

**PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)**

**BCom DEGREE EXAMINATION DECEMBER 2018
(Fifth Semester)**

Branch - **COMMERCE (PROFESSIONAL ACCOUNTING)**

CORE ELECTIVE -I WORKING CAPITAL MANAGEMENT

Time : Three Hours

Maximum : 60 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (5 x 2 = 10)

- 1 What is meant by Working Capital?
- 2 Write a note on: Working Capital Financing mix.
- 3 What are the significances of receivable management?
- 4 What is meant by Inventory Management?
- 5 What is a Cash Credit?

SECTION -B (20 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks (5 x 4 = 20)

- 6 a List out the factors affecting working capital requirement of the business firm.
* OR
b Prepare an estimate of working capital requirement from the following information of a trading concern.

a Projected annual sales	1,00,000 units
b Selling Price	Rs.8 per unit
c Percentage net profit on sales	25
d Average credit period allowed to customers	8 weeks
e Average credit period allowed to suppliers	4 weeks
f Average stock holding in terms of sales requirement	12 weeks
g Allow 10 percent for contingencies	
- 7 a Explain the significances of financing of working capital.
OR
b Discuss the factors influencing working capital financing mix.
- 8 a A firm has credit sales amounting to Rs.32,00,000. The sale price per unit is Rs.40, the variable cost is Rs.25 per unit while the average cost per unit is Rs.32. The average age of accounts receivable of the firm is 72 days.
The firm is planning to tighten credit standards. It will result in a fall in the sales volume to Rs.28,00,000 and the average of accounts receivable to 45 days.
Assume a 20% rate of return. Is proposal under consideration feasible?
OR
b Mention the objectives of receivable management.
- 9 a State the essentials of Cash management.
OR
b A customer has been ordering 5,000 units at the rate of 1,000 units per order during last year. The production cost is Rs.12 per unit (Rs.8 for materials and labour and Rs.4 overhead cost). It costs Rs. 1,500 to set up for one run of 1,000 units and inventory carrying cost is 20% of _____* o:_____

10 a What are the importance of working capital control?

OR

b Express the main recommendations of the Tandon Committee on Working Capital.

PART-C (30 Marks)

Answer any **THREE** questions

ALL questions carry **EQUAL** Marks (3 x 10 = 30)

11 Prepare an estimate of working capital requirement from the following information of a trading concern.

- | | |
|---|-----------------|
| a Projected annual sales | 1,20,000 units |
| b Selling Price | Rs. 10 per unit |
| c Percentage net profit on sales | 30 |
| d Average credit period allowed to customers | 10 weeks |
| e Average credit period allowed to suppliers | 5 weeks |
| f Average stock holding in terms of sales requirement | 5 weeks |
| g Allow 15 percent for contingencies | |

12 Describe the new trends in financing of working capital by banks.

13 The Hypothetical Ltd. is examining the question of relaxing its credit policy. It sells at present 20,000 units at a price of Rs.100 per unit; the variable cost per unit is Rs.88 and the average cost per unit at the current sales volume is Rs.92. All the sales are in credit, the average collection period being 36 days.

A relaxed credit policy is expected to increase sales by 10% and the average age of receivables to 60 days. Assuming 15% return, should the firm relax its credit policy?

14 Discuss the different motives of holding cash.

15 Analyse critically various forms of bank finance.

Z-Z-Z

END