[This question paper contains 2 printed pages.]

Your Roll No...............

Sr. No. of Question Paper : 5124 **L**

Unique Paper Code : 2924000034

Name of the Paper : Working Capital Management (GE)

Name of the Course : **BBA (FIA)**

Semester : IV/VI/VIII

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any **five** questions.
3. Attempt **all** parts of a question together.
4. Marks are indicated against each question.
5. Use of a scientific non-programmable calculator is allowed.

Q1. From the following information, prepare the statement of working capital requirement

Projected Annual Sales (units)	52,000 units
Selling Price per Unit	Rs.50
Raw Material	40%
Direct labour	10%
Overhead costs	20%
Raw material stock	Average 1 week
Work in progress stock	Average 4 week
Finished goods stock	Average 1 week
Credit allowed to debtors	6 weeks
Lag in payment of wages and overheads	2 weeks
Credit allowed by suppliers	8 weeks
Cash required	Rs. 50,000

50% of the sales are on cash basis. 18 Marks

Q2. (a) Calculate Net Operating Cycle period and Number of Operating Cycles in a year from below information (Assume 360 days in a year): 9 Marks

Raw material inventory consumed during the year	₹3,00,000
Average stock of raw material	₹25,000
Cost of production for the year	₹2,50,000
Average work-in-progress inventory	₹12,500
Cost of goods sold during the year	₹4,00,000
Average Finished Goods Inventory	₹20,000
Average collection period from debtors	45 days
Average credit period availed	30 days

(b) Discuss the various determinants of Working Capital requirements. 9 Marks

Q3. ABC ltd. is making sales of Rs. 8,00,000 and it extends a credit of 90 days to its customers. However, in order to overcome the financial difficulties, it is considering to change the credit policy. The proposed terms of credit and expected sales are given hereunder:

Policy	Terms	Sales
I	75 days	Rs. 7,50,000
II	60 days	Rs. 7,25,000
III	45 days	Rs. 7,12,500
IV	30 days	Rs. 6,75,000
V	15 days	Rs. 6,50,000

The firm has a variable cost of 80% and a fixed cost of Rs. 50,000. The cost of capital is 15%. Evaluate different proposed policies and which policy should be adopted? (Year may be taken as 360 days). 18 Marks

Q4. (a) Discuss in detail the various cash management strategies adopted by firms to optimize cash balances. 9 Marks

(b) Define marketable securities and explain their role in cash management. 9 Marks

Q5. (a) What do you mean by stock out? Explain the trade-off between stock out and carrying costs of inventory. 9 Marks

(b) Discuss how inventory management contributes to cost reduction and profit maximization.

9 Marks

Q6. Write short notes on any three- (6*3=18 Marks)

a. Operating cycle concept

b. Economic order quantity

c. Credit evaluation of customers

d. Delinquency costs