

MANAGEMENT PROGRAMME

Term-End Examination

June, 2014

MS-41 : WORKING CAPITAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

Note : *Attempt any five questions. All questions carry equal marks. Use of calculators is allowed.*

1. What do you mean by 'Working Capital' ? Explain its characteristics and discuss the different tools of planning for working capital.
2. Discuss the different approaches to the determination of working capital needs. Which one do you find better and why ?
3. Explain the role of 'Credit Period' and 'Credit Eligibility' in designing the credit policy of a firm.
4. Why do firms invest in marketable securities ? Discuss the different money market instruments in which organisations usually invest.

5. Following are the expected quarter-wise results of M/S Shiva paints for next year in thousands of rupees :

Quarter

	1	2	3	4
1. Sales	7,500	10,500	10,800	10,500
2. Cash payments :				
(a) Production costs	7,000	10,000	8,000	8,500
(b) Selling and other costs	1,000	2,000	2,900	1,600
(c) Purchase of plant and other fixed assets	100	1,100	2,100	2,100

Debtors at the end of a quarter are one-third of the sales of that quarter.

- The opening balance of debtors is Rs. 30,00,000.
- Cash on hand at the beginning of the year is Rs. 6,50,000 and the desired minimum balance to be maintained is Rs. 5,00,000.
- Borrowings are to be made at the beginning of quarters in which the need would occur and in multiples of Rs. 10,000 and Repayments are done at the end of quarter.
- Interest charges may be ignored.

You are required to :

- (a) Prepare a cash budget by quarters for the year, and
- (b) Find out the amount of loan outstanding at the end of the year.

6. Why do banks create charge over borrower's assets ? Discuss the different methods of creating charge over the borrower's assets by the banks.
 7. Discuss the following as sources of short term finance :
 - (a) Public Deposits
 - (b) Commercial Papers
 8. Explain ABC Analysis and VED Analysis as techniques for inventory control and show their importance in a big business organisation.
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