

(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 7125

Roll No.

--	--	--	--	--	--	--	--	--	--

M.B.A.

(SEM. III) ODD SEMESTER THEORY
EXAMINATION 2010-11

MANAGEMENT OF WORKING CAPITAL*Time : 3 Hours**Total Marks : 100*

- Note :** (1) Attempt all questions.
(2) All questions carry equal marks.

1. Write short notes on any **four** of the following :—
- Lock Box System.
 - Credit Standard.
 - Floats in Cash Management.
 - Treasury bills.
 - Inventory Control.
 - Features of Chore Committee.
2. What do you understand by working capital ? What factors should be considered while estimating the working capital ?

OR

2. From the following details you are required to make an assessment of the average amount of working capital requirement of X Ltd. :

Particulars	Average Period of Credit	Estimate for the 1st Year
Purchase of material	6 weeks	26,00,000
Wages	1½ weeks	19,50,000

Particulars	Average Period of Credit	Estimate for the 1st Year
Overheads		
Rent, Rates etc.	6 months	1,00,000
Salaries	1 month	8,00,000
Other overheads	2 months	7,50,000
Sales Cash		2,00,000
Credit Sales	2 months	60,00,000
Stock of Work-in-progress		4,00,000
Average amount of undrawn profit		3,00,000

3. Discuss the cash management models :—

- (i) Baumol's model.
- (ii) Miller-Orr model.

OR

3. Prepare a Cash Budget of X. Ltd. for April, May and June 2009 :

Months	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Expenses (Rs.)
Jan. (Actual)	80,000	45,000	20,000	5,000
Feb. (Actual)	80,000	40,000	18,000	6,000
March (Actual)	75,000	42,000	22,000	6,000
April (Budget)	90,000	50,000	24,000	7,000
May (Budget)	85,000	45,000	20,000	6,000
June (Budget)	80,000	35,000	18,000	5,000

- (i) 10% of wages and 20% of sales are for cash.

- (ii) The average collection period of the company is $\frac{1}{2}$ month and the credit purchases are paid regularly after one month.
- (iii) Wages are paid half monthly and the rent of Rs. 500 included in expenses is paid monthly. Other expenses are paid after one month lag.
- (iv) Cash balance on April 1, 2009 may be assumed to be Rs. 15,000.

4. "The main problem of Inventory Management is the problem of when and how much to produce goods." Explain it and show which techniques can be used in solving both these problems.

OR

4. A company sells a product at Rs. 30 per unit with a variable cost of Rs. 20 per unit. The fixed costs amount to Rs. 6,25,000 per annum and the total annual sales to Rs. 75 lakhs. It is estimated that if the present credit facility of one month were doubled, sales could be increased by Rs. 6,00,000 per annum. The company expects a return on investment of at least 20% prior to taxation. Should this course can be adopted ?

- 5. (i) Describe the important features of the Tondon Committee's recommendation.
- (ii) Write the mechanics of factoring.

OR

- 5. (i) Depreciation is an important source of working capital. Do you agree ? Defend your answer.
- (ii) Briefly discuss different types of factoring.