



End Term (Odd) Semester Examination November 2025

Roll no.....

Name of the Course and semester: BBA – Vth

Name of the Paper: Working Capital Management

Paper Code: BBA DSE F1

Time: 3-hour

Maximum Marks: 100

Note:

- All the questions are compulsory.
- Answer any two sub questions from a, b and c in each main question.
- Total marks for each question is 20 (twenty).
- Each sub-question carries 10 marks.

Q1. (2X10=20 Marks)

- How do different types of working capital impact the operational efficiency of a firm? (CO2)
- Describe the factors that affect the composition of working capital in an enterprise. (CO1)
- Why is it important for managers to maintain an optimal level of working capital, and what are the consequences of excess or inadequate working capital? (CO3)

Q2. (2X10=20 Marks)

- How can a firm strike a balance between maintaining sufficient liquidity and maximizing returns? (CO2)
- Critically examine the different cash management models used by firms to optimize cash balance. (CO4)
- A company has an average cash requirement of ₹ 7,50,000 per year. The cost of converting securities to cash (transaction cost) is ₹ 125 per transaction. The opportunity cost of holding cash is 11.5% per annum. Using the Baumol model, calculate:
(a) The optimal cash balance the company should maintain
(b) The Total number of transactions

Q3. (2X10=20 Marks)

- How do carrying costs, ordering costs, and stockout costs influence inventory decisions and overall profitability? (CO3)
- Explain the various costs associated with inventory. How do carrying costs, ordering costs, and stockout costs influence inventory decisions and overall profitability? (CO2)
- A company has an annual demand of 48,500 units. Ordering cost is ₹ 115 per order, and holding cost is ₹ 12.5 per unit per year. (CO5)
 - Calculate EOQ
 - How many orders will be placed in a year?
 - What is the total annual ordering and holding cost?

Q4. (2X10=20 Marks)

- Discuss the key issues involved in receivables management. How do these issues affect a firm's working capital cycle and cash flow? (CO2)
- What are the different types of credit standards, and how do they impact the volume of sales and risk of bad debts? (CO3)
- Delta Ltd. dealing in agriculture goods, has an annual sale of Rs 22.5 lacs and are currently extending 30 days credit to the dealers. It is felt that sales can pick up considerably if the dealers are willing to carry more stocks, but the company is, therefore, considering shifts in credit policy. Suggest which option company must choose based on following information available:
The following information is available:
The average collection period is 30 days.
Fixed Costs: Rs. 2.5 lacs per annum.
Variable costs: 75% on sales, (CO5)



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Required (pre-tax) return on investment: 20%.

Credit Policy	Average Collection	Annual Sales
A	45 days	32,00,000
B	60 days	36,00,000
C	75 days	42,00,000

Q5.

(2X10=20 Marks)

- Differentiate between long-term and short-term sources and give examples of each. Under what circumstances should a firm prefer one over the other? (CO4)
- Discuss in detail the role of trade credit in financing working capital. what are its limitations for both the buyer and the supplier? (CO2)
- Discuss how instruments like leasing, factoring, and commercial papers can be effectively used by firms to meet their short-term financing needs (CO3)