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MS-41

**MANAGEMENT PROGRAMME/ POST
GRADUATE DIPLOMA IN FINANCIAL
MANAGEMENT (MP/PGDFM)**

Term-End Examination

December, 2023

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 and discuss the different types of working capital. Explain the impact of inflation on the various components of working capital.
2. With the help of a suitable example, explain the determination of working capital using operating cycle.
3. Discuss the internal factors that affect the cash flows of firms. Explain the methods used by firms to recognize and manage uncertainty associated with cash flow variations.

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4. What are the reasons for holding inventory by the firms ? Explain how the economic order quantity is calculated.
5. Describe the loan system of granting credit by the banks. What are the different types of loans available under this system ?
6. (a) What do you understand by 'Public Deposit' ? Explain the categories of such deposits and the statutory limits upto which they may be accepted.
(b) Distinguish between with Recourse and without Recourse factoring.
7. You are required to calculate the following ratios for Alpha Ltd :
 - (a) Current ratio
 - (b) Quick ratio
 - (c) Debt-equity ratio
 - (d) Stock turnover
 - (e) Debtors turnover
 - (f) Average collection period
 - (g) Net profit margin
 - (h) Operating ratio
 - (i) P/E ratio
 - (j) Return on shareholder's equity

The Balance Sheet and Profit & Loss Account for the year ended 31st March, 2022 are as follows :

Balance Sheet as on 31st March, 2022

Liabilities	₹
Equity shares of ₹ 10 each	3,50,000
10% Preference shares	2,00,000
Reserves and Surplus	2,00,000
Long-term Loan (12%)	1,00,000
Debentures (14%)	2,50,000
Creditors	60,000
Bills Payable	20,000
Accrued Expenses	20,000
Provision for Tax	65,000
	12,65,000

Assets	₹
Plant and Machinery 10,00,000	
<i>Less</i> : Depreciation <u>2,50,000</u>	7,50,000
Goodwill	1,40,000
Stock	1,50,000
Debtors	1,00,000
Prepaid expenses	25,000
Marketable securities	75,000
Cash	25,000
	12,65,000

Profit and Loss Account			
	₹		₹
Opening stock	1,75,000	Sales :	
<i>Add</i> : Manufacturing cost	10,75,000	Credit	12,00,000
	12,50,000	Cash	3,00,000
<i>Less</i> : Closing stock	1,50,000		
Cost of goods sold	11,00,000		
Gross profit	4,00,000		
	15,00,000		15,00,000
Administrative expenses	35,000	Gross profit	4,00,000
Selling expenses	25,000	Other	
Depreciation	50,000	income	9,000
Interest	47,000		
Income tax	1,26,000		
Net Profit	1,26,000		
	4,09,000		4,09,000

Additional Information :

	₹
Reserves at the beginning	1,46,500
Net profit during the year	1,26,000
Total	<u>2,72,500</u>
Preference dividends	20,000
Equity dividends	52,500
Reserves at the close of year	2,00,000

The market price of the share of Alpha ltd. as on 31st March, 2022 is ₹ 45.

8. Write short notes on any **four** of the following :
- (a) Cash Reserve Ratio (CRR)
 - (b) Present value module
 - (c) VED Analysis
 - (d) Netting
 - (e) Bridge loan and composite loan