

MMS/D-12

**13588**

**WORKING CAPITAL MANAGEMENT**

**Paper : FM-305**

Time : Three Hours]

[Maximum marks :70

**Note:** Attempt *five* questions in all. Q. No. 1 is compulsory.

All questions carry equal marks.

**1. Compulsory Question.**

Answer the following questions in brief :

- (a) Why firm need to make investment in Working capital? (2)
- (b) Profitability vs. Risk trade-offs. (2)
- (c) What are spontaneous sources of financing? (2)
- (d) How we determine the optimum level of cash balance? (2)
- (e) What is the basic principle of Baumol Model? (2)
- (f) What are the costs of Holding inventories? (2)
- (g) Define Capital investment process? (2)

**2.** Discuss the concept and importance of Working capital. How we estimate the working capital requirements of a firm?

**3.** What role do marketable securities play in fulfilling the firm's overall objective of maximizing its owner's wealth? How does the presence of marketable securities in the firm's asset structure affect the risk associated with the firm?

**4.** Discuss the relative merits of Beranex and Stone model for liquidity management?

**5.** What is the general objective of account receivable management? In what ways is it similar and different from cash balance management and inventory management?

- 6.** Discuss the primary factors in the control of inventories. Also distinguish between Inventory ordering costs and Inventory carrying costs.
- 7.** Define and discuss the function of short-term credit arrangements. How does a firm's short term financing strategy affect its liquidity?
- 8.** In what important ways do working capital decisions differ from those concerned with the management of fixed capital of a business? Discuss.