

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 | K3 | CO1 |
| | | (OR) | | |
| | 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: | | | |
| | | | | | 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 | | | | |
| Assume number of days in a year is 360. | | | | | |
| 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) | | | | |
| | 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 | | | | |
| 5 | 15.a. | Apply the recommendations of the Chore Committee on Working Capital finance. | K3 | CO5 | |
| | (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 × 10 = 30)

ALL questions carry EQUAL Marks (5 × 16 = 80)

| 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 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 style="width: 100%;"> <tr> <td>Inland Sales</td> <td>6 weeks credit</td> <td style="text-align: right;">3,12,000</td> </tr> <tr> <td>Export Sales</td> <td>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 style="width: 100%;"> <tr> <td>Wages</td> <td>1½ weeks</td> <td style="text-align: right;">2,60,000</td> </tr> <tr> <td>Stores, materials</td> <td>1½ months</td> <td style="text-align: right;">48,000</td> </tr> <tr> <td>Rent, royalties</td> <td>6 months</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>Clerical staff</td> <td>½ month</td> <td style="text-align: right;">62,400</td> </tr> <tr> <td>Manager</td> <td>½ month</td> <td style="text-align: right;">4,800</td> </tr> <tr> <td>Miscellaneous Expenses</td> <td>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 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | Question.No 16 Cont... 4. Payments in advance: Sundry expenses (paid quarterly in advance) 8,000 5. Undrawn profits on an average throughout the year 11,000 Calculate the average amount of working capital required. | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------|-------------------|--|------------|-------------------|----------------|------------|----------|----------|----------|--------|-------|----------|----------|--------|-------|----------|----------|--------|-----|----------|----------|--------|------|----------|----------|--------|----|-----|
| 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 | | | | | | | | | | | | | | | | | | | | | | | | |

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END

