

REV-01
BBA/35/40

2023/06

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

**SET
B**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

1. Cash budget is used to measure whether the company has ample cash to run its task, it comprises the following components
 - a. Cash in hand
 - b. Cash inflow and cash outflow
 - c. Cash in hand and cash at bank
 - d. Cash income and cash flow
2. ABC analysis full form:
 - a. Always better control
 - b. Always best cost
 - c. Always better consumable
 - d. Always best company
3. Which of the following is not a part of credit policy?
 - a. Collection Effort
 - b. Cash Discount
 - c. Credit Standard
 - d. Paying Practices of debtors.
4. Credit Policy of a firm should involve a trade-off between increased
 - a. Sales and Increased Profit
 - b. Profit and Increased Costs of Receivables
 - c. Sales and Cost of goods sold
 - d. None of the above
5. Securitization is related to conversion of
 - a. Receivables
 - b. Stock
 - c. Investments
 - d. Creditors
6. What is Economic Order Quantity?
 - a. Cost of an Order
 - b. Cost of Stock
 - c. Reorder level
 - d. Optimum order size
7. ABC Analysis is useful for analyzing the inventories:
 - a. Based on their Quality
 - b. Based on their Usage and value
 - c. Based on Physical Volume
 - d. All of the above
8. Which of the following is related to Receivables Management?
 - a. Cash Budget
 - b. Economic Order Quantity
 - c. Ageing schedule
 - d. All of the above
9. Debenture is a part of _____.
 - a. Owned capital
 - b. Loan
 - c. Both
 - d. None of the above

10. Preference shareholders receive _____.
- | | |
|---------------------------|------------------------------|
| a. fixed rate of interest | b. flexible rate of interest |
| c. fixed rate of dividend | d. flexible rate of dividend |
11. The major current assets are _____.
- | | |
|-----------------------------------|----------------------------------|
| a. Cash and marketable securities | b. Accounts receivable (debtors) |
| c. Inventory (stock) | d. All of the above |
12. There are two concepts of working capital, gross and _____.
- | | |
|---------|----------------|
| a. Zero | b. Cumulative |
| c. Net | d. Distinctive |
13. Working capital is also known as _____ capital.
- | | |
|------------------|----------------------|
| a. Current asset | b. Operating |
| c. Projecting | d. Operation capital |
14. _____ Working Capital refers to the firm's investment in current assets.
- | | |
|----------|----------------|
| a. Zero | b. Net |
| c. Gross | d. Distinctive |
15. Working capital is calculated as _____.
- | | |
|--|--|
| a. Core current assets less core current liabilities | b. Current assets less current liabilities |
| c. Core current assets less current liabilities | d. Liquid assets less current liabilities |
16. Receivables management deals with
- | | |
|-----------------------------|-------------------------|
| a. Receipts of raw material | b. Debtors collection |
| c. Creditors management | d. Inventory management |
17. Inventory turnover measures the relationship of inventory with:
- | | |
|-------------------|-----------------------|
| a. Average sale | b. Cost of goods sold |
| c. Total purchase | d. Total assets |
18. The term EOQ means
- | | |
|----------------------------|----------------------------|
| a. Economic order quantity | b. Expected order quantity |
| c. Economy offer quantity | d. Extra order quantity |
19. What is MM approach?
- | | |
|-----------------------------------|-------------------------------|
| a. Modigliani and miller approach | b. Miller and model approach |
| c. Modigliani and motion approach | d. Miller and millet approach |
20. Which of the following is not an objective of cash management?
- | | |
|---------------------------------|---------------------------------|
| a. Maximization of cash balance | b. Minimization of cash balance |
| c. Optimization of cash balance | d. Zero cash balance |

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

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

1. Elucidate all the working capital policies with the help of diagrams. 10
2. Explain Working Capital Management along with its importance in an organization. 2+8=10
3. The board of directors of Suhail Mills Ltd has requested you to prepare a statement showing the working capital requirement for a level of achieving 30000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is given below. 5+5=10

Particulars	Cost per unit
Raw material	20
Direct labour	5
Overheads	15
Total	40
Profit	10
Selling price	50

ADDITIONAL INFO:

- 1) Past experience indicates those raw materials are held in stock on an average for 2 months.
 - 2) Work in progress (100% complete in regards to materials, 50% for labour and overheads) will be a month production.
 - 3) Finished goods are in stock on an average for 1 month.
 - 4) Credit allowed by suppliers 1 month
 - 5) Credit allowed to debtors 2 months
 - 6) A minimum cash balance of 25000 is expected to be maintained.
 - 7) Prepare a statement showing the working capital requirement
4. a) Meaning of cash management with its objectives. 5+5=10
b) Explain the general principles of cash management
 5. a) Elucidate the determinants or the factors that affect working capital management of a company. 5+5=10
b) Explain the working capital cycle.
 6. Short notes on: 5+5=10
 - a) ABC analysis
 - b) Economic order quantity

7. a) Explain the meaning of receivables management along with its any 3 objectives. 5+5=10
b) Suppose a company purchases raw material at a cost of Rs 16 per unit. The annual demand is 25000 unit. The carrying cost per unit is Rs 6.40 and Cost of order is Rs 32. Find the EOQ.
8. a) Explain Equity share along with its advantages and disadvantages. 5+5=10
b) Difference between equity share and preference share.

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