Printed Pages:03 **Snb Code:RMB-FM04**

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MBA

(SEM-IV) THEORY EXAMINATION 2017-18

WORKING CAPITAL MANAGEMENT

Time: 3 Hours ***Total Marks: 70***

Note: Attempt all Sections. If require any missing data; then choose suitably.

SECTION A

1. Attempt *all* questions in brief. 2 x 7=14

   a. When is working capital policy referred to as an aggressive policy?
   b. When is working capital policy referred to as an aggressive policy?
   c. What is meant by 'near cash'?
   d. What do you understand by lock-box system?
   e. What do you understand by receivable management?
   f. What is the mcaning of just- in- time inventory?
   g. What is meant by hypothecation?

SECTION B

2. Attempt any *three* of the following: 7 x 3=21

   a. X and co. is desirous to purchase a business and has consulted you at one point on which you are asked to advise them to calculate the average amounts of working capital which will be required in the first year's working.

   You are given the following estimates and instructed to add 10% to your computed figure to allow for contingencies;

		Figures for the year
1.	Average amount invested in stock	
	Stock of finished product	5,000
	Stock of material and stores	8,000
2.	Average credit given;	
	Inland sales – 6 weeks' credit	3,12,000
	Export sales – one and a half weeks credit	78,000
3.	Lag in payment of wages and other expenses;	
	Wages – one and a half weeks	2,26,000
	Stores, materials, etc. one and half month	48,000
	Rent, royalty etc. 6 months	10,000
	Salaries- half month	67,200
	Miscellaneous expenses – one and a half months	48,000
4.	Advance payments;	
	Miscellaneous expenses (Paid quarterly in advance)	8,000
5.	Undrawn profits	11,000

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b. The turnover of ABC Ltd. is ₹60 lakhs of which 80% on credit. Debtors are allowed one month to clear off the due. A factory willing to advance 90% of the bill raised on credit for a fce of 2% a month plus a commission of 4% on the total amounts of debts. R. Ltd. as a result of this arrangement, is likely to save ₹21,600 annually in management cost and bad debts at 1% on the credit sales.

A bank has come forward to make an advance to 90% of the debts at annual interest rate of 18%. However, its processing fee will be at 2% on the debts. Would you accept factoring or the offer from bank?

c. Victory ltd uses thrce types of materials X, Y and Z for the production of product 'XYZ'. The relevant monthly data for the components are given below:

	X	Y	Z
Normal usages per month	400 units	300 units	360 units
Minimum usage per month	200 units	200 units	180 units
Maximum usages per month	600units	500 units	540 units
Record quantity	1500 units	1800 units	1440 units
Record period	2 to 3 month	3 to 4 month	2 to 3 month

Calculate for each component (1) Record level, (2) Minimum stock level, (3) Maximum stock level, and (4) Average stock level.

d. Silver sunrise has annual sales of ₹24, 00, 000.The selling per units is ₹10 and the variable cost is 70% of the selling price. The rate of return on investment is 20%, average cost 9% per units, annual collection expenditure ₹50,000 and the % of default 3%, credit terms 2 months. Silver sunrise is considering in credit policy by following program X or program Y.

	program	
	X	Y
Average collection period(months)	1.5	1
Annual collection expenditure (₹)	75,000	1,50,000
Percentage of default (%)	2	1

Determine which collection should silver sunrise follow?

e. The LMN company has been buying items in lots of 1,200 units which is a six-month supply, the cost per units is ₹12, order is 8 per order, and carrying cost is 25%. You are required to calculate the saving per year by in economical lot quantities.

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SECTION C

3. Attempt any *one* part of the following: 7 x 1 = 7

   a. Explain the most important method which is used for managing receivables in India.

   b. What does the credit policy of the firm help to decide? Briefly explain the dimension of the credit policy.

4. Attempt any *one* part of the following: 7 x 1 = 7

   a. Discuss briefly the various eash management techniques/process.

   b. What is the important requirement of a system of inventory control? Explain the organizational produce for exercising good inventory control.

5. Attempt any *one* part of the following: 7 x 1 = 7

   a. Explain the various committees which are appointed by the government of India to advise on working capital financing.

   b. There are many motives of holding cash '. Elaborate.

6. Attempt any *one* part of the following: 7 x 1 = 7

   a. Explain the different instruments in which investment can be made under marketable securities.

   b. Explain commercial paper as a mode of financing working capital, in details.

7. Attempt any *one* part of the following: 7 x 1 = 7

   a. Explain the operation cycle of working capital? And its components.

   b. What do you understand by working capital? Discuss the need and signiflcance of the working capital.

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14.05.18 EVENING RMBF04

Kindly Read As

1 A. What is the meaning of accounts payable?

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