

MANAGEMENT PROGRAMME (MP)

Term-End Examination

June, 2020

MS-41 : WORKING CAPITAL MANAGEMENT

Time : 3 Hours

Maximum Marks : 100

*Note : (i) Attempt any **five** questions.*

(ii) All questions carry equal marks.

1. What do you understand by Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) ? What is the purpose of prescribing these reserves ? How does a change in these ratios affect the credit creating capacity of banks ? Discuss.

2. What is meant by working capital ? Distinguish between gross working capital and net working capital. Explain the components of working capital.
3. While designing credit policy of a firm, what factors are taken into consideration ? Discuss the attributes of the customer that are considered while deciding his credit worthiness.
4. Alpha Ltd. uses three types of materials X, Y and Z for production of 'A' the final product. The relevant monthly data for these components is as given below :

Materials	X	Y	Z
Normal Usage	200	150	180
Minimum Usage	100	100	90
Maximum Usage	300	250	270
Re-order Quantity	750	900	720
Re-order Period (months)	2 to 3	3 to 4	2 to 3

Calculate for each component :

- (a) Reorder Level
 - (b) Minimum Level
 - (c) Maximum Level
 - (d) Average Stock Level
5. (a) Define mortgage and discuss the different kinds of mortgages.
- (b) What are the non-fund based facilities provided by banks to the customers for meeting their working capital needs ? Discuss.
6. What do you mean by Commercial Paper (CP) ? Who are permitted to issue CPs ? Discuss the terms and conditions on which the CP is issued. Explain the procedures followed for issuing CP.
7. Explain the concept and significance of liquidity in a business enterprise. Discuss the ratios used to measure liquidity. How are these ratios computed ? Discuss.

8. Write short notes on any *four* of the following :

- (a) Payables
- (b) Leading and Lagging
- (c) Operating Cycle
- (d) Certificates of Deposit
- (e) Inter-Corporate Loans