

MANAGEMENT PROGRAMME

Term-End Examination

June, 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. Explain the concepts of Gross and Net working capital. Discuss in detail different components of working capital.
2. Discuss the different approaches to the determination of working capital needs of an organisation.
3. Why do organisations invest in securities? Discuss the different types of marketable securities under the Debt category.
4. Explain the Cardinal Principles of Lending, followed by Commercial Banks. Discuss the various methods of creating charge over the assets of the borrower's in case of secured advances.
5. Write short notes on the following :
 - (a) Syndication of credit
 - (b) Consortium Advances
 - (c) Inter-Corporate loans
 - (d) Commercial papers

6. What is 'Trade Credit' ? What are its kinds ? Discuss the different determinants of Trade Credit.
7. What is 'Liquidity' ? How is it measured ? Discuss the factors that determine the liquidity of a firm.
8. A new company commences business on 1st July and deposits ₹ 10,000 in the bank. This sum will be insufficient to finance its operations over a period of six months, and you are asked to prepare a cash budget from July to December 31 to determine the monthly overdraft limits to seek from the company bankers.

Data supplied is :

- (a) Sales are made to one distributor only on 30 days terms, 3% discount, and cheques are received on the first date of the month following the due date.
- (b) Plant purchases totalling ₹ 5,000 are to be made in July.
- (c) Budget figures are :

	July	August	September	October	November	December
Purchases	₹ 5,000	₹ 4,000	₹ 3,000	₹ 4,000	₹ 4,000	₹ 5,000
Wages	4,000	5,000	4,000	4,000	5,000	4,000
Cash expenses	400	500	400	400	500	400
Sales	6,000	7,000	8,000	8,000	9,000	12,000

All purchases are made on net 30 days terms and cheques are posted to creditors on the last day of the due month.