

(6) BCH-604(F2)

OR

- (b) The outgoings of Gemini Ltd. are estimated to be ₹ 2,50,000 per annum, spread evenly throughout the year. The money on deposit earns 6% p.a. more than money in a current account. The switching costs per transaction are ₹ 100. Calculate the optimum amount to be transferred and total cost involved into transferring.

10 Marks (CO2)

BCH-604(F2)

H

Roll No. ....

BCH-604(F2)

B. COM. (H) (SIXTH SEMESTER)  
MID SEMESTER EXAMINATION,  
April/May, 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) What do you understand by Working Capital Management ? Explain in detail different components of working capital.

10 Marks (CO1)

OR

- (b) Write a detailed note on Different approaches to working capital financing.

10 Marks (CO1)

P. T. O.

(2) BCH-604(F2)

2. (a) Calculate the different liquidity ratios from the following particulars : 10 Marks (CO1)

Inventory	1,50,000
Cash	50,000
Sundry Debtors	3,00,000
Creditors	3,50,000
Bills Receivables	30,000
Bank Overdraft	30,000

OR

- (b) Write a detailed note on various factors or variables that affect the requirements of working capital of an organization.

10 Marks (CO1)

3. (a) From the following information extracted from the books of a manufacturing company, compute the operating cycle in days and no. of operating cycles in a year :

10 Marks (CO1)

Period Covered	365 days
Average period of credit allowed by suppliers	16 days

(3) BCH-604(F2)

₹	
Average Total of debtors outstanding	480
Raw material consumption	4,400
Total Production Cost	10,000
Total Cost of Sales	10,500
Sales for the year	16,000
Value of Average Stock maintained :	
Raw Material	320
Work-in-progress	350
Finished Goods	260

OR

- (b) What do you understand by cash and cash equivalent ? Explain in detail various components of cash equivalent and their importance: 10 Marks (CO2)

4. (a) What do you understand by cash management ? Write in detail various motives of holding cash and cash equivalent. 10 Marks (CO2)

P. T. O.

(4) BCH-604(F2)

OR

- (b) From the information given below, prepare a cash budget for a company for April, May, and June, 2019 in a columnar form :

Month	Sales (₹)	Purchases (₹)	Wages (₹)	Exp. (₹)
Jan. (actual)	80,000	45,000	20,000	5,000
Feb. (actual)	80,000	40,000	18,000	6,000
Mar. (actual)	75,000	42,000	22,000	6,000
Apr. (Budget)	90,000	50,000	24,000	6,000
May (Budget)	85,000	45,000	20,000	6,000
Jun. (Budget)	80,000	35,000	18,000	5,000

(5) BCH-604(F2)

You are further informed that :

- (i) 10% of purchases and 20% of sales are for cash.
- (ii) The average collection period of the company is half a month and credit purchases are paid off regularly after one month.
- (iii) Wages are paid half monthly and the rent of \$ 500, excluded in expense, is paid monthly.
- (iv) Cash and bank balance of April 1 was \$ 15,000, and the company aims to keep it below this figure at the end of every month. The excess cash is placed in fixed deposits.

10 Marks (CO2)

5. (a) What do you understand by optimum cash balance ? Write the direction of relationship between liquidity and profitability in context of cash management.

10 Marks (CO2)