Printed Page:-4 **Subject Code:- BMBAFM0412**

Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA

SEM: IV - THEORY EXAMINATION (2025 - 2026)

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:-

(1.1) A financial manager shuold attempt to:(CO1,K1) 1

(a) Increase the OC

(b) Maintain the OC

(c) Reduce the OC

(d) None of the above

(1.2) In which of the following the permanent working capital is financed by long term sources of funds (CO1,K1) 1

(a) Hedging approach

(b) Aggressive approach

(c) Conservative approach

(d) All of the above

(1.3) the Cheques deposited in a bank may not be available for immediate use due to:(CO2,K1) 1

(a) Payment Float

(b) Receipts Float

(c) Net float

(d) Playing the float

(1.4) Float management is related to:(CO2,K1) 1

(a) Cash management

(b) inventory management

(c) receivable management

(d) raw material management

(1.5) Is not a service of a factor?(CO3,K1) 1

- (a) Administrating sales ledger
- (b) Advancing against credit sales
- (c) assuming bad debts losses
- (d) None of the above

(1.6) Bad debt cost is not borne by factor in case of:(CO3,K1) 1

- (a) pure factoring
- (b) without recourse factoring
- (c) with recourse factoring
- (d) None of the above

(1.7) ABC analysis is used in:(CO4,K1) 1

- (a) Inventory management
- (b) Receivable management
- (c) accounting policies
- (d) corporate governance

(1.8) The cost of not carrying sufficient inventory is known as:(CO4,K1) 1

- (a) carrying cost
- (b) holding cost
- (c) total cost
- (d) stock-out cost

(1.9) Basic objective of diversification is:(CO5,K1) 1

- (a) Increasing Return
- (b) Maximising Return
- (c) Decreasing Risk
- (d) Maximizing Risk

(1.10) A short-term lease which is often cancellable is known as:(CO5,K2) 1

- (a) Finance Lease
- (b) Net Lease
- (c) Operating Lease
- (d) Leverage Lease

2. Attempt all parts:-

(2.1) Explain the significance of Current Ratio.(CO1,K2) 2

(2.2) Explain Capital Market.(CO2,K1) 2

(2.3) Explain the use of Accounting ratio.(CO3,K2) 2

(2.4) Explain the concept of Just in time.(CO4,K2) 2

(2.5) Describe the accounts payable.(CO5,K2) 2

<u>SECTION-B</u> 30

Answer any <u>one</u> of the following:-

(3.1) Explain the importance of working capital management.(CO1,K2) 6

(3.2) Company A is having operating cycle of 15 days, B is having an operating cycle of 6

10 days which company is having better position and why?(CO1,K3)

Answer any one of the following:-

(3.3) Explain the factors affecting the choice of marketable securities.(CO2,K2) 6

(3.4) Explain the motives of a company behind holding the cash. (CO2,K2) 6

Answer any one of the following:-

(3.5) Critically examine factoring in accounts receivables management. (CO3,K4) 6

(3.6) Explore the definition of credit risk.(CO3,K2) 6

Answer any one of the following:-

(3.7) Define the safety stock.(CO4,K1) 6

(3.8) Explain the considerations governing the maximum and minimum level of inventory. (CO4,K2) 6

Answer any one of the following:-

(3.9) Elaborate various short term sources of working capital.(CO5,K2) 6

(3.10) Describe the Authorized Capital, Issued Capital, Subscribed Capital and Paid up Capital. (CO5,K2) 6

<u>SECTION-C</u> 50

4. Answer any <u>one</u> of the following:-

(4.1) The price of the share of Star Co. Ltd. Is Rs. 35. The annual dividend received at the end of the year is Rs. 1.75 and year-end price of the share is Rs. 40.Find the rate of return.(CO1,K4) 10

(4.2) Prepare an estimate of net working capital requirement for the WCM Ltd. adding 10% for contingencies from the information given below :Estimated cost per unit of production Rs. 170 includes raw materials Rs. 80, direct labour Rs. 30 and overheads (exclusive of depreciation) Rs. 60. Selling price is Rs. 200 per unit. Level of activity per annum 1,04,000 units. Raw material in stock : average 4 weeks; work-in-progress (assume 50% completion stage): average 2 weeks; finished goods in stock : average 4 weeks; credit allowed by suppliers : average 4 weeks; credit allowed to debtors: average 8 weeks; lag in payment of wages : average 1.5 weeks, and cash at bank is expected to be Rs. 25,000. You may assume that production is carried on evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit basis only. You may state your assumptions, if any. (CO1,K5) 10

5. Answer any <u>one</u> of the following:-

(5.1) It has been observed in your organization that substantial cash surplus is available for short period of time which is not being utilized properly to generate maximum yield". How would you go about planning for short – term investment of funds.(CO2,K3) 10

(5.2) From the following information, prepare a monthly cash budget for the three months ending 31st December 2022.(CO2,K5) 10

Month	Sales ($)	Materials ($)	Wages ($)	Production ($)	Admin. Selling, etc ($)
Jun.	3,000	1,800	650	225	160

Jul.	3,250	2,000	750	225	160
Aug.	3,500	2,400	750	250	175
Sep.	3,750	2,250	750	300	175
Oct.	4,000	2,300	800	300	200
Nov.	4,250	2,500	900	350	200
Dec.	4,500	2,600	1,000	350	225

The credit terms are as follows:

- Sales — 3 months to debtors. 10% of sales are in cash. On average, 50% of credit sales are paid on the due dates, while the other 50% are paid in the next month.
- Creditors for material — 2 months.

The lag in payment for wages is 1/4 month and 1/2 month for overheads.
The cash and bank balance on 1st October is expected to be $1,500.
Other information is given as follows:

- Plant and machinery are to be installed in August at a cost of $24,000. This sum will be paid in monthly installments of $500 each from 1st October.
- Preference share dividends @ 5% on $50,000 are to be paid on 1st December.
- Calls on 250 equity shares @ $2 per share are expected on 1st November.
- Dividends from investments amounting to $250 are expected on 31st December.

Income tax (advance) is to be paid in December $500

6. Answer any <u>one</u> of the following:-

(6.1)	Once the creditworthiness of a customer has been assessed, how would you go about analysing the credit granting decision. (CO3,K4)	10
(6.2)	Discuss a few important financial ratios and analysis used in managing receivables.(CO3,K2)	10

7. Answer any <u>one</u> of the following:-

(7.1)	Discuss the ways to reduce the cost of the maintaining the inventories.(CO4,K3)	10
(7.2)	Discuss the advantages and disadvantages of ABC Analysis.(CO4,K2)	10

8. Answer any <u>one</u> of the following:-

(8.1)	Write a short note on international factoring.(CO5,K1)	10
(8.2)	Explain the significance of commercial papers in economies like India.(CO5,K2)	10