

MANAGEMENT PROGRAMME**Term-End Examination****December, 2013****MS-41 : WORKING CAPITAL MANAGEMENT***Time : 3 hours**Maximum Marks : 100**(Weightage 70%)*

Note : Attempt any five questions. All questions carry equal marks. Use of calculators is allowed.

1. Explain the concept of 'operating cycle'. What are the reasons for prolonged operating cycle ? How can we reduce the duration of the operating cycle ?
2. What are the various factors that influence the determination of working capital ? Distinguish between conservative Approach and Aggressive Approach to financing working capital.
3. X Ltd. currently has an annual turnover of Rs. 20 lakhs and an average collection period of 4 weeks. The company proposes to introduce a more liberal credit policy, which they hope will generate additional sales as shown below.

Proposed Credit Policy	Increase in		Percentage of default
	Collection period by	Sales Rs.	
1	2 weeks	2, 00, 000	2%
2	4 weeks	2, 50, 000	3%
3	6 weeks	3, 50, 000	5%
4	8 weeks	5, 00, 000	8%

The selling price of the product is Rs. 10 and the variable cost per unit is Rs. 7. The current bad debts loss is 1% and the desired rate of return on investment is 20%. For the purpose of calculation a year is to be taken to comprise of 52 weeks. Indicate which of the above policies you would recommend to the company to adopt.

4. What are the different classes of cash flows and explain the reasons for holding cash ? How do cash flow problem arises ? What steps are suggested to overcome this problem.
 5. What is a Secured Advance ? Explain the various modes of creating charge over the assets of the borrower in case of secured advance.
 6. Explain the following :
 - (a) Public deposits
 - (b) Inter - Corporate Loans
 7. What do you understand by Exposure Management ? Explain the internal techniques used for exposure management.
 8. Explain the concepts of Liquidity and Profitability. Discuss the ratios used to measure liquidity and profitability of a business entity.
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