Printed Page:-4 **Subject Code:- CMBIE0223**
Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA
(An Autonomous Institute Affiliated to AKTU, Lucknow)
MBA IEV
SEM: II - 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.*

<u>SECTION-A</u> 20

1. Attempt all parts:-

(1.1) High inventory level causes (CO1,K2) 1

- (a) Decreases need
- (b) No effect
- (c) Increases requirement
- (d) Ends liability

(1.2) Cash conversion cycle focuses on (CO1,K2) 1

- (a) Fixed assets
- (b) Cash movement
- (c) Profit margin
- (d) Loan repayment

(1.3) Cash turnover ratio indicates (CO2,K1) 1

- (a) Efficiency of cash usage
- (b) Profit margin
- (c) Tax burden
- (d) Share issue

(1.4) Optimum cash balance avoids (CO2,K1) 1

- (a) Only excess
- (b) Both excess and shortage
- (c) Only shortage
- (d) Only tax burden

(1.5) Collection expenses are part of (CO3,K3) 1

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(a) Receivables management cost
(b) Capital cost
(c) Machinery cost
(d) Share premium

(1.6) Shorter credit period generally causes (CO3,K1) 1

(a) Faster collection
(b) Slower sales only
(c) More bad debts
(d) Higher losses

(1.7) Purchase requisition is prepared for (CO4,K1) 1

(a) Requesting materials
(b) Tax filing
(c) Paying wages
(d) Selling goods

(1.8) LIFO means (CO4,K1) 1

(a) Low In First Out
(b) Last In Final Out
(c) Last In First Out
(d) Long In Final Out

(1.9) Short-term credit period is generally (CO5,K1) 1

(a) Less than one year
(b) More than ten years
(c) Permanent
(d) Lifetime

(1.10) Accrued expenses are also called (CO5,K3) 1

(a) Outstanding expenses
(b) Deferred income
(c) Fixed charges
(d) Capital reserves

2. Attempt all parts:-

(2.1) Define seasonal working capital requirement. (CO1,K2) 2

(2.2) Explain the opportunity cost of holding cash. (CO2,K2) 2

(2.3) Explain factoring. (CO3,K2) 2

(2.4) Define dead stock. (CO4,K1) 2

(2.5) Define negotiable money market instrument. (CO5,K1) 2

<u>SECTION-B</u> 30

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

(3.1) Determine cash conversion cycle when operating cycle is 120 days and creditors payment period is 45 days. (CO1,K3) 6

(3.2) Compute working capital turnover ratio when sales are ₹15,00,000 and net 6 working capital is ₹3,00,000. (CO1,K3)

Answer any one of the following:-

(3.3) Prepare a cash budget for January when cash sales are ₹40,000, credit sales are ₹60,000, cash purchases are ₹25,000, wages ₹10,000 and overheads ₹8,000. (CO2,K3) 6

(3.4) Calculate the cash deficiency when opening cash balance is ₹15,000, total cash inflows are ₹50,000 and total cash outflows are ₹72,000. (CO2,K3) 6

Answer any one of the following:-

(3.5) Describe the opportunity cost of maintaining receivables. (CO3,K1) 6

(3.6) Compute the debtors turnover ratio when net credit sales are ₹18,00,000 and average debtors are ₹3,00,000. (CO3,K3) 6

Answer any one of the following:-

(3.7) Calculate the Economic Order Quantity when annual demand is 12,000 units, ordering cost per order is ₹200 and carrying cost per unit per annum is ₹8. (CO4, K3) 6

(3.8) Calculate the maximum stock level when re-order level is 1,000 units, re-order quantity is 500 units and minimum consumption during minimum lead time is 200 units. (CO4,K3) 6

Answer any one of the following:-

(3.9) Describe the concept and process of bill discounting. (CO5,K2) 6

(3.10) Discuss the features and uses of certificate of deposit. (CO5,K2) 6

SECTION-C 50

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

(4.1) Assess the effect of business expansion on the need for permanent and temporary working capital. (CO1,K4) 10

(4.2) Following is the information of M/s Kiran Traders Ltd. for the year ending 30th June 2021. Their plan is to sell 24,000 units in the next year. The expected cost of goods sold is as under. You are required to calculate the working capital requirements. Particulars Rs. (Per Unit): Raw Material ₹90, Manufacturing Expenses ₹35, Selling, Administration and Financial Expenses ₹25, Selling Price ₹180. The duration at various stages of the operating cycle is expected as follows: Raw Material Stage 3 months, Work-in-Progress Stage 1 month, Finished Goods Stage 1/2 month, Debtors Stage 1 month. Assuming monthly sales level of 2,000 units, estimate the gross working capital necessity. Expected cash balance is 6% of the gross working capital necessity, and work-in-progress is 25% complete with respect to manufacturing expenses. (CO1,K3) 10

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

(5.1) Analyze the effect of inflation on cash requirements and cash management decisions of a business. (CO2,K4) 10

(5.2) Assess the role of marketable securities in managing temporary cash surplus of a company. (CO2,K4) 10

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

(6.1)	Examine the impact of a strict credit policy on sales volume and bad debt losses in a trading concern. (CO3,K4)	10
(6.2)	Evaluate the benefits of factoring services for a company facing frequent cash shortages due to delayed collections. (CO3,K2)	10

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

(7.1)	A factory uses 18,000 units of packing material annually. The ordering cost per order is ₹250. The price per unit is ₹40 and carrying cost is 10% of unit cost per annum. Calculate the Economic Order Quantity (EOQ), number of orders required per year and total annual inventory cost. (CO4,K3)	10
(7.2)	A manufacturing unit records Normal Usage 600 units per week, Minimum Usage 400 units per week, Maximum Usage 800 units per week, Re-order Quantity 5,000 units and Re-order Period 4 to 6 weeks. Calculate Re-order Level, Minimum Stock Level, Maximum Stock Level and Average Stock Level. (CO4,K3)	10

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

(8.1)	Discuss accounts payable and accrued expenses as spontaneous sources of finance in detail. (CO5,K2)	10
(8.2)	Explain the mechanism, benefits and limitations of bank overdraft in financing working capital. (CO5,K1)	10