

03384

MANAGEMENT PROGRAMME

Term-End Examination

June, 2016

MS-41 : 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. Define working capital and explain the types of working capital. Discuss the impact of inflation on various components of working capital.

2. Why is cash forecasting important? Why do firms hold cash? Discuss the methods which help firms in assessing and managing the uncertainty associated with cash flows. Discuss.

3. (a) What do you understand by syndication of credit? Discuss its salient features.
(b) Discuss the Prudential Norms for Exposure limits prescribed by Reserve Bank of India for banks.

4. Determine the duration of the operating cycle for each of the two years from the following data :

| Stock | Year 1 | Year 2 |
|--------------------|----------|----------|
| | ₹ | ₹ |
| Raw materials | 20,000 | 27,000 |
| Work-in-progress | 14,000 | 18,000 |
| Finished goods | 21,000 | 24,000 |
| Purchases | 96,000 | 1,35,000 |
| Cost of goods sold | 1,40,000 | 1,80,000 |
| Sales | 1,60,000 | 2,00,000 |
| Debtors | 32,000 | 50,000 |
| Creditors | 16,000 | 18,000 |

Assume 360 days per year for computational purposes.

5. Explain the meaning and significance of trade credit. Discuss the various factors that determine trade credit.
6. How does the future cash flows from investments affect the working capital requirement of a firm ? Describe the two models used to calculate the cash flows of each period in the life of investments.
7. What principles are followed by banks while lending loans ? Explain the distinctive features of cash credit system and discuss its merits and demerits.

8. Write short notes on **any four** of the following :
- (a) Factoring of Receivables
 - (b) F-S-N Analysis
 - (c) Netting
 - (d) Municipal Bonds
 - (e) Futures contracts
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