



MBA.IV/05.16.0378

Reg. No.

A

**MBA (IB) DEGREE IV SEMESTER EXAMINATION MAY 2016**

**SMI 2409 WORKING CAPITAL MANAGEMENT**  
(Regular)

Time: 3 Hours

Maximum Marks: 50

**PART A**

(Answer **ALL** questions)

(5 × 2 = 10)

1. Distinguish between Gross Working Capital (GWC) and Net Working Capital (NWC). How do you compute NWC for a manufacturing company?
2. Enumerate major sources for financing the working requirements of a manufacturing concern.
3. Briefly discuss the Baumol Model and its significance in working capital management.
4. Briefly discuss the motives for holding cash.
5. Briefly discuss the methods FSN and VED in the context of materials management.

**PART B**

(Answer **ANY FIVE** questions)

(5 × 4 = 20)

6. Discuss the different kinds of working capital. Whether the sources of working capital should be correlated with the nature or kind of working capital?
7. Explain the concept of operating cycle with the help of a block diagram. Give an illustration too.
8. Discuss the significance of cash budgeting and finding the optimum level of cash balances.
9. Explain the '5 Cs' of credit.
10. Discuss the benefits and costs of holding inventories.
11. Discuss marginal analysis and Heuristic approach in the context of receivables management.
12. Explain discriminant analysis and sequential decision analysis used in receivables management.

(P.T.O.)

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

(2×10 = 20)

13. Explain the significance of working capital management. Discuss the repercussions of (i) paucity of working capital, (ii) excess of working capital.
14. What are the limitations observed in inventory management in the Indian context? Suggest your strategies for improving the present scenario.
15. The details of XYZ Company's product, costs, stock and plans, liabilities are as follows:  
Activity level: XYZ produces 10,000 units of product X in a period of four weeks. There is no opening stock for the product. Cost structure of product X is as follows: (i) Raw material = ₹75 per unit (ii) Labour cost = ₹60 per unit (iii) Variable overheads = ₹25 per unit (iv) fixed overheads = ₹16,00,000 (for 4 weeks period) and (v) selling price = ₹500 per unit.

Levels of stock planned: (i) Raw materials: 2 weeks consumption (ii) Work-in-progress: 4 weeks (iii) Finished goods; 2 weeks' supply (iv) Debtors settle the bills six weeks after supply

Current liabilities structure: (i) Raw materials paid for at the end of the month in which delivery is made. (ii) Expense creditors allow an average of six weeks credit.

You are required to estimate the level of working capital needed for the year. You may assume 48 weeks in a year and 4 weeks in a month for computation purposes.

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