

**Code: 12E01302**

MBA (Finance) III Semester Supplementary Examinations November/December 2018

**WORKING CAPITAL MANAGEMENT**

(For students admitted in 2014 (LC), 2015 &amp; 2016 only)

Time: 3 hours

Max. Marks: 60

Answer any FIVE questions  
All questions carry equal marks

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- 1 Discuss the various techniques used for assessing working capital requirements.
- 2 Enumerate the recommendations of Daheja committee on working capital.
- 3 Discuss how Miller-Orr's cash management model helps in determining the cash balance of a firm.
- 4 Below are the summarized income and expenditure forecasts of XYZ Ltd. for the months of March to August, 2000:

Month	Sales (all credit)	Purchases (all credit)	Wages	Manufacturing expenses	Office expenses	Selling expenses
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

You are given the following further information.

- (i) Plant costing Rs.16,000 is due for delivery in July payable 10% on delivery and the balance after three months.
  - (ii) Advance tax of Rs.8,000 is payable in March and June each.
  - (iii) Period of credit allowed (a) by suppliers 2 months and (b) to customers 1 month.
  - (iv) Lag in payment of manufacturing expenses  $\frac{1}{2}$  month.
  - (v) Lag in payment of all other expenses 1 month.
- You are required to prepare a cash budget for three months starting on 1<sup>st</sup> May, 2000 when there was a cash balance of Rs.8,000.

- 5 What are account receivables? Why companies have receivables? Discuss the factors affecting the size of receivables.
- 6 (a) What are the motives for holding inventory?  
(b) Define the term 'Materials requirement planning'. Explain its objectives.
- 7 (a) Explain any two approaches to financing the current assets.  
(b) What are the benefits of consortium and syndication?

- 8 (a) Discuss the role of information technology in maintaining the working capital.  
(b) What type of information is useful for effective working capital management?