

(4)

MB-304(F3)

Sales : 50,000 units @ ₹ 20 per unit

Material Cost : ₹ 10 per unit

Labor Cost : ₹ 4 per unit

Overheads : ₹ 3.50 per unit

Customers are given 45 days credit and 60 days credit is taken from suppliers.

Raw material for 30 days and finished goods for 15 days are kept in stock.

Production cycle is 12 days.

A cash balance equal to one-third of average of other working capital is kept for contingencies.

Also, demonstrate how working capital can be reduced. (CO5)

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Roll No.

MB-304(F3)

MASTER OF BUSINESS

ADMINISTRATION

(THIRD SEMESTER) MID SEMESTER

EXAMINATION, Jan., 2023

WORKING CAPITAL MANAGEMENT

Time : Three Hours

Maximum Marks : 50

Note : (i) This question paper contains two Sections—Section A and Section B.

(ii) Both Sections are compulsory.

(iii) Answer any *two* sub-questions among (a), (b) and (c) in each main question of Section A. Each question carries 10 marks.

(iv) Section B consisting of Case Study is compulsory. Section B is of 20 marks.

P. T. O.

(2)

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Section—A

1. (a) "Working capital is made up of two components." Define in detail with suitable examples. (CO1)
- (b) Explain the types of Working Capital with suitable examples (CO1)
- (c) Explain the following : (CO1)
 - (i) Float
 - (ii) Working Capital Ratios
 - (iii) Define UCL & LCL
 - (iv) Cost associated to Inventory Management.
 - (v) Credit Terms
2. (a) Calculate the following : (CO4)

An industry estimates that it will sell 12,000 units of its product for the forthcoming year. The ordering cost is ₹ 100 per order and carrying cost per unit per year is 20% of the purchase price per unit. The purchase price per unit is ₹ 50. Find : (CO4)

 - (i) EOQ
 - (ii) No. of orders per year

(3)

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Also, evaluate the time between successive orders.

- (b) Explain ABC Analysis of Inventory Management with suitable examples.
- (c) "Working Capital is different from Fixed Capital." Justify. (CO4)
3. (a) Identify the working capital financing approach for any imaginary organization with suitable examples. (CO3)
- (b) Discriminate between inventory and stock, if any. Illustrate the objectives of Inventory Management.
- (c) Economic Order Quantity is the lot size which a company should order to maintain a trade-off between ordering cost and carrying cost. Critically evaluate with suitable examples. (CO4)

Section—B

4. **Case Study :** 20 Marks

From the following information, estimate the amount of working capital by 'operating cycle method' taking 366 days in the year.

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