[This question paper contains 2 printed pages.]

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

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Sr. No. of Question Paper : 5756

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. ABC Ltd. Supplied the following information:

Sales and production of the year	69,000 units
Finished goods in store	3 months
Raw material in store	2 months consumption
Production process	1 months
Credit allowed by creditors	2 months
Selling price per unit	₹50
Raw material	50% of selling price
Direct wages	10% 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 ₹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

P.T.O.

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	₹6,00,000
Average stock of raw material	₹50,000
Cost of production for the year	₹5,00,000
Average work-in-progress inventory	₹25,000
Cost of goods sold during the year	₹8,00,000
Average Finished Goods Inventory	₹40,000
Average collection period from debtors	45 days
Average credit period availed	30 days

(b) Discuss the objectives and significance of Working Capital Management in modern business organizations. 9 Marks

Q3. A trader whose current sales are ₹ 30 lakhs per annum and average collection period is 60 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
A	30 days	₹ 1,20,000
B	60 days	₹ 1,80,000
C	90 days	₹ 3,00,000
D	120 days	₹3,60,000

The selling price per unit is ₹ 10. Average cost per unit is ₹ 8 and variable cost per unit is ₹ 5.5 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) Explain the various motives for holding cash, including transaction, precautionary, and speculative motives. 9 Marks

(b) Discuss the characteristics and types of marketable securities. 9 Marks

Q5. (a) Explain the benefits of holding inventory. Are there any disadvantages? Justify your answer. 9 Marks

(b) Explain the EOQ model of Inventory control. What are its shortcomings? 9 Marks

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

a. Net operating cycle
b. JIT technique
c. Optimal credit policy
d. Aggressive Approach