

00755

MANAGEMENT PROGRAMME

Term-End Examination

December, 2018

MS-041 : WORKING CAPITAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

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- Note :** (i) *Attempt any five questions.*
(ii) *All questions carry equal marks.*
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1. Explain the meaning and significance of Bank Rate. Why are interest rates used as credit control technique by RBI instead of Bank Rate ?
2. Describe the important components of a Credit Policy. How is the credit worthiness of customers assessed ?
3. (a) What are the salient features of the Cash Credit System ? Discuss its advantages and disadvantages.
(b) What is a loan system ? Discuss the different types of loans that are granted to meet the working capital needs of borrowers.
4. Explain Factoring of Receivables, with recourse and without recourse factoring. Describe the mechanism of factoring.
5. Explain the significance of Trade Credit as a source of finance. Discuss the factors that influence the availability of Trade Credit.

6. Write notes on the following :
- Netting and Matching
 - Leading and Lagging
7. The purchase department of an organisation has received an offer of quantity discounts on its order of materials as under :

Price per tonne	Tonnes
₹ 1,400	Less than 500
1,380	500 and less than 1,000
1,360	1,000 and less than 2,000
1,340	2,000 and less than 3,000
1,320	3,000 and above

The annual requirement of the material is 5,000 tonnes. The delivery cost per order is ₹ 1,200 and the annual stock holding cost is estimated at 20 percent of the average inventory.

You are required to consider the following purchase options and advise which among them will be the most economical order quantity, presenting the information in a tabular form :

Purchase quantity options :

I	-	400 tonnes
II	-	500 tonnes
III	-	1,000 tonnes
IV	-	2,000 tonnes
V	-	3,000 tonnes

8. Write short notes on any four of the following :
- Walker's Approach
 - Public Deposits
 - Gross Profit Ratio
 - Discounting
 - Net Working Capital