

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 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 List out the objectives of working capital management.
- 2 Write note on : Financing of working capital.
- 3 What is meant by receivable management?
- 4 What do you understand by cash management?
- 5 What is corporate liquidity?

SECTION -B (20 Marks)

Answer ALL questions

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

- 6 a What are the methods of forecasting working capital requirements?
OR
b Prepare an estimate of working capital requirement from the following data of a trading concern:
 - i) Projected annual sales: 80,000 units.
 - ii) Selling price: Rs. 8 per unit.
 - iii) Percentage net profit on sales: 20
 - iv) Average credit period allowed ^customers: 10 weeks.
 - v) Average credit period allowed to suppliers : 8 weeks
 - vi) Average stock holding in terms of sales requirement: 10 weeks.
 - vii) Allow 20 per cent or contingencies.
- 7 a List out the different forms of credit sanctioned by the banks.
OR
b State the methods of measuring working capital.
- 8 a A firm is considering an increase in its credit period from 30 to 60 days. It currently sells 3,00,000 units for Rs.3 each. The average age of receivable is 40 days: bad debts are 0.5% the variable cost per unit is Rs. .2.30 and the average cost per unit is Rs. .2.60. The change in the credit period is expected to increase sales to 3,40,000 units; bad debts will increase to 2% and the average collection period to 72 days. Assume the required return on investments is 18% should the firm carry out the proposal?
OR
b What are the objective of receivable management?
- 9 a Advani Chemical Limited estimates its total cash requirement as Rs. 2 crore next year. The company's opportunity cost of funds is 15% per annum. The company will have to incr Rs. 150 per transaction when it converts its short term securities to cash Determine the optimum cash balance.

OR

Cont...

- b A manufacturing company has an expected usage of 50,000 units of certain product during the next year. The cost of processing an order is Rs.20 and the carrying cost per unit is Re0.50 for one year. Lead time on an order is five days and the company will keep a reserve supply of two days usage. You are required to calculate
- The economic order quantity and
 - The re-order point. (Assume 250 day year).

10 a How to manage corporate liquidity and financial flexibility?

OR

- b State the recommendations of the Dehejia Committee against cash credit system of the bank.

PART-C (30 Marks)

Answer any **THREE** questions

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

- 11 Prepare an estimate of working capital requirement from the following information of trading concern.
- Projected annual sales: 1,00,000 units.
 - Selling price : Rs. .8 per unit.
 - Percentage net profit on sales : 25
 - Average credit period allowed to customers: 8 weeks.
 - Average credit period allowed to suppliers : 4 weeks.
 - Average stock holding in terms of sales requirement: 12 weeks.
 - Allow 10 per cent for contingencies.
- 12 Discuss the different sources of finance for working capital.
- 13 A firm is contemplating an increase in the credit period from 30 to 60 days. The average collection period which is a present 45 days is expected in increase to 75 days. It is also likely that the bad debt expenses will increase from the current level of 1% to 3% sales. Total credit sales are expected to increase from the level of 30,000 units to 34.500 units. The present average cost per unit is Rs. 8 the variable cost and sales per unit are Rs. 6 and Rs. 10 per unit respectively. Assume, the firm expects a rate of return 15% . Should the firm extend the credit period.
- 14 List out the tools and techniques of inventory management.
- 15 Describe the various kinds of money market instruments.

Z-Z-Z

END