

**M.Com(A&F) DEGREE EXAMINATION, NOVEMBER 2019**  
**II Year III Semester**  
**Working Capital Management**

**Time : 3 Hours**

**Max.marks :75**

**Section A** ( $10 \times 2 = 20$ ) Marks

Answer any **TEN** questions

1. Define working capital.
2. What do you mean by risk and return trade off?
3. Define cash management.
4. Define optimum cash level.
5. Give an example for cash management model.
6. Define inventory management.
7. What is inventory turnover ratio?
8. What is ABC system of inventory control?
9. Explain the term receivables management.
10. Why credit evaluation is a must?
11. Define trade credit.
12. List out any two committees on working capital management.

**Section B** ( $5 \times 5 = 25$ ) Marks

Answer any **FIVE** questions

13. State the need for working capital.
14. From the following balance sheets, prepare a statement showing changes in working capital.

Particulars	2008	2009	Particulars	2008	2009
Capital	40,000	45,000	Cash	8,000	10,000
Creditors	20,000	30,000	Debtors	14,000	18,000
Bills Payable	24,000	21,000	Stock	22,000	28,000
Bank O/D	10,000	20,000	Land	50,000	60,000
	94,000	1,16,000		94,000	1,16,000

15. What are the motives of holding cash?

16. Monthly cash requirements Rs. 60,000

Fixed cost per transaction Rs. 10

Interest rate on marketable securities 6% p.a.

Calculate optimum cash balance.

17. From the following particulars, calculate

(a) Re-order level

(b) Minimum level

(c) Maximum level.

Normal usage : 100 units per day

Minimum usage : 60 units per day

Maximum usage : 130 units per day

Economic order quantity : 5000 units

Re-order period : 25 to 30 days

18. From the following information find out average collection period of debtors in days.

	Rs.
Total sales (including cash sales of : 1,00,000 Rs.20,000)	
Sales return	: 7,000
Debtors at end	: 9,000
B/R at end	: 2,000

19. Write short notes on :

(a) Public Deposits.

(b) Commercial paper.

### Section C ( $2 \times 15 = 30$ ) Marks

Answer any **TWO** questions

20. Discuss the advantages of adequate working capital.

21. ABC Company Ltd. has given the following particulars. You are required to prepare to cash budget for the three months ending 31st December 2005 :

(a)

Month	Sales (Rs.)	Materials(Rs.)	Wages (Rs.)	Overheads Rs.
August	20,000	10,200	3,800	1,900
September	21,000	10,000	3,800	2,100
October	23,000	9,800	4,000	2,300
November	25,000	10,000	4,200	2,400
December	30,000	10,800	4,500	2,500

(b) Credit terms are:

Sales/Debtors - 10% sales are on cash basis 50% of the credit sales are collected next month and the balance in the following month.

Creditors:

Materials : 2 months

Wages : 1/5 months

Overheads : 1/2 months.

(c) Cash balance on 1st October, 2005 is expected to be Rs. 8,000.

(d) A machinery will be installed in August, 2005 at a cost of Rs. 1,00,000. The monthly instalment of Rs. 5,000 is payable from October onwards.

(e) Dividend at 10% on preference share capital of Rs. 3,00,000 will be paid on 1st December, 2005.

(f) Advance to be received for sale of vehicle Rs. 20,000 in December.

(g) Income-tax (advance) to be paid in December Rs. 5,000.

22. (a) Explain the various sources of raising short-term finance.

(b) Explain the objectives of receivables management.

23. From the following information, prepare a stores ledger account under FIFO method.

April 1 Opening stock 200 units at Rs. 2 each

5 Purchases 100 units at Rs. 2.20 each

10 Purchase 150 units Rs. 2.40 each

20 Purchase 180 units at Rs. 2.50 each

2 Issues 150 units

7 Issues 100 units

12 Issues 100 units

28 Issues 200 units