

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BCom DEGREE EXAMINATION MAY 2018
(Fifth Semester)

Branch - **PROFESSIONAL ACCOUNTING**
WORKING CAPITAL MANAGEMENT

Time : Three Hours

Maximum ; 60 Marks

SECTION-A (20 Marks)

Answer **ALL** questions

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

- 1 What do you mean by temporary working capital?
- 2 What is meant by 'Overdraft'?
- 3 How to calculate average collection period for receivables?
- 4 Write the formula to calculate cash cycle.
- 5 What refers to Corporate Liquidity?

SECTION - B (25 Marks)

Answer **ALL** Questions

ALL Questions Carry **EQUAL** Marks (5x4 = 20)

- 6 a What are the objectives of Working Capital Management? Explain.
OR
- b What are the advantages of adequate working capital? Explain.
- a Write short notes on Finance Working Capital.
OR
- b What are the short term sources of Finance for Working Capital? Explain,
- 8 a A Company sells a goods on cash as well as on credit. The following particulars are extracted from the books of the company:

Gross Sales	Rs.4,00,000
Cash sales	Rs.80,000
Sales returns	Rs.28,000
Debtors at the end	Rs.36,000
Bills Receivable at the end	Rs.8,000
Provision for Doubtful debts	Rs.3,000

Calculate average collection period.

OR

- b What are the costs involved in maintaining receivables? Explain.
- 9 a. How to manage cash flows? Explain.
OR
- b Ascertain whether the company has surplus or deficit cash balance from the data given below:

	Normal Period	Peak Period
Desired days of cash	6	3
Average daily outflow	Rs.10,000	Rs.50,000
Actual cash balance in hand	Rs. 1,50,000	Rs,2.00,000

- 10 a What are the steps involved in Working capital control? Explain.

OR

- b What are the characteristics of money market instruments? Explain.

Cont...

SECTION - C (30 Marks)Answer any **THREE** Questions**ALL** Questions Carry **EQUAL** Marks (3 x 10 = 30)

Godrej Company sells goods in h home market and earns a gross profit of 20% on sale. Its annual figures are as follows:

	Rs.
Sales	3,00,000
Materials used	1,08,000
Wages	96,000
Manufacturing Expenses	1,20,000
Administrative Expenses	30,000
Depreciation	12,000
Selling Expenses	18,000
Income tax payable in two installments of which one falls in the next year	30,000

Additional Information:

- Credit given by suppliers: 2 months
- Credit allowed to customers: 1 month
- Lag in payment of wages $\frac{1}{2}$ month
- Lag in payment of administrative expenses: 1 month
- Selling expenses are paid quarterly in advance
- Raw materials and finished goods are in stock for 1 month
- Cash balance estimated to be maintained at Rs.30,000

You are required to prepare a statement of working capital requirements.

Discuss in detail about the new trends in financing of working capital by banks in India.

What are the factors influencing size of receivables⁰ Explain,

The following data pertain to Material X:

Supply period: 4 to 8 weeks

Consumption rate:

Maximum	: 600 units per month
Minimum	: 100 units per month
Normal	: 300 units per month
Yearly	: 3,600 units

Storage cost is 50% of stock value, ordering cost is Rs,400 per order, price per unit of material is Rs.64. Compute:

- Reorder quantity
- Reorder level
- Maximum stock level
- Minimum Stock level
- Average stock level

Discuss in detail about the managing of corporate liquidity and financial flexibility.

Z-Z-Z

END