

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

**BCom DEGREE EXAMINATION DECEMBER 2019
(Fifth Semester)**

Branch - COMMERCE (PROFESSIONAL ACCOUNTING)

CORE ELECTIVE -1: 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 do you understand by Working Capital?
- 2 Give any four permanent working capital sources.
- 3 State the meaning of receivable management.
- 4 What is inventory management?
- 5 What do you understand by financial flexibility?

SECTION -B (20 Marks!

Answer ALL questions

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

- 6 a Explain the working capital policies.
* OR
b Describe the forecasting of working capital requirement.
- 7 a Enumerate the factors measuring the working capital.
OR
b Define the term financing of working capital.
- 8 a Explain the dimensions of receivables management.
OR
b From the following, calculate average collection period.
Total Sales Rs. 1,00,000. Cash sales Rs.20,000. Bills Receivables at the beginning Rs.7,500. Debtors at the beginning Rs.10,000. Debtors at the end Rs. 10,000. Bills Receivable at the end Rs. 12,500.
- 9 a What are the benefits of inventory management?
OR
b Calculate maximum level, minimum level and reorder level from the following data.
Normal Consumption - 50 units per week
Minimum Consumption - 25 units per week
Maximum Consumption - 75 units per week
Reorder quantity - 250 units
Reorder Period - 2-4 weeks
- 10 a Explain about Bank finance.
OR
b Briefly explain the money market instruments.

Cont...

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

- 11 The following information has been submitted by a borrower.
- | | |
|--|-----------------------|
| 1. Expected level of production | 240000 units |
| 2. Raw material to remain in stock on an average | 2 months |
| 3. Processing period for each unit of product | 1 month |
| 4. Finished goods remain in stock in a average | 3 months |
| 5. Credit allowed to customers from the date of despatch | 3 months |
| 6. Expected ratio of cost of selling price | |
| a) Raw Material - 60% | b) Direct Wages - 10% |
| c) Overheads - 20% | |
| 7. Selling Price per unit Rs.. | 10 |
| 8. Expected margin on sale | - 10% |

Find out the working capital requirement of the borrower.

- 12 What are the factors to determining the working capital financing mix?
- 13 Discuss the factors influencing size of receivables.
- 14 Describe how to manage corporate liquidity.
- 15 The following data is available for purchase and issue of materials.

Purchases

2017

Jan 1	Opening balance	500 units @ Rs.4 each
Jan 5	Received from vendor	200 units @ Rs.4.25 each
Jan 12	Received from Vendor	150 units @ Rs.4.10 each
Jan 20	Received from Vendor	300 units @ Rs.4.50 each
Jan 25	Received from Vendor	400 units @ Rs.4 each

Issues

Jan 4	- 200 units
Jan 10	- 400 units
Jan 15	- 100 units
Jan 19	- 100 units
Jan 26	- 200 units
Jan 30	- 250 units

Prepare the Stores Ledger by LIFO methods of changing issue of materials.

Z-Z-Z

END