[This question paper contains 2 printed pages.]

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

Sr. No. of Question Paper	**:**	**5391**	**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. LG Ltd. Supplied the following information:

Sales and production of the year	34,500 units
Finished goods in store	3 months
Raw material in store	2 months consumption
Production process	1 month
Credit allowed by creditors	2 months
Selling price per unit	₹25
Raw material	40% of selling price
Direct wages	20% of selling price
Overheads	20% of selling price

20% sales are on cash basis and credit sales allowed to customers for one month. Overheads include ₹2.5 as depreciation. There is regular production and sale cycle and wages and overheads accrue evenly. Wages are paid in the next month of accrual and overheads are paid 15 days in arrears. Material is introduced in the beginning of production cycle. You are required to find out its working capital requirement on cash cost basis. 18 Marks

Q2. (a) You are given the following information about a company, carrying cost per unit is Rs. 25 p.a., fixed cost per order is Rs. 2500 and the number of units required is 1,80,000 units per quarter. Determine the economic order quantity and number of orders in a year.
9 Marks

(b) Discuss the relationship between profitability and liquidity in the context of Working Capital Management. 9 Marks

Q3. A trader whose current sales are ₹ 7,50,000 lakhs per annum and average collection period is 15 days wants to pursue a more liberal credit policy to improve sales. A study made by a consultant firm reveals the following information:

Credit Policy	Increase in Collection Period	Increase in Sales
U	15 days	₹ 45,000
V	22 days	₹ 75,000
W	30 days	₹ 90,000
X	45 days	₹1,00,000

The selling price per unit is ₹ 2.5. Average cost per unit is ₹ 2 and variable cost per unit is ₹ 1.4 per unit. The required rate of return on additional investments is 20 percent. Assume 360 days in a year and also assume that there are no bad debts. Which of the above policies would you recommend for adoption? 18 Marks

Q4. (a) Discuss the various factors determining the cash requirements of a firm. 9 Marks

(b) Define float. Distinguish payment float and collection float. 9 Marks

Q5. (a) Define inventory management. Explain its objectives and importance in modern business organizations. 9 Marks

(b) Explain the Economic Order Quantity (EOQ) model. Derive the EOQ formula and discuss its assumptions. 9 Marks

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

a. Adequacy of working capital

b. ABC analysis of Inventory control

c. Aging Schedule

d. Conservative Approach

(100)