MMS/DX-6187
FM-305 WORKING CAPITAL MANAGEMENT

Time : 3 Hours   Maximum Marks : 70

Note : Attempt Five questions in all. Question No.1 is compulsory. All questions carry equal marks.

Q-1   Explain/answers the following questions in brief :-

(a)   Cash Budget

(b)   Costs of holding inventory

(c)   Financial flexibility

(d)   Stone Model

(e)   Commercial paper

(f)   Permanent working capital

(g)   Sequential Decision making.

Q-2   Distinguish between :-

(a)   Gross working capital and Networking capital

(b)   Permanent and temporary working capital

(c)   Production cycle and operating cycle.

Q-3   Royal industries feels a lock-box system can shorten its accounts receivable collection period by 3 days. Credit sales are estimated at Rs. 365 lakh per year, billed on a

MMS/D08   7133

Working Capital Management

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Note :— Attempt **FIVE** questions in all out of the following. All questions carry equal marks. Q. No. **1** is compulsory.

1. Write short answers of the following questions :

   (a) What is the concept of Working Capital ?

   (b) What is a letter of credit ?

   (c) Write notes on CAS.

   (d) What is bridge loan ?

   (e) Advantages of trade credit.

   (f) What is aging schedule ?

   (g) What are the risks and costs of holding inventories ?

   7×2=14

2. What does working capital management encompass ? What functional decisions are involved and what underlying principle or trade-off influences the decision process ?   14

3. How are net working capital, liquidity, technical insolvency and risk related ?   14

4. What are the relative merits of Baumol Model and Beranek Model of cash management for determining the optimum level of cash balance ?   14

5. What is programming working capital management ? Explain and contrast its advantages over others.   14

6. Write notes on the following :

   (a) Discriminant Analysis in working capital

   (b) Uses of Marginal analysis.   14

7. What are the costs of maintaining too large a level of working capital ? Too small a level of working capital.   14

8. Discuss an optimum credit policy. Is the credit policy that maximises expected operating profit an optimum credit policy ? Explain.   14