

CMMS/D-18

WORKING CAPITAL MANAGEMENT

FM-304

PART-A

1. Describe the concept and main types of working capital.
2. Explain the concepts-operating cycle, and cash conversion cycle.
3. How will you determine the optimum level of working capital? illustrate your answer.
4. What are the motives for holding cash? Explain short-term forecasting methods for cash.
5. Explain and illustrate the techniques of monitoring accounts receivables.
6. What is the significance of terms: character, capacity and condition in Credit policy?
7. What are the objectives of effective inventory management? What are carrying costs and order costs?

8.What is selective control of inventory?Why is it needed?

9.How the managers can do programming for managing working capital?

10.Explain and illustrate use of Cash Budget in Cash Forecasting.

PART-B

11.Explain and illustrate various financial ratios used to measure liquidity of a firm.What are the determinants of liquidity?

12.Explain the following Cash,concentration strategies/Cash management models:

(a)What is concentration Banking?

(b)How does a lock-box system operates?

(c)Explain Baumol's model for cash balance.

(d)Describe "The Miller Orr Model" of cash management.

13. A company is currently selling 1 lakh units of its product at Rs 50 each unit. At the current level of production, the cost per unit is Rs 45, variable cost being Rs 40. The company is currently extending one month credit facility to its customers. It is thinking of extending credit period to two months in the expectation that sales will increase by 25 per cent. If the required rate of return (before tax) on the firm's investment is 30 per cent, is the new credit policy desirable?

14. Explain sources of working capital finance. Explain the important features of the "Tandon Committee's recommendations.

15. Explain the costs of liquidity and illiquidity. What methods do you suggest for estimating working capital needs? Illustrate any two methods.