Roll No. ....

(6) Total No. of Pages : 2

MMS/D09 6212

Working Capital Management

Paper : FM-305

Time : Three Hours] Maximum Marks : 70

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

1. Explain the following in 40-50 words each :
   (a) Permanent working capital
   (b) Temporary working capital
   (c) Impact of cost of capital
   (d) Concentration Banking
   (e) Integrating working capital and capital investment process
   (f) Ageing Schedule
   (g) Bridge loan.

2. Describe both hedging approach and conservative approach for meeting funds requirements of a manufacturing firm. What are the effects of these on profitability and risk ?

3. Discuss the utility of Cash Budget as a tool of cash management. What are the steps involved in the construction of a cash budget ?

4. Explain the following :
   (a) Types of collection systems
   (b) Operating cycle method of estimating working capital requirements.

5. Golden Syntex has annual sales of Rs. 24 lakh. The selling price per unit is Rs. 10 and the variable cost is 70 percent of the selling price. The required rate of return on investment is 20 per cent; average cost, Rs. 9 per unit; annual collection expenditure Rs. 50,000 and percentage of default, 3 percent; credit terms, 2 months. Golden Syntex is considering the change in credit policy by following programme A or programme B.

Programme

	A	B
Average collection period	1.5	1
Annual collection expenditure	75,000	1,50,000
Percentage of default (%)	2	1

Determine which collection programme should Golden Syntex follow.

6. Discuss an optimum credit policy. Is the credit policy that maximizes expected operating profit, an optimum credit policy ? Explain.

7. Ambani Brothers are deciding on economic order quantity for two brands of fertilizers, Super Grow and Natural. The following information is collected.

Particulars	Super Grow	Natural
Annual demand	2,000 bags	1,280 bags
Relevant ordering cost per purchase order	Rs. 1,200	Rs. 1,400
Annual relevant carrying cost per bag	Rs. 480	Rs. 560

   (i) Compute EOQ for both brands separately.
   (ii) For the EOQ, compute the number of deliveries per year for Super Grow and Natural.

8. Write notes on :
   (a) Credit Analysis and Decision
   (b) Discriminant Analysis for deciding Receivable Policy
   (c) Programming Working Capital Management.