20/05/23

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ENROLLMENT NO. | | | | | | | | | | | | |

M.COM
3rd YEAR , 6th SEMESTER, EXAMINATION
WORKING CAPITAL MANAGEMENT

[Time : 3:00 Hours] **[Max. Marks : 70]**

Note : Attempt all the questions as per given instructions. 2. Fill the correct answer of MCQs

I. Multiple Choice Questions (MCQs) **[01×15=15]**

I Net operating cycle is equal to
- a. GOC – DP
- b. GOC + DP
- c. RMCP + RCP
- d. RMCP - RCP

II Which of the following is a determinant of working capital
- a. Production schedule
- b. Production capacity
- c. Depreciation Policy
- d. Tax Policy

III Management of working capital deals with :
- a. Short term liquidity
- b. Long term liquidity
- c. Cash Balance
- d. Issue of share Capital

IV Deferral period refers to the credit period allowed by :
- a. Creditors
- b. Debtors
- c. Bank Holders
- d. Shareholders

V Which of the following is classified as current liability ?
- a. Provision for tax
- b. Inventory
- c. Marketable securities
- d. Investment

VI Cash Budget does not include:
- a. Dividend Payable
- b. Capital Expenditure
- c. Issue of Capital
- d. Total Sales

VII Which of the following is not a motive to hold cash?
- a. Transactionary Motive
- b. Precautionary Motive
- c. Capital Investment
- d. None of the above

VIII The Transaction Motive for holding cash is for:
- a. Safety Cushion
- b. Daily Operations
- c. Purchase of Assets
- d. Payment of Dividends

IX Credit Policy of a firm should involve a trade-off between increased:
- a. Sales and Increased Profit,
- b. Profit and Increased Costs of Receivables,
- c. Sales and Cost of goods sold
- d. None of the above.

[P.T.O.]

X EOQ is the quantity that minimizes:
a. Total Ordering Cost,
b. Total Inventory Cost,
c. Total Interest Cost,
d. Safety Stock Level

XI In ABC inventory management system, class A items may require:
a. Higher Safety Stock,
b. Frequent Deliveries,
c. Periodic Inventory system,
d. Updating of inventory records.

XII Inventory holding cost may include:
a. Material Purchase Cost,
b. Penalty charge for default,
c. Interest on loan,
d. None of the above.

XIII Use of safety stock by a firm would:
a. Increase Inventory Cost,
b. Decrease Inventory Cost,
c. No effect on cost,
d. None of the above.

XIV In the EOQ Model:
a. EOQ will increase if order cost increases,
b. EOQ will decrease if holding cost decreases,
c. EOQ will decrease if annual usage increases,
d. None of the above.

XV Cost of not carrying sufficient inventory is known as:
a. Carrying Cost,
b. Holding Cost,
c. Total Cost,
d. Stock – out cost

2. Answer in long (any three) [10×3=30]

I A trader whose current sales are Rs. 6 lac per annum and an average collection period of 30 days wants to pursue a more liberal credit policy to improve sales. A study made by a management consultant reveals the following information:

Credit policy	Increase in collection period	Increase in sales	Bad debt loss anticipated
A	10 DAYS	30000	1.5%
B	20 DAYS	48000	2%
C	30 DAYS	75000	3%
D	45 DAYS	90000	4 %

The selling price per unit is Rs. 3 , average cost per unit is rs.2.25 and variable cost per unit is rs. 2 . the currnt bad debts loss is 1% .Required return on average investment is 20% . Assume 360 days in a year. Which of he above policies would you recommend for adoption?

II Explain Baumol's model of cash management.

III What are the techniques of inventory management?

IV What are the different factors determining the amount of working capital.

3. Answer in short (any five) [5x5=25]

I Is it possible for a company having a very good amount of profit, but shortage of cash in the business? If yes explain.

II What are the various cots associated with the inventory?

III What are the motives for holding cash?

IV Define perpetual inventory system.

V What are the various factors determining level of cash ?

VI Define certificate of deposits.

VII Explain the risk associated with the inventory.

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