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

PAPER ID : 1280 **Roll No.**

MBA

(SEM. III) ODD SEMESTER THEORY EXAMINATION 2013-14

MANAGEMENT OF WORKING CAPITAL

Time : 3 Hours *Total Marks : 100*

Note :– Attempt questions from each Section as per instructions.

SECTION–A

1. Answer all **ten** parts of this question. Each carries **2** marks. **(2×10=20)**

   (a) Define Working Capital.

   (b) Explain the concept of permanent working capital.

   (c) What is firm's operating cycle ?

   (d) What are the objectives of holding cash ?

   (e) What is Certificate of Deposits ?

   (f) What is Credit Standards ?

   (g) What is Cash Budget ?

   (h) What is the purpose of holding Inventory ?

   (i) Define the term Economic Order Quantity (EOQ).

   (j) Explain the concept of Lock Box System.

SECTION–B

2. Answer any **three** parts of this question. Each carries **10** marks. **(10×3=30)**

   (a) Discuss the concept of working capital. What are the various factors affecting working capital ?

(b) Discuss the risk-return relationship involved in the firm's asset investment decisions as it pertains to working capital management.

(c) What are the different sources of financing of working capital ?

(d) Contrast the role of inventory player in a traditional EOQ approach and in just-in-time approach.

(e) A company has prepared the following Projections for the year :

Sales	21,000 units
Selling price per unit	Rs. 40
VC p.u.	Rs. 25
TC p.u.	Rs. 35
Credit Period Allowed	One Month.

The Company proposes to increase the credit period allowed to its Customers from one month to two months. It is expecting that such change will increase the Sales by 8%. The company desires a return of 25% on its investment. You are required to examine and advise whether the proposed credit policy should be implemented or not.

SECTION–C

Note :–Answer **all** questions of this Section. Each carries **10** marks.

(10×5=50)

3. As the differences between the costs of short and long-term debt become smaller, which financial plan, aggressive or conservative, becomes more attractive ?

OR

Define the concept of Working Capital Management. What are the various dimensions of managing the Working Capital of a Manufacturing Company ?

4. What are the objectives of the financial manager in cash management ? What conditions must be satisfied in meeting these objectives ?

OR

What is Float ? What are the various ways to play with float ?

5. What is Credit Policy ? What are the various dimensions of credit policy ?

OR

What is Factoring ? Explain the various types of factoring.

6. What are the various tools and techniques available with the manager for managing his inventory ?

OR

What are the various factors/elements involved in the inventory carrying costs ? Explain with the help of some illustrative examples.

7. Define Marketable Securities. Explain the various types of marketable securities.

OR

Discuss the important findings of Dehejia Committee Report on working capital finance.