



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A.DEGREE EXAMINATION –BUSINESS ADMINISTRATION

SIXTH SEMESTER – APRIL 2019

16UBU6MS01– WORKING CAPITAL MANAGEMENT

Date: 11-04-2019
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

PART – A

Answer **ALL** the questions:

(10 x 2 = 20)

1. What is meant by 'Working Capital'?
2. Give the meaning of Temporary Working Capital.
3. What is Operating cycle of Working capital?
4. Write down the formula for calculating WIP conversion period.
5. State the purpose of issuing 'Commercial paper'.
6. What is 'MPBF'?
7. What is meant by 'Bills Discounting'?
8. Identify any 2 costs involved in maintaining accounts receivables.
9. What do you understand by 'Ageing Schedule'?
10. Write down the formula for calculating Reorder Level in managing inventory.

PART – B

Answer any **FOUR** questions:

(4 x 10 = 40)

11. The following information is available for Swagat Ltd (Rs millions) :

Average Stock of Raw materials and Stores	200
Average Work-in-process inventory	300
Average Finished goods inventory	180
Average Accounts Receivable	300
Average Accounts Payable	180
Average Raw materials & stores purchased on credit and consumed per day	10
Average Work-in-process value of Raw materials committed per day	12.5
Average Cost of goods sold per day	18
Average sales per day	20

You are required to calculate the operating cycle period.

12. Elaborate the benefits arising from electronic cash management system.
13. Discuss the techniques adopted for managing the float.
14. Briefly discuss the motives of holding inventory.
15. Explain Baumol's model of Cash management with assumptions.
16. Discuss the factors influencing the size of receivables.

17. The following information is related to a type of raw material. You are required to calculate the EOQ and total annual inventory cost in respect of the particular raw material.

Annual demand	2400 units
Unit Price	Rs 2.40
Ordering Cost per order	Rs 4
Storage Cost	2% per annum
Interest rate	10% per annum
Lead time	Half-month

PART – C

Answer any **TWO** questions:

(2 x 20 = 40)

18. Explain the factors that influence the working capital requirements.

19. The Cost sheet of a company provides the following particulars:

Elements of cost : Raw materials: 40%, Labour: 10% & Overheads : 30%

Raw Materials remain in stock	6 weeks
Processing time	4 weeks
Finished goods are in stock	5 weeks
Period of credit allowed to debtors	10 weeks
Lag in payment of wages	2 weeks
Period of credit allowed by creditors	4 weeks
Selling price	Rs 50 per unit
Production in units	13000 p.a

Prepare an estimate of Working Capital.

20. Describe the different sources of Working capital financing.

21. From the following data, forecast the cash position at the end of April, May and June 2018.

Month	Sales (Rs)	Purchases (Rs)	Wages (Rs)	Miscellaneous Expenses (Rs)
February	600000	420000	50000	35000
March	650000	500000	60000	40000
April	400000	520000	40000	30000
May	580000	530000	50000	60000
June	440000	400000	40000	30000

Additional Information :

- (i) Sales 10% realized in the month of sales, balance realized equally in two subsequent months.
- (ii) Purchases- these are paid in the month following the month of supply
- (iii) Wages- 10% paid in arrears following month
- (iv) Miscellaneous expenses – paid a month in arrears
- (v) Rent – Rs 5000 per month paid quarterly in advance due in April
- (vi) Income Tax – first installment of advance tax Rs 150000 due on or before 15th June
- (vii) Income from investment – Rs 30000 received quarterly in April and July
- (viii) Cash in hand – Rs 30000 on 1st April 2018.
