

*Answer at least five questions.*

*Each question carries 4 marks.*

*All questions can be attended.*

*Overall Ceiling 20.*

11. What is hard core working capital ?
12. What do you mean by over drafts ?
13. What is economic order quantity ?
14. What is trade credit ?
15. What do you mean by commercial paper ?
16. What do you mean by retained earnings ?
17. Define receivables.
18. What are Preference Shares ?
19. What is Baumol's model of cash management ?
20. What is permanent working capital ?

(5 × 4 = 20 marks)

### Section C (Short Essay Questions)

*Answer at least four questions.*

*Each question carries 8 marks.*

*All questions can be attended.*

*Overall Ceiling 32.*

21. State the importance of the working capital of a concern.
22. Explain the different concepts of working capital.
23. What are the factors determining the cash needs ?

24. What are the objectives of receivables management ?
25. What are the points to be considered by the financial manager for an effective working capital financial plan ?
26. What are the motives behind holding cash ?
27. Explain the methods for accelerating cash inflows.
28. Calculate the Economic Order Quantity (EOQ) from the following particulars :

Annual usage	:	10,000 units
Cost of materials per unit	:	Rs. 2
Cost of placing and receiving one order	:	Rs. 50
Annual carrying cost of one unit	:	8% of inventory value

(4 × 8 = 32 marks)

#### Section D (Essay Questions)

*Answer any one question.*

*The question carries 18 marks.*

29. Explain the determinants of working capital.
30. What are the sources of working capital requirements ?
31. From the following estimates, calculate the average amount of working capital required :

a) Average amount locked up in stocks :

Stock of materials	...	10,000
Stock of finished goods	...	12,500

b) Average credit given :

Local sales-3 weeks credit	...	1,04,000
Export sales-6 weeks credit	...	3,12,000

c) Lag in payment for :

Purchases-3 weeks	...	78,000
Wages- 2 weeks	...	2,27,500

Add 10% to provision for contingencies.

(1 × 18 = 18 marks)