

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2017  
(Fifth Semester)

Branch **COMMERCE (PROFESSIONAL ACCOUNTING)**

**CORE ELECTIVE - I WORKING CAPITAL MANAGEMENT**

Time : Three Hours

Maximum : 60 Marks

**SECTION-A IIP Marks!**

Answer **ALL** questions

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

- 1 What is 'Gross working capital'?
- 2 What do you mean by factoring?
- 3 List out the purpose of maintaining receivables.
- 4 What refers to cash turnover? How to calculate cash turnover?
- 5 What do you mean by money market?

**SECTION -B (20 Marks)**

Answer **ALL** questions

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

- 6 a What are the approaches to the study of working capital management? Explain.

OR

- b Briefly explain the various working capital policies.

- 7 a How to measure the working capital requirements? Explain.

OR

- b What are the long-term finance for working capital requirements? Explain.

- 8 a From the following information, calculate average collection period

	Rs.
Total sales during the year	4,20,000
Cash sales during the year	1,50,000
Returns inward	20,000
Debtors in the beginning	55,000
Debtors at the end	45,000
Provision for bad debts	5,000

OR

- b What are the objectives of receivables management? Explain.

- 9 a What are the benefits of inventory management? Explain.

OR

- b From the following information, determine the EOQ

Annual consumption	90,000 units
Cost per unit	Rs. 50
Buying cost per order	Rs. 10
Cost of carrying inventory	10% of cost

- 10 a What are the new system of assessment of working capital finance<sup>0</sup> Explain.

OR

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

- 11 What are the factors affecting working capital requirements? Explain.
- 12 The following information has been supplied by a borrower:
- |       |   |                |
|-------|---|----------------|
| i)    | Expected level of production                                | 3,00,000 units |
| ii)   | Raw materials to remain in stock on an average              | 2 months       |
| iii)  | Processing period for each unit of product                  | 1 months       |
| iv)   | Finished goods remain in stock on an average                | 3 months       |
| v)    | Credit allowed to the customers from the date of dispatch : | 3 months       |
| vi)   | Expected ratios of cost to selling price:                   |                |
|       | a. Raw materials  | 60%            |
|       | b. Direct wages   | 10%            |
|       | c. Overheads  | 20%            |
| vii)  | Selling price per unit                                      | Rs. 10         |
| viii) | Expected margin on sales                                    | 10%            |
- You are required to estimate the working capital requirements of the borrower.
- 13 Describe the various dimensions of receivables management.
- 14 Helga Ltd., manufactures a special product which requires 'ZED'. The following particulars, were collected for the year 2005 - 06;
- |                          |                      |
|--------------------------|----------------------|
| Monthly demand of ZED    | : 7,500 units        |
| Cost of placing an order | : Rs. 500            |
| Re-order level           | : 5 to 8 weeks       |
| Cost per unit            | : Rs. 60             |
| Carrying cost            | : 10% p.a.           |
| Normal usage             | : 500 units per week |
| , Minimum usage          | : 250 units per week |
| Maximum usage            | : 750 units per week |
- Calculate :
- Re-order quantity
  - Re-order level
  - Minimum stock level
  - Maximum stock level
  - Average stock level.
- 15 What are the types of money market instruments? Explain.