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**MBA Degree (PT) V Semester End Semester Examination: December, 2022**  
**20-372-0513: Working Capital Management**  
(Regular and Supplementary)

Time: 3 Hours

Total Marks: 50

**Part A**

*(Answer ALL questions, Each question carries 2 Marks)*

1. An organization may follow aggressive or conservative working capital policy. As a finance manager, which one do you prefer. Why?
2. What are the major motives in holding cash?
3. What do you mean by Working Capital Cycle?
4. Briefly explain the risk-return trade-off concept.
5. "Stock-out cost is a major cost in holding inventory" Elaborate.

**(5X2=10)**

**Part B**

*(Answer any 5 questions, each question carries 4 Marks)*

6. How will you determine the Reorder level in the management of inventory? Also, explain the relevance of considering Safety stock and Lead time in inventory management
7. What do you mean by 2/10 'net 30'?
8. "Aging schedules can help companies to identify the problems with their credit policies" Comment.
9. Explain major elements to be considered in Credit Analysis for identifying sound customers.
10. A Limited company manufactures product X and provides the following information, Calculate EOQ.

Monthly demand - 4000 units

Ordering cost - Rs.360

Annual Carrying cost -12%

Price per unit - Rs.50 per kg

Raw material required per unit of finished product - 2 kg.

11. Explain ABC and JIT which are used as the major controlling techniques in inventory management.
12. Explain and compare Baumol Model and Miller Orr model

**(5X4=20)**

**Part C**

**(Answer any 2 questions, each question carries 10 Marks)**

13. "Working capital is needed for efficient operation and survival of a business" Justify the statement by highlighting the importance of working capital and the factors determining working capital needs of an organization.
14. What are the Major Techniques of Inventory Control System?
15. Cash management involves controlling cash inflows, cash outflows, cash levels and investment of surplus cash and Cash budget can be used as tool for cash management ". You are required to prepare a cash budget for the period from October 2010 to December 2010 from the following information.

<b>Month</b>	<b>Sales (Rs.)</b>	<b>Purchases (Rs.)</b>	<b>Wages (Rs.)</b>
August	3,60,000	2,49,600	24,000
September	3,84,000	2,88,000	28,000
October	2,16,000	4,86,000	22,000
November	3,48,000	4,92,000	20,000
December	2,52,000	5,36,000	30,000

- (a) 50% of credit sales are realized in the month following the sales and remaining 50% in the second month
- (b) Creditors are paid in the month following the month of purchase
- (c) Estimated cash as on 1-10-2010 is Rs.50, 000.

**(2X10=20)**