

**MS-41**

**Management Programme**

**ASSIGNMENT  
FIRST SEMESTER  
(January to June)  
2021**

**MS – 41: Working Capital Management**



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

## ASSIGNMENT

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<b>Course Code</b>	:	<b>MS - 41</b>
<b>Course Title</b>	:	<b>Working Capital Management</b>
<b>Assignment code</b>	:	<b>MS-41/TMA/SEM-I/2021</b>
<b>Coverage</b>	:	<b>All Blocks</b>

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Note : Attempt all questions and submit to the coordinator of your study centre on or before 30<sup>th</sup> April, 2021.

1. Take the latest monetary policy and discuss the important highlights of this policy.
2. You are required to prepare a Cash Budget for the months of May, June and July 2021 on the basis of the information given below :

(a) Income and Expenditure Forecasts

<b>Months</b>	<b>Credit Sales</b>	<b>Credit Purchases</b>	<b>Wages</b>	<b>Manu- facturing Expenses</b>	<b>Office Expenses</b>	<b>Selling Expenses</b>
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	65,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

- (b) Cash balance on 1st May, 2021 is Rs 8,000.
  - (c) Plant costing Rs 16,000 is due for delivery in July, payable 10% on delivery and the balance after 3 months.
  - (d) Advance tax of Rs 8,000 each is payable in March and June.
  - (e) Period of credit allowed
    - (i) by suppliers – two months, and
    - (ii) to customers – one month.
  - (f) Lag in payment of manufacturing – ½ months.
  - (g) Lag in payment of office and selling expenses – one month
3. As a Finance Manager what are the sources that you would prefer to raise short term loans from the money market for meeting working capital needs of your business and why?

4. XYZ Ltd. is in the business of manufacturing water filters. The current ratio at the end of the last year was 3:1 which appeared to be comfortable. However, the cash flow position, is rather weak and the company finds it difficult to make payments to the suppliers and workers on time. The composition of working capital as per the last balance sheet is provided here:

	(Rs.)
<b>Current Assets:</b>	
Inventories	18,00,000
Receivables	12,00,000
Cash and bank balances	1,00,000
Loans and advances	20,00,000
	<u>51,00,000</u>
<b>Current Liabilities</b>	<u>17,00,000</u>

Mention specific possibilities of what might be causing cash flow difficulties in this context. Suggest any better ratios which the company might use to gauge its liquidity in future.