

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

(CUCBCSS)

B.B.A.

BBA VI B 15—WORKING CAPITAL MANAGEMENT

Time : Three Hours

Maximum : 80 Marks

Part I (Objective Questions)*Answer all ten questions.**Each question carries 1 mark.**Choose the correct answer.*

1. Net working capital means :
 - (a) Current asset + Current Liability.
 - (b) Current Asset – Current Liability.
 - (c) Current Asset only.
 - (d) Current liability only.
2. Time gap between the production of goods and actual realisation after sales is known as :
 - (a) Operating cycle.
 - (b) Cash cycle.
 - (c) Business cycle.
 - (d) None of these.
3. The most liquid asset is ————.
 - (a) Cash.
 - (b) Debtors.
 - (c) Bills Receivable.
 - (d) Inventories.
4. Receivables are created as a result of :
 - (a) Cash sales.
 - (b) Credit sales.
 - (c) Working capital.
 - (d) Bills receivable.
5. Public deposits of companies are :
 - (a) Unsecured loan.
 - (b) Secured loan.
 - (c) Collateral loan.
 - (d) None of these.

Turn over

Fill in the blanks :

6. A company is interested in ——— operating cycle.
7. According to ——— approach, permanent current assets and a part of variable current assets should be financed by long term funds.
8. Surplus cash is ———.
9. ——— involvement is one of the characteristics features of receivables.
10. Raw materials, work in progress, finished goods and stores and spares are the components of ———.

(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. Define Working Capital.
12. What do you mean by retained earnings ?
13. What are receivables ?
14. What is economic order quantity ?
15. What do you mean by accrued expenses ?
16. What do you mean by net concept of working capital ?
17. What is called convertible preference share ?
18. What is Baumol's model of cash management ?
19. What is permanent 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. Explain the different concepts of working capital.
22. Describe the objects of working capital in a business.

23. Explain the approaches of working capital management.
24. What are the motives behind holding cash ?
25. From the following particulars, calculate the EOQ :
- Annual requirement : 1600 Units.
- Cost of material per unit : Rs. 40.
- Cost of placing and receiving one order : Rs. 50.
- Annual carrying cost of inventory : 10 % of inventory value.
26. Explain the methods of accelerating cash inflows.
27. Explain Miller-Orr cash management model.
28. What are the benefits of receivables ?

(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. Explain the various sources of working capital financing ?
30. Prepare an estimate of working capital requirement from the following information of trading concern :
- 1 Projected Annual sales : 2,00,000 Units.
 - 2 Selling price : Rs. 8 Per Unit.
 - 3 Percentage of net profit on sales : 25 %
 - 4 Average credit period allowed to customers : 8 weeks.
 - 5 Average credit period allowed by suppliers : 4 Weeks.
 - 6 Average stock holding in terms of sales requirements : 12 Weeks.
 - 7 Allow 10 % for contingencies.
31. Discuss all the factors which exercise influence on the demand for working capital in a business concern.

(2 × 15 = 30 marks)