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## MBA DEGREE IV SEMESTER EXAMINATION APRIL 2018

### SMS 2409 WORKING CAPITAL MANAGEMENT

Time: 3 Hours

Maximum Marks: 50

#### PART A

(Answer **ALL** questions)

(5 × 2 = 10)

1. Mention the important objectives of working capital management.
2. List down the factors determining working capital.
3. Define the terms:
  - (i) Short term credits.
  - (ii) Bank finance for working capital.
4. Why do firms hold cash? Discuss the determinants of cash flows of an organization.
5. What do you mean by receivables management? How do you determine appropriate receivable policy?

#### PART B

(Answer **ANY FIVE** questions)

(5 × 4 = 20)

6. Explain the concepts of liquidity and financial flexibility. Discuss the ratios used to measure liquidity and financial flexibility of a business entity.
7. Discuss the significance of investing in marketable securities.
8. Explain the methods of estimating working capital requirements.
9. Describe the need and importance of cash concentration strategies.
10. Discuss about the concept of credit analysis and Heuristic approach in the context of receivable management.
11. What do you mean by Economic Order Quantity? Explain how EOQ is calculated?
12. Explain the concept of 'operating cycle'. What are the reasons for prolonged operating cycle?

#### PART C

(Answer **ANY TWO** questions)

(2 × 10 = 20)

13. Briefly explain the features and importance of Beranek Model and Miller—Orr Model.
14. Explain in detail the significance of discriminant analysis and sequential decision analysis.
15. The finance department of Prashant Textile Corporation gathered the following information:
  - (i) The carrying cost per unit of inventory is ₹10.
  - (ii) The fixed cost per order is ₹20.
  - (iii) The number of units required is 30,000 per year.
  - (iv) The variable cost per unit ordered is 2.
  - (v) The purchase cost price per unit is ₹30.

Determine the economic order quantity (EOQ), total number of orders in a year, and the time-gap between two orders.