

SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN
(AUTONOMOUS)

(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)
Chromepet, Chennai — 600 044.

M.Com.(A&F) END SEMESTER EXAMINATION APRIL/NOV - 2021

SEMESTER - III

20PAFET3003 - Working Capital Management

Total Duration : 3 Hrs	Total Marks : 75
MCQ : 30 Mins	MCQ : 15
Descriptive : 2 Hrs.30 Mins	Descriptive : 60

Section B

Answer any **SIX** questions ($6 \times 5 = 30$ Marks)

1. Explain the dangers of working capital.
2. ABC Ltd. estimated cash payments of Rs.40,00,000 for one month. The average fixed cost for securing capital from the market is Rs.100 and the interest rate on marketable securities is 12% per annum or 1.0% for the one month period. What is the economic order size of cash?
3. The following information relating to a type of Raw material is available,

Annual Demand	: 2,000 units	Units Price	: Rs.20.00
Ordering cost per order	: Rs.20.00	Storage Cost	: 2% p.a.
Interest rate	: 8% p.a.	Lead Time	: Half – month

Calculate the Economic Order Quantity and Total Annual Inventory Cost of the raw material.

4. A firm's current credit sales are Rs.36,00,000. The firm is considering of lowering its credit standards, which will result in slowing the average collection period from one to two months. This relaxation is expected to increase sales by 20%. The firm's required return to investment is 20%. At the existing level of sales, the production and selling cost is 90% of sales. The variable production and selling cost of increased volume of sales will be 70% of sales. Should the credit standards be relaxed?
5. Explain the Tandon Committee recommendations.
6. Describe the need for working capital.
7. Explain the objectives of cash management.
8. Describe the advantages of receivable management.

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Section C

Part A

Answer any **TWO** questions ($2 \times 10 = 20$ Marks)

9. Describe the determinants of working capital.
10. From the following data, forecast the cash position at the end of April, May and June 2010.

Month	Sales (Rs)	Production (Rs)	Wages (Rs)	Miscellaneous (Rs)
February	6,00,000	4,20,000	50,000	35,000
March	6,50,000	5,00,000	60,000	40,000
April	4,00,000	5,20,000	40,000	30,000
May	5,80,000	5,30,000	50,000	60,000
June	4,40,000	4,00,000	40,000	30,000

Additional information:

- a. Sales : 10% realised in the month of sales; balance realised equally in two subsequent months.
 - b. Purchases : They are paid in the month following the month of supply.
 - c. Wages : 10% paid in arrears following month.
 - d. Miscellaneous expenses : Paid a month in arrears.
 - e. Rent : Rs.5,000 per month paid quarterly in advance due in April.
 - f. Income Tax : First instalment of advance tax Rs.1,50,000 due on or before 15th June.
 - g. Income from investment : Rs.30,000 received quarterly in April, June etc.
 - h. Cash in hand : Rs.30,000 on 1st April 2011.
11. From the following particulars, prepare the stores ledger under FIFO method
Opening balance as on 1st December 2003 1,000 units @ Rs.26 each

Purchases			Issues	
Date	Units purchased	Rate per unit	Date	Units issued
05.12.2003	500 units	Rs.24.50	07.12.2003	750 units
10.12.2003	1,500 units	Rs.24	12.12.2003	1,100 units
15.12.2003	1,000 units	Rs.25	17.12.2003	500 units
25.12.2003	1,500 units	Rs.26	18.12.2003	300 units
			29.12.2003	1,500 units

12. Explain the steps involved in the credit analysis.

Part B

Compulsory question ($1 \times 10 = 10$ Marks)

13. Describe the different committees for working capital.