

MANAGEMENT PROGRAMME

Term-End Examination

February, 2021

MS-041 : WORKING CAPITAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage : 70%)

***Note :** Attempt any **five** questions. All questions carry equal marks.*

1. What do you understand by Risk-Return Trade-off ? What is its significance in financial decisions ? Discuss how a finance manager ensures a proper risk-return trade-off in financial decisions. Support your answer with suitable examples.
2. XYZ Ltd. sells its product on a gross margin of 20% profit on sales. For the year ending 31st December, 2018, the following information is extracted from its annual accounts :

	₹
Sales (at 3 months credit)	45,00,000
Raw material	15,00,000
Wages (15 days in arrears)	9,60,000
Manufacturing and General expenses (One month arrears)	15,00,000
Administration overheads ($1\frac{1}{2}$ month lag)	5,00,000
Sales Promotion expenses (Payable half-yearly in advance)	2,00,000

The company enjoys one month's credit from its suppliers of materials and maintains $1\frac{1}{2}$ months stock of raw materials and 1 month's finished goods. Cash balance is maintained at ₹ 1,25,000 as a precaution.

Assuming 10% margin, calculate the working capital requirement of XYZ Ltd.

3. 'Cash flows of the firm are affected by several factors, both internal and external.' Discuss these factors in detail. How is cash flow forecasted ?

4. What do you understand by marketable securities ? Why do firms hold marketable securities ? Discuss the type of marketable securities classified as contingent claim securities.

5. Explain the following :
 - (a) Procedure for discounting of bills and its advantages to a banker.

 - (b) Turnover method of assessing working capital needs.

6. Define public deposits. Explain the different categories of Deposits and the statutory limits prescribed for each of them. Describe the procedure for Accepting and Repayment of Deposits.

7. What do you understand by Trade Credit ? Discuss the significance and type of trade credit and the determinants and cost of such credit.

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

- (a) Netting
 - (b) Capital Investment Module
 - (c) Factoring of Receivables
 - (d) Pledge
 - (e) ABC Analysis
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