Printed Page:-4 **Subject Code:- BMBAMF0413**
Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA
(An Autonomous Institute Affiliated to AKTU, Lucknow)
MBA MF
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) Below are all components of working capital except: (CO1, K1) 1
- (a) Cash
- (b) Marketable securities
- (c) Inventories
- (d) Note payable

(1.2) In finance, "working capital" means the same thing as (CO1, K1) 1
- (a) total assets.
- (b) fixed assets.
- (c) current assets.
- (d) current assets minus current liabilities

(1.3) Marketable securities are primarily (CO2, K1) 1
- (a) short-term debt instruments.
- (b) short-term equity securities.
- (c) long-term debt instruments.
- (d) long-term equity securities.

(1.4) The transactions motive refers to (CO2, K2) 1
- (a) The motive to hold cash that is required for a firm's normal operations
- (b) The motive to hold cash that is required for purchases
- (c) The motive to hold cash that is required for a firm's long-term purchases
- (d) The motive to hold cash that is required for emergencies

(1.5) If the sales of the firm is 60,00,000 and the average debtors are 1

15,00,000 then the receivables turnover is (CO3, K2)

(a) Sales
(b) Debtors
(c) Debt collection period,
(d) All of the above

(1.6) If cash discount is offered to customers, then which of the following would increase? (CO3, K3) 1

(a) Receipts of raw materials,
(b) Debtors collection,
(c) Creditors Management,
(d) Inventory Management

(1.7) "Cash discounts offered by suppliers should not be accepted because ______." (CO4, K2) 1

(a) Machines
(b) Raw material
(c) Finished products
(d) Consumable tools

(1.8) The cost of insurance and taxes are included in (CO4, K2) 1

(a) Half of the actual stock
(b) At which the ordering process should start
(c) Minimum stock level below which actual stock should not fall
(d) Maximum stock in inventory

(1.9) Concept of Maximum Permissible Bank finance was introduced by (CO5, K2) 1

(a) Kannan Committee
(b) Chore Committee
(c) Nayak Committee
(d) Tandon Committee

(1.10) In India, Commercial Papers are issued as per the guidelines issued by (CO5, K1) 1

(a) Securities and Exchange Board of India
(b) Reserve Bank of India
(c) Forward Market Commission
(d) None of the above

2. Attempt all parts:-

(2.1) Explain debtor turnover ratio. (CO1,K1) 2
(2.2) Define "Cash Conversion Cycle". (CO2, K1) 2
(2.3) Define the concept of Optimal credit policy. (CO3,K1) 2
(2.4) Explain EOQ in term of inventory. (CO4, K1) 2
(2.5) Discuss the objectives of working capital financing. (CO5, K2) 2

<u>SECTION-B</u> 30

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

(3.1) Distinguish between Gross Working Capital and Net Working Capital with suitable examples. (CO1, K3) 6

(3.2) A company earns annual profit of ₹8,00,000 with Current Assets of ₹12,00,000 and Current Liabilities of ₹5,00,000. Compute Net Working Capital and comment on liquidity position. (CO1, K3) 6

Answer any one of the following:-

(3.3) Explain the relationship between liquidity and profitability in cash management. (CO2, K3) 6

(3.4) A company estimates cash requirement of ₹18,00,000 annually. Transaction cost per conversion is ₹150 and opportunity cost is 12% per annum. Using Baumol Model, calculate optimal cash balance. (CO2, K3) 6

Answer any one of the following:-

(3.5) Discuss the importance of accounts receivables management. (CO3,K2) 6

(3.6) Discuss various sources by which credit information about a customer can be collected. (CO3, K2) 6

Answer any one of the following:-

(3.7) Organization hold the inventory under speculative motive? Elaborate (CO4, K2) 6

(3.8) Explain how inventory costs also affect the sales volume of organization? (CO4, K3) 6

Answer any one of the following:-

(3.9) Describe the Repo and Reserve repo rate. (CO5,K2) 6

(3.10) "Describe the purpose behind the Tandon Committee recommendations on inventory norms." (CO5,K1) 6

SECTION-C 50

4. Answer any one of the following:-

(4.1) A company has Raw Material period 40 days, WIP period 20 days, Finished Goods period 25 days, Debtors period 35 days and Creditors period 30 days. Calculate the Working Capital Cycle. (CO1, K3) 10

(4.2) A company has annual cost of goods sold ₹60,00,000 and average inventory ₹7,50,000. Calculate inventory turnover ratio and inventory holding period. (CO1, K3) 10

5. Answer any one of the following:-

(5.1) Explain Baumol's Cash Management Model with assumptions, advantages and limitations. (CO2, K2) 10

(5.2) Prepare a Cash Budget from the following data: January receipts ₹3,00,000, payments ₹2,20,000; February receipts ₹2,50,000, payments ₹2,80,000; Opening balance ₹50,000. (CO2, K3) 10

6. Answer any one of the following:-

(6.1) Define the credit policy. How business can enhance their cash collection using appropriate credit policy? (CO3, K2) 10

(6.2) Discuss a few important financial ratios and analysis used in managing receivables. 10

(CO3, K2)

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

(7.1)	A manufacturer of refrigerators buys 3200 units of certain component from a supplier. His annual usage is 3200 units. The total cost of placing an order is Rs 100 and the cost of carrying one unit is Rs 16. Calculate EOQ. (CO4, K3)	10
(7.2)	You are given following information regarding the inventory handling in X Ltd.Annual usage are 300 units. Cost price per units remains to be Rs 100. Ordering cost being Rs 30 per order, the carrying cost remains 20% of value of inventory. Calculate the optimal order quantity. (CO4, K3)	10

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

(8.1)	Explain factoring and its importance in receivables management. (CO5, K2)	10
(8.2)	Explain the recommendations of the Chore Committee regarding Working Capital finance. (CO5, K1)	10