

MBA 3rd Semester Examination, 2022

WORKING CAPITAL MANAGEMENT

PAPER – MBA-F-308

Full Marks : 100

Time : 3 hours

The figures in the right hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

A. Answer any *eight* of the following : 5 × 8

- 1. Do you think that gross concept of working capital is always positive and the net concept of working capital may be positive or negative ? Explain.**

- 2. Briefly discuss on temporary and permanent working capital concept.**

(Turn Over)

3. What is an optimum current asset ? Discuss.
4. Explain the Aggressive Policy in working capital financing.
5. Write the factors to be considered in granting credit to a new customer.
6. What is safety stock ? Write the costs involved in optimum safety stock determination.
7. Material X is used as follows :
Minimum usage : 1500 units in a month
Normal usage : 3000 units in a month
Maximum usage : 4500 units in a month
Ordering quantity : X: 6000 units
Re-order period : X: 1 to 3 months
You are required to calculate :
 - (i) Maximum level
 - (ii) Minimum level and
 - (iii) Re-order level.

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8. What are the costs involved in management of debtors ? Briefly explain.
9. Write the objectives of Cash management.
10. Explain the term self imposed Cash balance.
11. Write the inventory model in self imposed cash balance determination.
12. Explain the term Working Capital Leverage.

B. Answer any *four* of the following : 10 × 4

13. From the following information estimate the net working capital required for the project. Add 10% of your computed figure to allow contingencies.

Estimated cost per unit of production :	Amount per unit (Rs.)
Raw material	80
Direct labour	30
Overhead (inclusive of depreciation Rs. 10)	60
Total cost	170

Additional Information :

Selling price	Rs. 200 per unit
Level of activity	104000 units of production per annum
Raw material in stock	average 6 weeks
Work In Progress	average 2 weeks
Finished goods in stock	average 4 weeks
Credit allowed by supplier	average 4 weeks
Credit allowed to debtors	average 6 weeks
Lag in payment of wages	average 2 weeks
Lag in payment of overhead	average 1 week
Cash at bank is expected to be Rs. 50000.	

You may assume that production is carried on evenly throughout the year (52 weeks) and wages and overhead accrue evenly.

14. From the following information calculate
(i) Maximum permissible bank credit, (ii)
Current ratio, (iii) Funds required from long

term sources under three methods of Tandon Committee. Also interpret the results of the three methods.

Current Assets :	Amount (Rs. Lakhs)
Inventory	1500
Receivables	800
Other Current assets	700
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	3000
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Current Liabilities :	
Creditors	800
Other current liabilities	600
Bank Borrowings (short term)	600
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	2000
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Assume Core current asset is 20% of total current assets.

15. At present A Ltd. credit term is 1/10, net 30. Its current sales are Rs. 50,00,000; its average collection period is 30 days; contribution margin is 25% and its cost of fund is 10%.

The customers currently taking cash discount facilities are 50%.

The company is thinking to relax its credit term to 2/10 net 30. It is expected that sales will increase to Rs. 80,00,000; average collection period reduce to 25 days and increase the proportion of customers taking cash discount facilities to 60%.

Existing bad debt losses are 1% on sales, but under new term it will increase to 1.5%.

Assume 360 days in a year.

Advise the company whether it should relax its credit term or not.

16. The Purchase Department of an organization has received an order of quantity discounts of on its orders of material as under :

Price per ton (Rs.)	Quantity (Tones)
1500	Less than 500
1420	500 and less 800
1350	800 and less than 1200
1330	1200 and less than 2000
1300	2000 and above

The annual requirement of the material is 6000 tones. The delivery cost per order is Rs. 1200 and the annual stock holding cost is estimated at 20% of the average inventory.

You are required to determine the most economical order quantity, presenting the relevant information in tabular form.

17. Explain the factors influencing working capital requirement in a manufacturing firm.
18. Explain the Operating Cycle concept in Working Capital management and also state how Working Capital is calculated under this concept.

[*Internal Assessment* – 20 Marks]
