

MANAGEMENT PROGRAMME

Term-End Examination

December, 2015

MS-41 : WORKING CAPITAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

Note : Answer *any five* questions. All questions carry equal marks.

1. What do you understand by Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)? How does a change in these ratios affect the availability of bank credit to business organisations? Discuss.
2. Why do organisations hold cash? Discuss the factors which affect the cashflows of an organisation.
3. What is the need for Inventory in an organisation? Discuss the different costs that are applicable to the firms for holding inventory.
4. Explain the following two methods of assessing working capital needs of any organisation :
 - (a) The Turnover Method
 - (b) The Cash Budget Method
5. What do you understand by Factoring of receivables? Explain the mechanism of Factoring as a source of working capital by a Business Entity.
6. What do you mean by 'Exposure to Exchange Risk'? Discuss the different internal techniques of Exposure Management.

7. What is 'Profitability' ? Discuss the different ratios which are used to measure the profitability of a firm.
8. While preparing a project report on behalf of a client you have collected the following facts. Estimate the net working capital required for the project. Add 10% to your computed figure to allow for contingencies.

		Amount per unit (₹)
Estimated cost per unit of production :		
Raw material		80
Direct labour		30
Overheads (including depreciation ₹ 5)		65
Total cost		175
Additional information :		
Selling price	₹ 200 per unit	
Level of activity	1,04,000 units of production per annum	
Raw material in stock	average 4 weeks	
Work in progress (assume full unit of raw material required in the beginning of manufacturing ; other conversion costs are 50%)	average 2 weeks	
Finishing goods in stock	average 4 weeks	
Credit allowed by suppliers	average 4 weeks	
Credit allowed to debtors	average 8 weeks	
Lag in payment of wages	average 1.5 weeks	
Cash in bank (desired to be maintained)	₹ 25,000	

You may assume that the production is carried on evenly throughout the year (52 weeks) and wages/overheads accrue similarly. All sales are on a credit basis only.
