



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

SIXTH SEMESTER – APRIL 2022

16/17/18UBU6MS01 – WORKING CAPITAL MANAGEMENT

Date: 24-06-2022

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

PART – A

Q. No Answer ALL questions

(10 * 2 = 20 Marks)

- 1 Define the term 'Working Capital'
- 2 Give the meaning of Net working capital.
- 3 State the purpose of issuing 'Commercial paper'.
- 4 Identify any two forms of Bank credit.
- 5 Define the following terms: Cash cycle & Cash Turnover.
- 6 Define the term 'Float'.
- 7 What is Average collection period?
- 8 Define the term 'Factoring'
- 9 What do you understand by 'Ageing Schedule'?
- 10 Write down the formula for calculating Safety stock.

PART – B

Answer any FOUR questions

(4 * 10 = 40 Marks)

- 11 Discuss the importance of working capital for a manufacturing concern.
- 12 The following information is available in respect of Beta Ltd: Stock Holding: RM :1 month, WIP: 15 days, FG: 1 month. Debtors collection period: 2 months, Time lag in payment of bills: 45 days. Calculate Operating cycle, Number of Operating cycles in a year assuming 360 days in a year, and Average working capital required if annual cash operating expenses are Rs 180 lakhs.
- 13 Describe Baumol's model of Cash management with assumptions.
- 14 Explain the motives for holding Cash.
- 15 Examine the factors affecting the choice of marketable securities.
- 16 Explain the cost of maintaining receivables.
- 17 Material 'C' is used as follows:

Particulars	Quantity/period
Maximum usage in a month	600 units
Minimum usage in a month	400 units
Average usage in a month	450 units
Lead time	Maximum 6 months
Lead time	Minimum 2 months
Reorder Quantity	1500 units
Maximum reorder period for emergency purchases	1 month

Calculate Reorder level, Maximum stock level, Minimum stock level, Average Stock level, and Danger level.

PART – C

Answer any TWO questions

(2 * 20 = 40 Marks)

- 18 Summarise the factors that influence the working capital requirements of a firm.
- 19 Elaborate on the various sources of working capital financing
- 20 Enumerate the factors affecting the size of receivables.
- 21 A company wishes to prepare cash budget from January. Prepare a Cash budget for the first six months from the following estimate revenue and expenses:

Month	Total Sales (Rs)	Materials (Rs)	Wages (Rs)	Production Overheads (Rs)	S & D Overheads (Rs)
January	100000	100000	20000	16000	4000
February	110000	70000	22000	16500	4500
March	140000	70000	23000	17000	4500
April	180000	110000	23000	17500	5000
May	150000	100000	20000	16000	4500
June	200000	125000	25000	18000	6000

Additional Information:

- (i) Cash balance on 1st Jan was Rs 50000. A new machinery is to be installed at Rs 100000 on credit to be repaid by two equal installments in March & April.
- (ii) Sales commission at 5% on total sales is to be paid within a month of following actual sales.
- (iii) Rs 50,000 being the amount of second call may be received in March. Share premium amounting to Rs 10000 is also obtainable with the second call.
- (iv) Period of credit allowed by Suppliers is 2 months
- (v) Period of credit allowed to customers is 1 month
- (vi) Delay in payment of overheads is 1 month
- (vii) Delay in payment of wages is ½ month
- (viii) Assume cash sales to be 50% of total sales.
