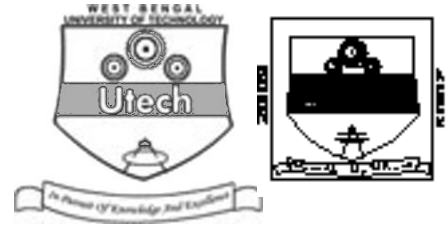


**CS/MBA (SUPPLE)/SEM-3/FM-302/09
WORKING CAPITAL MANAGEMENT (SEMESTER - 3)**



1.
Signature of Invigilator

2.
Signature of the Officer-in-Charge

Reg. No.

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Roll No. of the Candidate

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**CS/MBA (SUPPLE)/SEM-3/FM-302/09
ENGINEERING & MANAGEMENT EXAMINATIONS, JULY – 2009
WORKING CAPITAL MANAGEMENT (SEMESTER - 3)**

Time : 3 Hours]

[Full Marks : 70

INSTRUCTIONS TO THE CANDIDATES :

- This Booklet is a Question-cum-Answer Booklet. The Booklet consists of **32 pages**. The questions of this concerned subject commence from Page No. 3.
- In **Group – A**, Questions are of Multiple Choice type. You have to write the correct choice in the box provided **against each question**.
 - For **Groups – B & C** you have to answer the questions in the space provided marked 'Answer Sheet'. Questions of **Group – B** are Short answer type. Questions of **Group – C** are Long answer type. Write on both sides of the paper.
- Fill in your Roll No. in the box** provided as in your Admit Card before answering the questions.
- Read the instructions given inside carefully before answering.
- You should not forget to write the corresponding question numbers while answering.
- Do not write your name or put any special mark in the booklet that may disclose your identity, which will render you liable to disqualification. Any candidate found copying will be subject to Disciplinary Action under the relevant rules.
- Use of Mobile Phone and Programmable Calculator is totally prohibited in the examination hall.**
- You should return the booklet to the invigilator at the end of the examination and should not take any page of this booklet with you outside the examination hall, **which will lead to disqualification**.
- Rough work, if necessary is to be done in this booklet only and cross it through.

No additional sheets are to be used and no loose paper will be provided

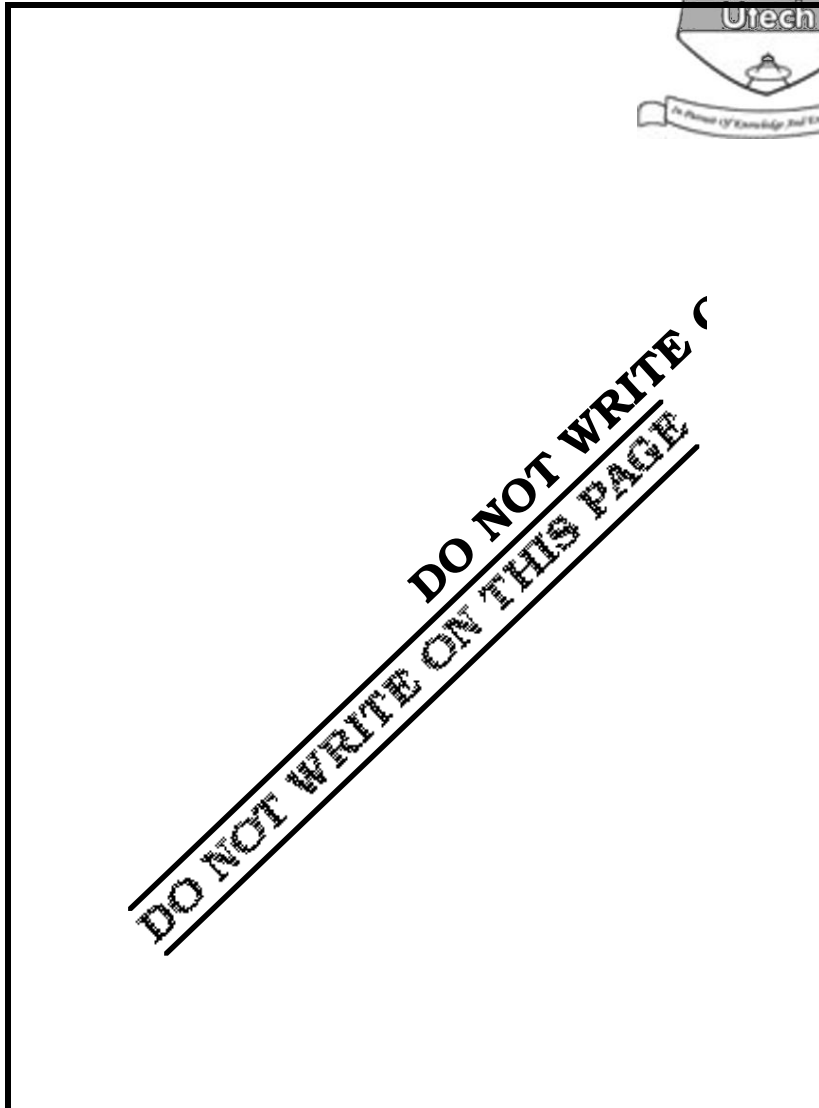
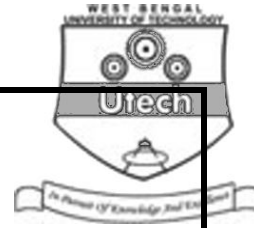
FOR OFFICE USE / EVALUATION ONLY

Marks Obtained

Question Number	Group – A					Group – B					Group – C					Total Marks	Examiner's Signature
Marks Obtained																	

.....
Head-Examiner/Co-Ordinator/Scrutineer

S-52012 (21/07)





CS/MBA (SUPPLE)/SEM-3/FM-302/09
WORKING CAPITAL MANAGEMENT
SEMESTER - 3



Time : 3 Hours]

[Full Marks : 70

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10
- i) EOQ stands for
- | | | |
|----------------------------|------------------------------|--------------------------|
| a) Economic Order Quantity | b) Escalated Order Quarry | |
| c) Earned Optimum Quantity | d) Essential Order Quantity. | <input type="checkbox"/> |
- ii) Ideal current ratio is
- | | | |
|----------|-------------------------|--------------------------|
| a) 2 : 1 | b) 1.33 : 1 | |
| c) 4 : 1 | d) Industry determined. | <input type="checkbox"/> |
- iii) Which of the following is an opportunity cost ?
- | | | |
|-------------------|-----------------------|--------------------------|
| a) Ordering cost | b) Carrying cost | |
| c) Stock-out cost | d) Delinquency costs. | <input type="checkbox"/> |
- iv) The term 'Delinquency cost' is associated with
- | | | |
|-------------------------|---------------------------|--------------------------|
| a) Inventory Management | b) Receivables Management | |
| c) Cash Management | d) None of these. | <input type="checkbox"/> |
- v) Certainty Model in Cash Management is given by
- | | | |
|-------------------|---------------------------|--------------------------|
| a) Baumol | b) Stone | |
| c) Miller and Orr | d) Modigliani and Miller. | <input type="checkbox"/> |



x) Which of the following means of financing does *not* need any collateral security ?

- a) Cash credit from a private sector bank
- b) Overdraft from a public sector bank
- c) Cash credit from a co-operative bank
- d) Term loan from a financial institution.



xi) Which of the following statements is *true* with respect to 'ABC Analysis' ?

- a) It is a technique for the analysis of the inventories on the basis of their quality
- b) This technique analyses the inventory requirements on the basis of essentiality
- c) It helps to achieve a better control for the inventories
- d) It considers the issues relating to the procurement of the inventories.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following.

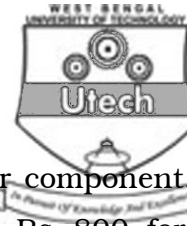
3 × 5 = 15

2. State the importance of liquid ratio while considering credit proposals.
3. What do you mean by 'revolving capital' ?
4. How does the storage space cost affect the pricing policy of the firm ?
5. State the importance of EOQ analysis of a retail store.
6. Briefly narrate the effect of LIFO and FIFO based inventory management on profitability of company.



GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following.

3 × 15 = 45

7. Easy Limited specializes in the manufacture of a computer component. The component is currently sold for Rs. 1,000 and its variable costs is Rs. 800 for the year ended 31. 12. 92. The company sold on an average 400 components per month.

At present the company grants one month credit to its customers. The company is thinking of extending the same to two months on account of which the following is expected :

Increase in sale 25%, increase in Stock Rs. 2,00,000, increase in creditors Rs. 1,00,000.

To advise the company on whether or not to extend the credit terms if

- all customers avail the extended credit period of two months and
- existing customers do not avail the credit terms but only the new customers avail the same. Assume in this case the entire increase in sales is attributable to the new customers.

The company expects a minimum return of 40% on the investment.

8. a) Explain the techniques that can be used to accelerate a firm's collection system. 5
- b) Briefly explain how the optimum cash balance of a firm may be determined under the condition of uncertainty. 10

9. Prepare a cash budget for the three months ending 30th June, 2009, from the information given below :

i)	Month	Sales Rs.	Materials Rs.	Wages Rs.	Overheads Rs
	February	14,000	9,600	3,000	1,700
	March	15,000	9,000	3,000	1,900
	April	16,000	9,200	3,200	2,000
	May	17,000	10,000	3,600	2,200
	June	18,000	10,400	4,000	2,300

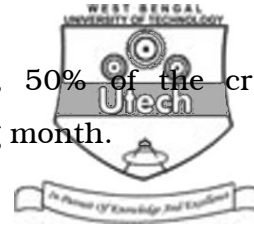


ii) Credit terms are

Sales and debtors — 10% sales are on cash, 50% of the credit sales are collected next month and balance in the following month.

iii) Creditors for

Materials	2 months
Wages	$\frac{1}{4}$ month
Overheads	$\frac{1}{2}$ month.



iv) Cash and bank balances on 1st April, 2009 is expected to be Rs. 6,000.

v) Other relevant informations are

- A machinery will be installed in February, 2009 at a cost of Rs. 96,000, the monthly instalment of Rs. 2,000 is payable from April onwards
- Dividend @ 5% on Preference Share Capital of Rs. 2,00,000 will be paid on 1st June every year
- Advanced to be received for sales of vehicles Rs. 9,000 in June
- Dividends from investments amounting to Rs. 1,000 are expected to be received in June
- Income tax (advance) to be paid in June is Rs. 2,000.

10. a) State the importance of Miller-Orr Model in Cash management.

b) Briefly outline the Baumol Model of Optimum Cash level.

11. Write short notes on any *three* of the following :

3 × 5

a) Safety stock

b) Lock-box system

c) Bank overdraft

d) Total Asset Turnover Ratio.

=====
END