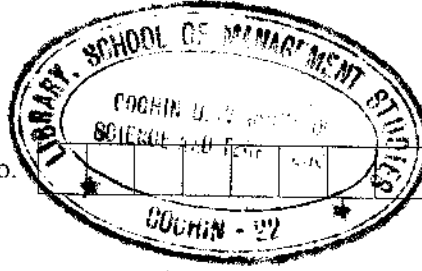


MBA(C)III/11.15.0874

Reg.No.



B

MBA(FT)/MBA(IB) DEGREE III SEMESTER EXAMINATION NOVEMBER 2015

SMS 2317/ SMI 2317 WORKING CAPITAL MANAGEMENT

(Regular)

Time : 3 Hours

Maximum Marks : 50

**PART A**

(Answer *ALL* questions)

(5 × 2 = 10)

1. What is networking capital?
2. What is working capital financing mix?
3. What is collection float?
4. State the defective of accounts receivables management.
5. Mention the types of inventories.

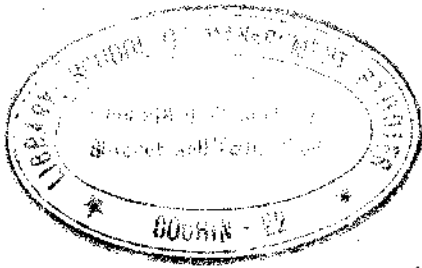
**PART B**

(Answer *ANY FIVE* questions)

(5 × 4 = 20)

6. What is the importance of working capital in a business?
7. What are the major sources of working capital?
8. Kaveri Paper currently maintains an account with Indian Bank for collections in southern marketing area. The bank handles collections of ₹ 7,50,000/- per day in return for a compensating balance of ₹ 5,00,000/-.  
The firm is considering an alternative of opening two separate accounts in southern area. It has been projected that total processing time would be reduced by 2 days if accounts are maintained in Canara Bank and Indian Overseas Bank, each requiring ₹ 5,00,000/- compensating balance. Would you recommend two bank systems to Kaveri Paper?
9. What is a firm's cash cycle? How are the cash cycle and cash turnover of a firm related?
10. What are the five traditional "Cs" the financial manager might consider in evaluating the credit worthiness of a potential customer?
11. A firm expects a sale of 90,000 units purchased by the firm for ₹ 10/- per unit. The order cost is ₹ 25/- and the firm's carrying cost as a percentage of inventory value has been estimated at 15%. What is the economic order quantity?
12. Define the major categories of inventory costs.

(P.T.O.)



**PART C**  
(Answer *ANY TWO* questions)

(2 × 10 = 20)

13. Explain the different models of determining the optimum level of cash balances.
14. Discuss the various methods of credit analysis and decision.
15. A proforma cost sheet of a company provides the following particulars.

Elements of cost :

Material	: 40%
Direct Labour	: 20%
Overheads	: 20%

The following further particulars are available :

- (a) It is proposed to maintain a level of activity of 2,00,000 units.
- (b) Selling price is ₹ 12/- per unit
- (c) Raw materials are expected to remain in stores for an average period of one month.
- (d) Materials will be in process, on average half a month.
- (e) Finished goods are required to be in stock for an average period of one month.
- (f) Credit allowed to debtors is two months.
- (g) Credit allowed by supplies is one month.

You may assume that sales and production follow a consistent pattern.

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