

D6BBA1804 (S2)

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Reg. No.....

Name:

SIXTH SEMESTER UG DEGREE EXAMINATION, APRIL 2023**(Supplementary - 2018 Admission)****BBA****ABBA6B15T: WORKING CAPITAL MANAGEMENT****Time: 3 Hours****Maximum Marks: 80****PART I: Fill the following question. Each carries 1 mark.**

1. EOQ is the size of the order for a particular item of inventory.
A) Maximum B) Medium C) Optimum D) Least
2. Which one of the following is not a technique of speeding up collections?
A) Concentration banking B) Lock box
C) Float system D) Zero balance account
3. Gross working capital is a concept
A) Business entity concept B) Dual aspect C) Going concern D) Both A and C
4. The fixed proportion of working capital is generally financed from
A) Debenture B) Private loans C) Reserves and provisions D) None of these
5. The approach of using more long term funds for financing needs is known as
A) Hedging B) Conservative approach C) Aggressive approach D) None of these

Fill in the Blanks.

6. Baumol's model is also known as.....
7. When accounts policy is liberalised, sales will be.....
8. The times required to process and execute an order is called.....
9. The stock turnover ratio indicates.....
10. Hedging approach is also known as.....

(10 × 1 = 10 Marks)**PART II: Answer any eight questions. Each carries 2 marks.**

11. What are core current assets?
12. Define factoring.
13. Explain the objectives of credit policy of a firm.
14. What is inventory turnover ratio?

(PTO)

15. Average age of receivables is an important yardstick of testing the efficiency of receivables management - Explain
16. What is badla financing?
17. Define ABC analysis?
18. What are marketable securities?
19. Comment on short costs.
20. What is meant by zero working capital?

(8 × 2 = 16 Marks)

PART III: Answer any six questions. Each carries 4 marks.

21. Explain risk return trade off in working capital management
22. Discuss between hedging and conservative approach
23. Calculate the operating cycle from the following

	In lakhs
Annual sales	1000
Manufacturing expenses	200
Distribution and other expenses	40
Purchase of materials	400
Opening stock	
Raw materials	80
Work in progress	20
Finished goods	60
Closing stock	
Raw materials	120
Work in progress	60
Finished goods	20
Opening balances of sundry debtors	40
Closing balances of sundry debtors	40

The company obtains a credit for 60 days from its suppliers. All goods sold for credit

24. Define retained earnings? What are its advantages and disadvantages?
25. Explain the various short-term sources of working capital.
26. What is concentration banking? Explain its merits and demerits.
27. Explain Baumols model of cash management.
28. What are the determinants of the size of investment in receivables?

(6 × 4 = 24 Marks)

PART IV: Answer any two questions. Each carries 15 marks.

29. Define perpetual inventory system? What is the procedure of perpetual inventory system? What are its advantages?
30. A Ltd buys and uses a component for production at 12 rupees p.a. The annual requirement is 2200 in members. Carrying cost is 12% p.a Ordering cost is 45 rupees per order. The purchase manager argues that as the ordering cost is high, it is advantageous to place a single order for the entire annual requirement. He also says that if the order is 2200 units at a time, there is 3% discount from the supplier. Evaluate the proposal and make recommendation.
31. From the information given below you are required to prepare a projected balance sheet, profit and loss account and then an estimate of working capital requirements of Hindustan limited.

a. Issued share capital	300000
6% debentures	200000

b. The expected ratios to selling price are:

Raw material	50%
Labour	20%
Overheads	20%
Profit	10%

- c. Raw materials are kept in store for an average of two months
- d. Finished goods remain in stock for an average period of three months
- e. Production during the year was 1,80,000 units and its planned to maintain the same in the current year also.
- f. Each unit of production is expected to be in process for half a month
- g. Credit allowed to customers is three months and given by suppliers is two months
- h. Selling price is 4 rupees per unit
- i. There is regular production and sales cycle
- j. Calculation of debtors may be made at selling price.

(2× 15 = 30 Marks)