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MS-41

MANAGEMENT PROGRAMME (MP)

Term-End Examination

December, 2022

MS-41 : WORKING CAPITAL MANAGEMENT

Time : 3 Hours

Maximum Marks : 100

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

(ii) *All questions carry equal marks.*

1. Define working capital. Discuss the different approaches to financing working capital needs of a firm. What are the advantages and drawbacks of working capital management ?
2. Explain the significance of credit control. Discuss the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), used by Reserve Bank of India as credit control techniques.
3. Discuss the important components of the credit policy of a firm. What attributes are taken into consideration while deciding the creditworthiness of the customers ?

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4. Explain the significance of payables as a source of finance. Discuss different determinants of trade credit.
5. Why do firms hold cash and marketable securities ? Explain the internal and external factors that affect the flow of cash in a firm.
6. “Liquidity and profitability are significant factors which are taken into consideration while taking working capital decisions.” Discuss. Explain the relation between liquidity, profitability and working capital.
7. You are required to prepare a Cash Budget for Alpha Ltd. from the following information :

	1st Quarter ()	2nd Quarter ()	3rd Quarter ()	4th Quarter ()
Opening Cash Balance	10,000			
Collection from Customers	1,25,000	1,50,000	1,60,000	2,21,000
Payments :				
Purchase of materials	20,000	35,000	35,000	54,200
Other expenses	25,000	20,000	20,000	17,000
Salary and Wages	90,000	95,000	95,000	1,09,200
Income Tax	5,000			
Purchase of machinery				20,000

[3]

Alpha Ltd. desires to maintain a cash balance of ` 15,000 at the end of each quarter. Cash can be borrowed or repaid in multiples of ` 500 at an interest of 10% per annum. Management does not want to borrow cash more than what is necessary and wants to repay as early as possible. In any event, loans cannot be extended beyond four quarters. Interest is computed and paid when repayment is made at the end of the quarter.

8. Write short notes on any *four* of the following :
- (a) Matching approach
 - (b) Euro markets
 - (c) Inter-corporate Loans
 - (d) Commercial paper
 - (e) Operating cycle