

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

**BCom DEGREE EXAMINATION DECEMBER 2025
(Fifth Semester)**

Branch – **COMMERCE (FINANCIAL SYSTEM)**

MAJOR ELECTIVE COURSE – I: WORKING CAPITAL MANAGEMENT

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	_____ refers to the amount invested in various components of current assets. a. Temporary working capital b. Net working capital c. Gross working capital d. Permanent working capital	K1	CO1
	2	_____ is the length of time between the firm's actual cash expenditure and its own cash receipt. a. Net operating cycle b. Cash conversion cycle c. Working capital cycle d. Gross operating cycle	K2	CO1
2	3	Short term Working capital is provided by ----- a. Financial Institutions b. Commercial banks c. Sale of Shares and Debentures d. Purchase of Shares and Debentures	K1	CO2
	4	An aggressive financing mix is characterized by _____ a. Greater reliance on short-term sources b. Financing all needs through long-term funds c. Maintaining high levels of liquidity d. Investing excess funds in fixed assets	K2	CO2
3	5	Receivables are popularly known as _____ a. Debtors b. Creditors c. Overdraft d. Cash credit	K1	CO3
	6	A firm with a liberal credit policy will have a _____ a. Low level of Receivables b. High level of Receivables c. Medium level of Receivables d. Medium level of Debtors	K2	CO3
4	7	The motive for holding of cash for investing in profitable opportunities is known as ----- a. Transaction motive b. Speculation motive c. Precautionary motive d. Monetary motive	K1	CO4
	8	The time required to get fresh supplies of materials is called _____ a. Reorder level b. Danger level c. Minimum level d. Average level	K2	CO4
5	9	The main objective of Working Capital Control is to --- a. Increase fixed capital b. Maintain liquidity and profitability balance c. Reduce sales d. Increase long-term borrowing.	K1	CO5
	10	_____ committee introduced the concept of Maximum Permissible Bank Finance (MPBF). a. Narasimham Committee b. Chore Committee c. Tandon Committee d. Marathe Committee	K2	CO5

SECTION – B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	State the concepts of Working capital (OR)	K3	CO1
	11.b.	Classify the types of working capital.		

Cont...

2	12.a.	Differentiate between Gross Working Capital and Net Working Capital.	K3	CO2											
		(OR)													
	12.b.	Explain the concept of Maximum Permissible Bank Finance (MPBF) in working capital financing.													
3	13.a.	List the objectives of Receivables Management.	K3	CO3											
		(OR)													
	13.b.	Calculate (i) Average age of Debtors and (ii)Debtors turnover from the following particulars:													
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 50%; text-align: right;">Rs</th> </tr> </thead> <tbody> <tr> <td>Credit Sales</td> <td style="text-align: right;">2,70,000</td> </tr> <tr> <td>Return Inwards</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Debtors at the Beginning</td> <td style="text-align: right;">55,000</td> </tr> <tr> <td>Debtors at the End</td> <td style="text-align: right;">45,000</td> </tr> <tr> <td>Provision for Doubtful Debts</td> <td style="text-align: right;">5,000</td> </tr> </tbody> </table> <p>Assume number of days in a year is 360.</p>		Rs	Credit Sales	2,70,000	Return Inwards	20,000	Debtors at the Beginning	55,000	Debtors at the End	45,000	Provision for Doubtful Debts	5,000	
	Rs														
Credit Sales	2,70,000														
Return Inwards	20,000														
Debtors at the Beginning	55,000														
Debtors at the End	45,000														
Provision for Doubtful Debts	5,000														
4	14.a.	A firm's monthly cash requirements is Rs.1,80,000. Every month cash is procured by selling marketable securities. The fixed cost per transaction is Rs.100. The firm gets annual interest at 12% on its marketable securities. You are required to use the EOQ model and find out (i) Optimum cash balance (ii) Average cash balance (iii) No. of times marketable securities will have to be converted into cash.	K4	CO4											
		(OR)													
5	14.b.	From the following information relating to Material A, Calculate Economic order Quantity and total inventory cost. Annual Demand 2400 units Unit price Rs.3.20 Ordering cost per order Rs.5 Storage cost 2% Interest rate 10% p.a. Lead time Half month	K3	CO5											
	15.a.	Apply the recommendations of the Chore Committee on Working Capital finance.													
		(OR)													
	15.b.	Identify the influence of Financial Flexibility on business performance													

SECTION -C (30 Marks)

Answer ANY THREE questions

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

Module No.	Question No.	Question	K Level	CO																												
1	16	<p>Tom & Co Ltd. desires to purchase a business and has consulted you, and one point on which you are asked to advise them is the average amount of working capital which will be required in the first year's working.</p> <p>You are given the following estimates and are instructed to add 10% to your computed figure to allow for contingencies.</p> <p style="text-align: right;">Rs.</p> <p>1. Average amount locked up in stock:</p> <table border="0" style="width: 100%;"> <tr> <td>Stock of finished product</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Stock of stores, materials</td> <td style="text-align: right;">8,000</td> </tr> </table> <p>2. Average credit given:</p> <table border="0" style="width: 100%;"> <tr> <td>Inland Sales</td> <td style="text-align: right;">6 weeks credit</td> <td style="text-align: right;">3,12,000</td> </tr> <tr> <td>Export Sales</td> <td style="text-align: right;">1½ weeks credit</td> <td style="text-align: right;">78,000</td> </tr> </table> <p>3. Lag in payment of Wages and other outstanding:</p> <table border="0" style="width: 100%;"> <tr> <td>Wages</td> <td style="text-align: right;">1½ weeks</td> <td style="text-align: right;">2,60,000</td> </tr> <tr> <td>Stores, materials</td> <td style="text-align: right;">1½ months</td> <td style="text-align: right;">48,000</td> </tr> <tr> <td>Rent, royalties</td> <td style="text-align: right;">6 months</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>Clerical staff</td> <td style="text-align: right;">½ month</td> <td style="text-align: right;">62,400</td> </tr> <tr> <td>Manager</td> <td style="text-align: right;">½ month</td> <td style="text-align: right;">4,800</td> </tr> <tr> <td>Miscellaneous Expenses</td> <td style="text-align: right;">1½ months</td> <td style="text-align: right;">48,000</td> </tr> </table>	Stock of finished product	5,000	Stock of stores, materials	8,000	Inland Sales	6 weeks credit	3,12,000	Export Sales	1½ weeks credit	78,000	Wages	1½ weeks	2,60,000	Stores, materials	1½ months	48,000	Rent, royalties	6 months	10,000	Clerical staff	½ month	62,400	Manager	½ month	4,800	Miscellaneous Expenses	1½ months	48,000	K5	CO1
Stock of finished product	5,000																															
Stock of stores, materials	8,000																															
Inland Sales	6 weeks credit	3,12,000																														
Export Sales	1½ weeks credit	78,000																														
Wages	1½ weeks	2,60,000																														
Stores, materials	1½ months	48,000																														
Rent, royalties	6 months	10,000																														
Clerical staff	½ month	62,400																														
Manager	½ month	4,800																														
Miscellaneous Expenses	1½ months	48,000																														

Cont...

		<p>Question.No 16 Cont...</p> <p>4. Payments in advance: Sundry expenses (paid quarterly in advance) 8,000</p> <p>5. Undrawn profits on an average throughout the year 11,000 Calculate the average amount of working capital required.</p>																										
2	17	Examine the different sources of working capital available to the firm.	K4	CO2																								
3	18	Discover the factors influencing the size of receivables	K4	CO3																								
4	19	<p>BPL Ltd. wishes to arrange overdraft facilities with its bankers during the period April to June 2005 when it will be manufacturing mostly for stock. Prepare a Cash Budget for the above period from the following data, indicating, the extent of the bank facilities the company will require at the end of each month:</p> <p>a)</p> <table border="1"> <thead> <tr> <th>2005</th> <th>Credit Sales (Rs)</th> <th>Purchases (Rs)</th> <th>Wages (Rs)</th> </tr> </thead> <tbody> <tr> <td>February</td> <td>1,80,000</td> <td>1,24,800</td> <td>12,000</td> </tr> <tr> <td>March</td> <td>1,92,000</td> <td>1,44,000</td> <td>14,000</td> </tr> <tr> <td>April</td> <td>1,08,000</td> <td>2,43,000</td> <td>11,000</td> </tr> <tr> <td>May</td> <td>1,74,000</td> <td>2,46,000</td> <td>10,000</td> </tr> <tr> <td>June</td> <td>1,26,000</td> <td>2,68,000</td> <td>15,000</td> </tr> </tbody> </table> <p>b. 5 per cent of credit Sales are realised in the month following the Sales and the remaining 50 per cent in the second month following. Creditors are paid in the month following the month of purchase.</p> <p>c. Cash at Bank on 1.4.2005(estimated) Rs.25,000.</p>	2005	Credit Sales (Rs)	Purchases (Rs)	Wages (Rs)	February	1,80,000	1,24,800	12,000	March	1,92,000	1,44,000	14,000	April	1,08,000	2,43,000	11,000	May	1,74,000	2,46,000	10,000	June	1,26,000	2,68,000	15,000	K5	CO4
2005	Credit Sales (Rs)	Purchases (Rs)	Wages (Rs)																									
February	1,80,000	1,24,800	12,000																									
March	1,92,000	1,44,000	14,000																									
April	1,08,000	2,43,000	11,000																									
May	1,74,000	2,46,000	10,000																									
June	1,26,000	2,68,000	15,000																									
5	20	Analyse the New System of Assessment of Working Capital Finance introduced by banks.	K4	CO5																								

Z-Z-Z

END

