

MMPF-001

**Master of Business Administration (MBA)/ Master of Business
Administration (Online) MBA(OL) / Master of Business
Administration(Financial Management) (MBAFM)/ Post Graduate Diploma
in Financial Management (PGDIFM)**

ASSIGNMENT

For

July 2024 and January 2025 Sessions

MMPF-001: Working Capital Management

**(Last date of submission for July 2024 session is 31st October 2024
and for January 2025 session is 30th April, 2025)**



**School of Management Studies
INDIRA GANDHI NATIONAL OPEN UNIVERSITY
MAIDAN GARHI, NEW DELHI – 110 068**

ASSIGNMENT

Course Code	:	MMPF-001
Course Title	:	Working Capital Management
Assignment Code	:	MMPF-001/TMA/ JULY/2024
Coverage	:	All Blocks

Note: Attempt all the questions and submit this assignment to the Coordinator of your study centre. Last date of submission for July 2024 session is 31st October, 2024 and for January 2025 session is 30th April 2025.

1. Discuss the Industry Norm Approach and Economic Modelling Approach to the determination of working capital.
2. The Profit and Loss Account for the year ended 31st March, 2024 and the Balance Sheet as on that date, for Alpha Ltd. is as follows:

Profit and Loss Account for the year ended 31st March, 2024

Particulars	Rs. Lakhs	Particulars	Rs. Lakhs
Opening stock	1.75	Sales : Credit	12.00
Add: Manufacturing costs	10.75	Cash	3.00
	12.50		
Less: Closing stock	1.50		
Cost of goods sold	11.00		
Gross Profit	4.00		
	15.00		15.00
Administrative expenses	0.35	Gross Profit	4.00
Selling expenses	0.25	Other Income	0.09
Depreciation	0.50		
Interest	0.47		
Income –tax	1.26		
Net Profit	1.26		
	4.09		4.09

Balance Sheet as on 31st March, 2024

Liabilities	Rs. Lakhs	Assets	Rs. Lakhs
Equity shares of Rs. 10 each	3.50	Plant and machinery	10.00
10% Preference shares	2.00	Less: Depreciation	2.50
Reserves and Surplus	2.00	Net plant and machinery	7.50
Long-term loan (12%)	1.00	Goodwill	1.40

Debtures (14%)	2.50	Stock	1.50
Creditors	0.60	Debtors	1.00
Bills Payable	0.20	Pre-paid expenses	0.25
Accrued expenses	0.20	Marketable securities	0.75
Provision for tax	0.65	Cash	0.25
	<u>12.65</u>		<u>12.65</u>

The market price of the shares of Alpha Ltd. on 31st March, 2024 is Rs. 45

	(Rs. Lakhs)
Reserves at the beginning	1.465
Net Profit during the year	<u>1.260</u>
	2.725
Preference dividends	<u>0.200</u>
Equity dividends	0.525
Reserves at the close of year	<u>2.000</u>

Calculate the following Ratios – (1) Current ratio (2) Quick ratio (3) Debt- equity ratio (4) Interest coverage (5) Fixed charge coverage (6) Stock turnover (7) Debtors turnover (8) Average collection period (9) Gross profit margin (10) Net profit margin (11) Operating ratio (12) Return on capital employed (ROCE) (13) Earnings per share (14) Return on shareholders' equity (15) P/E ratio and (16) Earning yield.

- How does uncertainty affect Inventory Management? Explain any one model of Inventory Management under the condition of uncertainty.
- Explain the significance of trade credit. What are the factors that influence the availability of trade credit?
- Select any Small or Medium Enterprise (SME) of your choice. Discuss with them about why they need to manage working capital and how it is done. What are the various barriers faced by them in optimization of working capital.

