

**BACHELOR OF BUSINESS ADMINISTRATION  
SIXTH SEMESTER  
WORKING CAPITAL MANAGEMENT  
BBA-605C**

Duration : 3 hrs.

Full Marks: 70

( PART-A: Objective )

Time : 20 min.

Marks : 20

Choose the correct answer from the following:

1X20=20

- Working capital is the ----- and ----- of a business
  - Life-blood and nerve centre
  - Nerve centre and heart
  - Life-blood and life-heart
  - None of the above
- Which of the following are the constituents of current asset?
  - Cash in hand, bills receivables and sundry creditors
  - Inventories of stocks, short-term loans and sundry debtors.
  - Cash in hand, bills receivables and bills payables.
  - All of the above
- The classification of working capital based on value are:
  - Gross Working Capital & Net Working Capital
  - Permanent Working Capital & Temporary Working Capital
  - Fixed Working Capital & Variable Working Capital
  - Permanent Working Capital & Seasonal Working Capital
- Factors Influencing working capital requirement are:
  - Nature of the business
  - Firm's credit policy
  - Both 'a' & 'b'
  - Only 'a'
- Working Capital is the capital investment purposefully made by the enterprises during the peak season of their business.
  - Special
  - Reserve
  - Seasonal
  - Temporary
- This method of estimating working capital requirements is based on the assumption that the level of working capital for any firm is directly related to its sales value.
  - Percentages of Sales Method
  - Cash Forecasting Method
  - Projected Balance Sheet Method
  - Operating Cycle Method
- The relationship between sales and working capital in regression analysis is represented by the equation:
  - $y = a + bx$
  - $y = ax + bx$
  - $y = a - bx$
  - $y = ax - bx$
- This method of estimating working capital requirements involves forecasting of cash receipts and disbursements during a future period of time.
  - Cash Forecasting Method
  - Projected Balance Sheet Method
  - Percentages of Sales Method
  - Operating Cycle Method

9. Generally, every business entity required capitals for investment in:
- Fixed Asset
  - Current Asset
  - Both 'a' & 'b'
  - None of the above
10. Permanent working capital is generally known as -----
- Fixed working capital
  - Variable working capital
  - Stable working capital
  - None of the above
11. The three major motives for holding cash are for:
- Transactional, psychological, and social purpose
  - Speculative, social and precautionary purposes
  - Speculative, fiduciary, and transactional purposes
  - Transactional, precautionary, and speculative purposes
12. Cash management deals with the following:
- Cash inflows and outflows
  - Cash balances held by the firm at a point of time
  - Cash flows within the firm
  - All of the above
13. Which methods is known for slowing cash outflows?
- Paying on last date
  - Making use of float
  - Inter-bank transfer
  - All of the above
14. The different types of inter-corporate deposits are:
- Call deposits, three months deposits and six-month deposits
  - Call deposits, half-yearly deposits and yearly deposits
  - Call deposits, two months deposits and four month deposits
  - Call deposits, quarterly deposit and half-yearly deposits
15. A decrease in the firm's receivable account means
- It is collecting credit sales more quickly than before
  - Sales have gone down
  - It is collecting credit sales more slowly than before
  - Inventories have gone up
16. The costs involved in maintaining receivables accounts by the firm's are -----
- Default cost
  - Capital costs
  - Delinquency cost
  - All of the above
17. In India ----- issues currency notes on behalf of the central Government.
- Reserve Bank of India
  - Ministry of Finance
  - Finance Commission
  - None of the above
18. What are the different components of the terms of credit?
- Interest rate
  - Documentation Requirements
  - Collateral
  - All of the above
19. The commercial paper issued with low interest rate is known as .....
- Payables rating
  - Commercial rating
  - Poor credit rating
  - Better credit rating

20. The financial instrument such as commercial paper can be sold .....
- a. Issued by commercial banks
  - b. Directly
  - c. With brokers or dealers
  - d. Functional buyers

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**( PART-B : Descriptive )**

Time: 2 HRS 40 MINS

Marks : 50

[ Answer question no.(1) & any four (4) from the rest ]

1. The relevant financial information for Zenith Limited for the year ended 2021 is given below: 10

Profit & Loss Account Data (Rs. Million)		Balance Sheet Data		
Sales	1000		2020	2021
Cost of Goods Sold (CGS)	750	Inventory	110	120
		Accounts Receivable	140	150
		Accounts Payable	60	66

(1) What is the length of the operating cycle?

(2) What is the cash cycle?

2. The following are the extracts from the balance sheet of a company as on 31.3.2011. Compute the additional working capital required by the company for the year ending 31.3.2012. 10

Fixed Assets	Rs	Rs
- Land & buildings	12,50,000	
- Plant & machinery	7,50,000	
		20,00,000
Current Assets:		
- stock	20,00,000	
- Debtors	7,50,000	
- Cash & Bank	5,00,000	
	32,50,000	
Less: Current Liabilities:		
- Creditors	8,50,000	
- Taxation	2,00,000	
- Bank Overdraft	3,50,000	
- Bills Payable	4,00,000	
	18,00,000	
Working Capital		14,50,000
		34,50,000

1. It is estimated that sales will increase by 25% next year.
2. Maximum amount of overdraft that can be availed will be only Rs 4,00,000
3. There will be no increase in the liability for tax due to increase in sales.
4. Period of credit allowed to customers and stock turnover will remain unchanged.
5. Period of credit allowed by creditors and that for bills payable will remain the same.
6. There will be no increase in the amount of cash and bank balance.

3. From the following forecasts of income and expenditure, prepare a cash budget for the months January to April, 2017:

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	month	sales	purchase	wages	Manufacturing Expenses	Administration Expenses	Selling Expenses
2016	Nov.	30,000	15,000	3,000	1,150	1,060	500
	Dec.	35,000	20,000	3,200	1,225	1,040	550
2017	Jan	25,000	15,000	2,500	990	1,100	600
	Feb	30,000	20,000	3,000	1,050	1,150	620
	Mar	35,000	22,500	2,400	1,100	1,220	570
	April	40,000	25,000	2,600	1,200	1,180	710

Additional Information is as follows:

1. The customers are allowed a credit period of 2 months.
2. A dividend of Rs 10,000 is payable in April
3. Capital expenditure to be incurred: Plant purchased on 15<sup>th</sup> of January for Rs 5,000; a building has been purchased on 1<sup>st</sup> March and the payments are to be made in monthly instalments of Rs. 2,000 each.

4. The creditors are allowing a credit of 2 months
5. Wages are paid on the 1<sup>st</sup> of the next month
6. Lag in payment of other expenses is one month
7. Balance of cash in hand on 1<sup>st</sup> January, 2017 is Rs 15,000.

4. Define cash. Explain the Investment of surplus cash 3+7=10
5. What is Receivables Management? Explain the dimensions of receivables management. 3+7=10
6. Explain the meaning and nature of inventory. And also briefly elucidate the tools and techniques of inventory management. 5+5=10
7. Write short notes on 5+5=10
  - a) Trade Credit
  - b) Commercial Paper
8. What do you understand by financing of Working Capital? Explain the different types of bank credit. 3+7=10

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