

MMS/D-15
WORKING CAPITAL MANAGEMENT
PAPER-FM-304

Time Allowed: 3 Hours

Maximum Marks: 70

Note: Attempt any eight questions from Part-A of 5 marks each and three questions of 10 mark each from Part B.

PART-A

1. Explain concept and types of working capital.
2. What are motives of holding cash?
3. Describe objectives and strategies of investment in marketable securities.
4. What are the objectives of a firm in controlling its disbursements? How can the disbursement be slowed down?
5. What is a Lock-box system? How does it help to reduce the Cash balance?
6. Explain the objective of Credit policy? What is an optimum credit policy?
7. What is Factoring? What functions does it perform?
8. Define Safety Stock. How can safety stock be computed?
9. What are ordering and carrying costs? What is their role in inventory control?
10. Describe measures of corporate liquidity with examples.

PART-B

11. A customer has been ordering, 5000 units at the rate of 1000 units per order during last year. The production cost is Rs. 12 per unit Rs. 8 for materials and labour and Rs.4 overhead cost. It cost Rs. 1,500 to set up for one run of 1000 units and inventory carrying cost is 20% of the production cost. Since this customer may buy at least 5000 units this year, the company would like to avoid making five different production runs. Determine the most economic production run.
12. Explain and illustrate the models used to determine optimum cash balance.
13. Explain pros and cons of various sources of short term Finance for working capital.
14. What are methods for estimating working Capital? Illustrate.
15. Describe procedure for credit evaluation of individual accounts. How receivables are monitored?