

MANAGEMENT PROGRAMME

Term-End Examination

December, 2016

MS-041 : WORKING CAPITAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

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- Note : (i) Attempt any five questions.
(ii) All questions carry equal marks.
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1. Discuss how can a firm create value through working capital management ? Explain the principles laid down by Walker with respect to working capital investment.
2. (a) Describe the various attributes taken into consideration while analysing the credit worthiness of customers.
(b) Explain the Decision Tree Model used to create credit evaluation system.
3. Define Commercial Paper (CP). Who are eligible to issue Commercial Paper ? Explain the process followed for issuing CPs and the terms and conditions incorporated therein.
4. Discuss the external techniques for exposure management in short term international financial transactions.

5. Discuss the models that are available to address the issue of uncertainty in demand while deciding optimum level of inventory.
6. Explain the term 'Liquidity'. Differentiate between technical liquidity and operational liquidity. How are these evaluated? Discuss how liquidity affect the interests of the firm?
7. The information obtained from the Annual Accounts of ABC Ltd. for the year ending 31st Dec. 2014 is as given below :
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|---|-------------|
| Sales (at 3 months credit) | ₹ 40,00,000 |
| Raw material | ₹ 12,00,000 |
| Wages (15 days in arrears) | ₹ 9,60,000 |
| Manufacturing and general expenses (one month in arrears) | ₹ 12,00,000 |
| Administration expenses (one month in arrears) | ₹ 4,80,000 |
| Sales promotion expenses (payable half yearly in advance) | ₹ 2,00,000 |
- ABC Ltd. sells its products on gross profit of 20% of sales. The company enjoys one month's credit from suppliers of raw materials and maintains 2 months stock of raw materials and 1½ months finished goods. Cash balance is maintained at ₹ 1,00,000 as a precautionary balance. Assuming a 10% margin, find out the working capital requirement of ABC Ltd.
8. Write short notes on **any four** of the following :
- Cash Reserve Ratio (CRR)
 - Bridge loans
 - Euro Markets
 - Mortgage
 - Motives for holding cash