

H

Roll No. ....

**BBA-504(F1)**

**B. B. A. (SECOND SEMESTER)  
MID SEMESTER EXAMINATION, 2022**

**WORKING CAPITAL MANAGEMENT**

**Time : 1½ Hours**

**Maximum Marks : 50**

**Note :** (i) Answer all the questions by choosing  
any *one* of the sub-questions.

(ii) Each sub-question carries 10 marks.

1. (a) Explain working capital management.

(CO1)

OR

(b) Define Operating Cycle.

(CO1)

2. (a) Calculate Net operating cycle period and  
number of operating cycles in a year from

**P. T. O.**

(2)

BBA-504(F1)

the following information of XYZ Ltd. :

(CO2)

- (i) Raw material inventory consumed during the year ₹ 12,00,000
- (ii) Average stock of raw material ₹ 1,00,000
- (iii) Work in progress inventory (cost of production) ₹ 10,00,000
- (iv) Average work in progress inventory ₹ 60,000
- (v) Finished goods inventory (cost of goods sold) ₹ 16,00,000
- (vi) Average finished goods stock held ₹ 80,000
- (vii) Average collection period for debtors 45 days
- (viii) Average credit period availed from suppliers 30 days
- (ix) No. of days in a year 360 days.

(3)

BBA-504(F1)

OR

- (b) Discover the amount of working capital requirements for Coy limited from the following information : (CO2)

	₹
Raw Material	1,600
Direct labour	600
Overheads	1,200
Total cost	3,400
Profit	600
Selling price	4,000

Raw materials are held in stock on an average for one month. Materials are in process on an average for half a month. Finished goods are in stock on an average for one month. Credit allowed by suppliers is one month and credit allowed to debtors is two months. Time lag in payment of wages is one and half weeks. Time lag is

P. T. O.

(4) BBA-504(F1)

payment of overhead expenses is one month. One fourth of the sales are made on cash basis. Cash in hand and at the bank is expected to be ₹ 50,00,000 and expected level of production amounts to 104000 units for a year of 52 weeks. You may assume that production is carried on evenly throughout the year and a time period of four weeks is equivalent to a month.

3. (a) Compare aggressive and conservative working capital policy. (CO3)

OR

- (b) Analyze the consequences of conservative working capital policy with *one* example.

(CO3)

4. (a) Decide the factors that determine the optimum cash balances in a firm. (CO4)

(5) BBA-504(F1)

OR

- (b) Predict the motives that a company may have for holding liquid assets. (CO4)

5. (a) Formulate why should a financial manager focus on cash flow rather than earnings.

(CO5)

OR

- (b) Arrange the reasons for cash flow problem. (CO5)