

Paper Code : DMDS-241

Roll No :

Examination : DECEMBER 2020
2nd Year
Management of Working Capital

Time : 1 Hours]

[Max. Marks : 60

Instructions :-

- Attempt All Questions. All questions carry equal marks.
- Fill the 'Bubble' available in OMR Sheet to mark your Answer.
- Only one option is correct out of all available option.
- There is 1 mark for correct answer.
- There is No Negative marking for incorrect answer.

1. Sources through which funds come into the business of the firm are:

- (A) Funds from operation
- (B) Issue of shares and debentures
- (C) Both (a) and (b)
- (D) None of these

2. Commercial paper is a source of raising :

- (A) Long term finance
- (B) Retained earnings
- (C) Short term finance
- (D) None of the above

3. Working capital is also known as :

- (A) Revolving capital
- (B) Circulating capital
- (C) Short term capital
- (D) All of these

4. Variable working capital is required to meet :

- (A) Seasonal demands
- (B) Special exigencies
- (C) Temporary needs
- (D) All of these

5. Which of the following is not a technique of estimating working capital requirements :

- (A) Cash forecasting method
- (B) Repression Analysis Method
- (C) Operating cycle Method
- (D) Percentage of sales Method

6. The excess of current assets over current liabilities is known as :

- (A) Net current assets
- (B) Net working capital
- (C) Working capital
- (D) All of these

7. Which of the following is not a motive for holding cash :

- (A) Transaction Motive
- (B) Speculative motive

- (C) Saving motive
- (D) Precautionary motive

8. Cash Management deals with :

- (A) Cash Inflows and outflows
- (B) Cash flows withing the firm
- (C) Cash balances held by the firm at a point of time
- (D) All of these

9. Which of the following is not a method of cash forecasting :

- (A) Receipt and disbursement method
- (B) Percentage of sales method
- (C) Adjusted net income method
- (D) All of these

10. The financing of long term assets should be made from:

- (A) Short term funds
- (B) Long term funds
- (C) Debt funds
- (D) Equity funds

11. To financial analysts, "net working capital" means the same thing as _____.

- (A) Total assets
- (B) Fixed assets
- (C) Current assets
- (D) Current assets minus current liabilities.

12. The addition of all current assets investment is known as...

- (A) Net Working Capital
- (B) Gross Working capital
- (C) Temporary Working Capital
- (D) All of these

13. When total current assets exceeds total current liabilities it refers to.

- (A) Gross Working Capital
- (B) Temporary Working Capital
- (C) Both a and b
- (D) Net Working Capital

14. . Which of the following would not be financed from working capital?

- (A) Cash float.
- (B) Accounts receivable.
- (C) Credit sales.
- (D) A new personal computer for the office.

15. Which of the following working capital strategies is the most aggressive?

- (A) Making greater use of short term finance and maximizing net short term asset.
- (B) Making greater use of long term finance and minimizing net short term asset.
- (C) Making greater use of short term finance and minimizing net short term asset.
- (D) Making greater use of long term finance and maximizing net short term asset.

16. Current ratio of a concern is 1,its net working capital will be

- (A) Positive
 - (B) Negative
 - (C) Nil
 - (D) None of the above
- 17. Current ratio is 4:1. Net Working Capital is Rs.30,000. Find the amount of current Assets.**
- (A) Rs.10,000
 - (B) Rs.40,000
 - (C) Rs.24,000
 - (D) Rs.6,000
- 18. Current ratio is 2:5. Current liability is Rs.30,000. The Net working capital is**
- (A) Rs.18,000
 - (B) Rs.45,000
 - (C) Rs.(-) 45,000
 - (D) Rs.(-) 18,000
- 19. Quick assets do not include**
- (A) Govt. bond
 - (B) Book debts
 - (C) Advance for supply of raw materials
 - (D) Inventories.
- 20. The ideal quick ratio is**
- (A) a) 2:1
 - (B) b) 1:1
 - (C) c) 5:1
 - (D) d) None of the above
- 21. In finance, "working capital" means the same thing as**
- (A) total assets.
 - (B) fixed assets.
 - (C) current assets.
 - (D) current assets minus current liabilities.
- 22. Which of the following would be consistent with a more aggressive approach to financing working capital?**
- (A) Financing short-term needs with short-term funds.
 - (B) Financing permanent inventory buildup with long-term debt.
 - (C) Financing seasonal needs with short-term funds.
 - (D) Financing some long-term needs with short-term funds.
- 23. Which of the following illustrates the use of a hedging (or matching) approach to financing?**
- (A) Short-term assets financed with long-term liabilities.
 - (B) Permanent working capital financed with long-term liabilities.
 - (C) Short-term assets financed with equity.
 - (D) All assets financed with a 50 percent equity, 50 percent long-term debt mixture.
- 24. In deciding the appropriate level of current assets for the firm, management is confronted with**
- (A) trade-off between profitability and risk.
 - (B) trade-off between liquidity and marketability.
 - (C) trade-off between equity and debt.
 - (D) trade-off between short-term versus long-term borrowing.

25. Permanent working capital

- (A) varies with seasonal needs.
- (B) includes fixed assets.
- (C) is the amount of current assets required to meet a firm's long-term minimum needs.
- (D) includes accounts payable.

26. Net working capital refers to

- (A) total assets minus fixed assets.
- (B) current assets minus current liabilities.
- (C) current assets minus inventories.
- (D) current assets.

27. Commercial paper is essentially

- (A) another term for a junk bond.
- (B) a short-term unsecured corporate IOU.
- (C) an intermediate-term corporate bond.
- (D) a certificate that may be exchanged for a share of common stock at a specified future date.

28. The most basic requirement for a firm's marketable securities.

- (A) Safety
- (B) Yield
- (C) Marketability
- (D) None

29. An increase in the firm's receivable turnover ratio means that:

- (A) it is collecting credit sales more quickly than before.
- (B) cash sales have decreased.
- (C) it has initiated more liberal credit terms.
- (D) inventories have increased.

30. Receiving a required inventory item at the exact time needed.

- (A) ABC
- (B) JIT
- (C) FOB
- (D) PERT

31. EOQ is the order quantity that over our planning horizon.

- (A) a.minimizes total ordering costs
- (B) b.minimizes total carrying costs
- (C) c.minimizes total inventory costs
- (D) d.the required safety stock

32. A low inventory turnover means :

- (A) Investment tied up in stocks
- (B) Obsolete goods on hand
- (C) Adverse impact on liquidity
- (D) all of these

33. If the inventory turnover ratio has decreased from past , it means that:

- (A) Inventory is growing
- (B) Sales are dropping
- (C) Inventory is growing or sales are dropping
- (D) None of the above

34. The factors influencing finished goods inventory are :

- (A) Accuracy of sales forecast
- (B) Production batch quantity exceeding sales requirement
- (C) Available storage space
- (D) all of these

35. The stock turnover ratio indicates the

- (A) Slow moving stocks
- (B) Sales movement
- (C) Debtors balance
- (D) None of the above

36. In ABC analysis, "C" class items require

- (A) Tight control
- (B) Moderate control
- (C) Loose control
- (D) High safety stocks

37. To financial analysts, "net working capital" means the same thing as _____.

- (A) Total assets
- (B) Fixed assets
- (C) Current assets
- (D) Current assets minus current liabilities.

38. The addition of all current assets investment is known as....

- (A) Net Working Capital
- (B) Gross Working capital
- (C) Temporary Working Capital
- (D) All of these

39. When total current assets exceeds total current liability it refers to...

- (A) Gross Working Capital
- (B) Temporary Working Capital
- (C) Both a and b
- (D) Net Working Capital

40. Which is not the long term source of working capital?

- (A) Issue of shares
- (B) Retained earnings
- (C) Long term debts
- (D) Provision for taxation

41. Which is the most popular technique of working capital forecast ?

- (A) Cash forecasting method
- (B) Adjusted profit and loss method
- (C) Current assets and current liabilities method
- (D) Projected Balance sheet method

42. Which technique of working capital forecast , the banks prefer:

- (A) Current assets and current liabilities method
- (B) Operating cycle method
- (C) Cash forecasting method
- (D) None of the above

43. Which is not the device or technique of cash management:

- (A) Cash Budget
- (B) Cash Flow statement
- (C) Funds flow statement
- (D) None of the above

44. Cash budget is prepared because it :

- (A) is legally compulsory
- (B) helps in preparing Balance sheet
- (C) Helps in cash Management
- (D) It is accounting requirement

45. If customers are allowed one month credit, credit sales of January will be included in cash budget in the month of :

- (A) January
- (B) February
- (C) March
- (D) April

46. Cash budget is based on :

- (A) Past performance
- (B) Future estimates
- (C) Arbitrary
- (D) none of the above

47. The term receivables implies :

- (A) Trade Debtors only
- (B) Trade debtors and B/R
- (C) Trade debtors , B/R and prepaid expenses
- (D) Trade expenses

48. At E.O.Q. level

- (A) Total costs are maximum
- (B) Total costs are minimum
- (C) Total costs are equal to carrying costs
- (D) Nothing as above

49. The optimum credit policy is determined by the trade off between:

- (A) Liquidity & profitability
- (B) Liquidity & Solvency
- (C) Liquidity & Stability
- (D) Profitability & Solvency

50. For the calculation of reorder level which usage of inventory is included in the calculation of :

- (A) Minimum usage
- (B) Maximum usage
- (C) Average usage
- (D) None of the above

51. In ABC analysis, the classification of items is made on the basis of :

- (A) Consumption value of materials
- (B) Investment value of materials
- (C) Quantity of material consumed

(D) All of these

52. For the calculation of maximum inventory level which usage of inventory is included:

- (A) Minimum usage
- (B) Maximum usage
- (C) Normal usage
- (D) None of the above

53. The other name of minimum level is :

- (A) Market stock
- (B) Average stock
- (C) Safety stock
- (D) Factory stock

54. For the calculation of minimum inventory level which usage of inventory level is included:

- (A) Maximum usage
- (B) Minimum Usage
- (C) Normal usage
- (D) None of the above

55. Which of the following is not a principle of working capital management policy:

- (A) Principle of risk variation
- (B) Principle of equity position
- (C) Principle of maturity of payment
- (D) Principle of optimal capital

56. Which of the following is not a method of slowing cash outflows

- (A) Lock box system
- (B) Centralisation of payments
- (C) Making use of float
- (D) Reducing frequency of payment

57. The minimum levels of various current assets required by the firm to ensure the continuity of operations is known as :

- (A) Net working capital
- (B) Net current assets
- (C) Core current assets
- (D) Permanent current assets

58. One of the following will not prolong the operating cycle:

- (A) Purchase of materials in excess of requirements
- (B) Lack of production planning , co-ordination and control
- (C) Holding of excess balances in cash and bank
- (D) use of outdated machinery and tech.

59. The adoption of JIT, supply chain management , vendor management will drastically reduce the level of :

- (A) Raw material stock
- (B) Work in progress stock
- (C) Finished goods stock
- (D) All of the above

60. The firm attempts to increase its level of sales without having a support of adequate working capital is a situation of :

- (A) Under capitalization
- (B) Over capitalization
- (C) Overtrading
- (D) Prolonged operating cycle