

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 EXAMINATIONS NOVEMBER - 2023
SEMESTER - III

20PAFET3003 - Working Capital Management

Total Duration : 2 Hrs. 30 Mins.

Total Marks : 60

Section B

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

1. Explain working capital management. Why is it important to study the management of working capital as a separate area in financial management?
2. What is meant by inventory? Discuss as to why Inventory management is important explaining the items of stock kept by a manufacturing company.
3. "Receivables forecasting is important for the proper management of receivables." Discuss.
4. Describe the advantages and disadvantages of trade credit as a source of short-term finance.
5. What are the objectives of cash management? Explain the factors determining the level of cash in a firm.
6. From the following particulars prepare the stores ledger account showing the pricing of materials issue, by adopting the FIFO method, with base stock of 400 units, out of opening stock.
2010 December
1 Opening stock 1,000 units at Rs.2.00 each.
3 Purchased 800 units at Rs.2.10
5 Issued 800 units
12 Purchased 1,600 units at Rs.2.10 each.
17 Issued 1,500 units
20 Purchased 900 units at Rs.2.50 each.
25 Issued 600 units.
7. What is the need for credit evaluation of a customer? Discuss the different credit evaluation models used for evaluating the credit worthiness of customers.
8. Determine the important features of the Tandon Committee's recommendations regarding bank finance.

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Section C

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

9. Explain the kind of trade-off involved in determining the optimum level of current assets.
10. What are the motives for holding cash? What steps would you take to improve the efficiency of cash management?
11. From the following information calculate
 - (a) Economic order quantity
 - (b) Reorder level
 - (c) Maximum level
 - (d) Minimum levelNormal usage 150 units per day. Minimum usage 100 units per day. Maximum usage 200 units per day. Reorder period 50 to 60 days. The annual usage is 50,000 units. The cost of purchase is Rs.100 per order. Cost per unit is Re.1.00. Carrying cost is 10% per annum.
12. Credit policy is of significant importance with respect to receivables management of a firm - Comment.

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

13. "In Managing cash, finance manager faces the problem of compromising between conflicting goals of liquidity and profitability" comment. What strategies should a finance manager develop to solve this problem?
