

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA

SEM: IV - THEORY EXAMINATION (2023 - 2024)

Subject: Working Capital Management

Time: 3 Hours

Max. Marks: 100

General Instructions:

IMP: Verify that you have received the question paper with the correct course, code, branch etc.

1. This Question paper comprises of **three Sections -A, B, & C**. It consists of Multiple Choice Questions (MCQ's) & Subjective type questions.
2. Maximum marks for each question are indicated on right -hand side of each question.
3. Illustrate your answers with neat sketches wherever necessary.
4. Assume suitable data if necessary.
5. Preferably, write the answers in sequential order.
6. No sheet should be left blank. Any written material after a blank sheet will not be evaluated/checked.

SECTION A

20

1. Attempt all parts:-

- | | | |
|------|--|---|
| 1-a. | An asset is a....(CO1) | 1 |
| | (a) Source of fund | |
| | (b) Use of fund | |
| | (c) Inflow of funds | |
| | (d) none of the above | |
| 1-b. | Gross working capital is equal to....(CO1) | 1 |
| | (a) Total Assets | |
| | (b) Total liabilities | |
| | (c) Total current Assets | |
| | (d) Total current liabilities | |
| 1-c. | Concentration banking (CO2) | 1 |
| | (a) increases idle balances | |
| | (b) moves excess funds from a concentration bank to regional banks | |
| | (c) is less important during periods of rising interest rates | |
| | (d) improves control over corporate cash. | |

- 1-d. The precautionary motive refers to.(CO2) 1
- (a) A firm's motive to hold securities in case of emergencies
 - (b) A firm's motive to hold cash in case of emergencies
 - (c) A firm's motive to hold cash for insurance purposes
 - (d) A firm's motive to hold cash to pay for damages
- 1-e. Securitization is related to conversion of..(CO3) 1
- (a) Receivables,
 - (b) Stock,
 - (c) Investments,
 - (d) Creditors.
- 1-f. Receivables Management deals with...(CO3) 1
- (a) Receipts of raw materials,
 - (b) Debtors collection,
 - (c) Creditors Management,
 - (d) Inventory Management
- 1-g. Re-ordering level is calculated as (CO4) 1
- (a) Maximum consumption rate x Maximum re-order period
 - (b) Minimum consumption rate x Minimum re-order period
 - (c) Maximum consumption rate x Minimum re-order period
 - (d) Minimum consumption rate x Maximum re-order period
- 1-h. Average stock level can be calculated as(CO4) 1
- (a) Minimum stock level + $\frac{1}{2}$ of Re-order level
 - (b) Maximum stock level + $\frac{1}{2}$ of Re-order level
 - (c) Minimum stock level + $\frac{1}{3}$ of Re-order level
 - (d) Maximum stock level + $\frac{1}{3}$ of Re-order level
- 1-i. Commercial paper are generally issued at a price...(CO5) 1
- (a) Equal to face value
 - (b) More than face value
 - (c) Less than face value
 - (d) Equal to redemption value
- 1-j. Public deposits are the deposits that are raised directly from...(CO5) 1
- (a) The public
 - (b) The directors
 - (c) The auditors
 - (d) The owners

2. Attempt all parts:-

- 2.a. Define Gross working capital.(CO1) 2
- 2.b. Define Cash budget.(CO2) 2
- 2.c. Discuss Economic order quantity.(CO3) 2
- 2.d. Define carrying cost in inventory management.(CO4) 2
- 2.e. Define Bank credit.(CO5) 2

SECTION B

30

3. Answer any five of the following:-

- 3-a. Explain how would you assess the working capital requirements for seasonal industries.(CO1) 6
- 3-b. Explain the importance of working capital management.(CO1) 6
- 3-c. Explain the technique of Float Management.(CO2) 6
- 3-d. Explain and discuss the role of marketable securities in cash management.(C)2 6
- 3.e. "Trade credit is most prominent force of modern business". Comment.(CO3) 6
- 3.f. Explain the concept of Re-order level and safety stock. (CO4) 6
- 3.g. Examine the importance of trade credit and accrued expenses as a source of working capital financing.(CO5) 6

SECTION C

50

4. Answer any one of the following:-

- 4-a. As a finance manager, what factors would you consider while estimating working capital requirements of a firm? (CO1) 10
- 4-b. Calculate operating cycle of a company which gives the following details related to its operations:(CO1) 10

	Rs.
Raw materials consumption per annum	842000
Annual cost of production	1425000
Annual cost of sales	1530000
Annual sales	1950000
Average value of current assets held:	
Raw materials	124000
Work in progress	72000
Finished Goods	122000
Debtors	260000

The company gets 30 days credit from its suppliers. All sales are made on credit only. A year is considered to have 365 days.

5. Answer any one of the following:-

5-a. Explain the actions that a financial manager can take to reduce a company's cash requirements (CO2) 10

5-b. Prepare Cash Budget of a Company for April, May and June 2019 in a columnar form using the following information: (CO2) 10

Month	Sales	Purchase	Wage	Exp.
Jan. (Actual)	80,000	45,000	20,000	5,000
Feb. (Actual)	80,000	40,000	18,000	6,000
March (Actual)	75,000	42,000	22,000	6,000
April Budget	90,000	50,000	24,000	6,000
May Budget	85,000	45,000	20,000	6,000
June Budget	80,000	35,000	18,000	5,000

You are further informed that:

(a) 10% of purchase and 20% of Sale are for cash

(b) The average collection period of the Co. is 1/2 month and credit purchase is paid off

regularly after one month

(c) Wages are paid half monthly and the rent of Rs.500 excluded in expense is paid monthly

(d) Cash and Bank Balance on April 1, was Rs.15,000 and the company wants to keep it on end

of every month below this figure, the excess cash being put in fixed deposits.

6. Answer any one of the following:-

6-a. Elaborate the factors affecting the amount of receivable of a firm.(CO3) 10

6-b. Explain the 6 C's for analysis of credit related information of a customer. (CO3) 10

7. Answer any one of the following:-

7-a. Describe the various types of inventories and the methods of inventory control.(CO4) 10

7-b. In a factory the usage per year is 2000 units. 10
The holding cost per unit per year is Rs 10 and the ordering cost is Rs 100 per order.
The cost of item i.e. , purchase price is Re1 per unit.
Find out economic order quantity.(CO4)

8. Answer any one of the following:-

8-a. Explain the significance of commercial papers in economies like India.(CO5) 10

8-b. Write down the functions of risk management.(CO5) 10

REG. MAY 2024