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**M. B. A. (Fourth Semester) Examination,
April-May 2021**

(Management Engg. Branch)

MANAGEMENT of WORKING CAPITAL

Time Allowed : Three hours

Maximum Marks : 80

Minimum Pass Marks : 32

Note : Attempt one question from each unit.

Unit-I

1. (a) What is meant by working capital Gross & Net?
What are its constituents? 8
- (b) Why is it necessary for a firm to maintain optimal
level of working capital investment. 8

[2]

Or

2. What are the various approaches of financing the working capital of a firm? Discuss and compare them. 16

Unit-II

3. What do you understand from the term "Receivables Management"? What are the goals & functions of Accounts Receivables Management? 16

Or

4. (a) What are the 7 C's of credit? 8
 (b) What are the motives for extending trade credit? 8

Unit-III

5. (a) What are the motives for holding cash? 8
 (b) "When cash is idle, not only that it does not earn, it contributes negatively." Explain. 8

Or

6. What should be the optimal cash balance a finance manager must maintain? Elucidate with certainty & uncertainty models. 16

Unit-IV

7. (a) Explain the EOQ model. 8

[3]

- (b) The Ganges pump company uses about 75000 valves in an year. The valves costs ₹ 1.50 per unit. The carrying cost is 20% of the average Inventory Investment on the annual basis. 8

Calculate the EOQ if the cost to place an order & to process the delivery is ₹ 18.

Or

8. (a) What are the various costs involved in maintaining Inventory? 8
 (b) X Ltd. has purchased & issued the materials in following order :

Date	Particulars	No. of Units	Per Unit Cost (in ₹)
Jan 1	Purchases	300	3
Jan 4	Purchases	600	4
Jan 6	Issued	500	—
Jan 10	Purchases	700	4
Jan 15	Issued	800	—
Jan 20	Purchases	300	5
Jan 30	Issued	100	—

[4]

Ascertain the quantity of stock on 31st January by :

- | | |
|------------------|---|
| (i) FIFO method | 4 |
| (ii) LIFO method | 4 |

Unit-V

9. Ashish, owner of steelmint inc. offers a credit term of 30 days. He generally does not mind, if the payment is delayed by 10 days beyond that he penalises @ 3% for every month of delay.

Abhishek, purchase manager of Ispat TMT is evaluating his alternatives of stretching the payment for 1 month.

The firm's opportunity cost of capital is 30% p.a. And value of the order is ₹ 10,000. Calculate the cost to the firm for making delayed payment by : 16

- (i) 10 days
- (ii) 30 days

Over & above the 30 days offered by Ashish. Which one would be better?

Or

- | | |
|---|---|
| 10. (a) Why and when was Tandon Committee formed? | 8 |
| (b) What were its major recommendations? | 8 |