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MS-41

**MANAGEMENT PROGRAMME/P.G.
DIPLOMA IN FINANCIAL
MANAGEMENT (MP/PGDFM)**

Term-End Examination

June, 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. Explain the concept of Gross and Net working capital. Discuss the tools of planning for working capital in a networking organization.
2. Discuss the *four* principles laid down by Walker with respect to working capital investment. Explain with the help of suitable example.
3. Describe any *three* models that can help the finance manager in deciding the process of switching funds from marketable securities to cash and *vice versa*.

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4. Explain why charge is created over an asset of the borrower in favour of the lender. Discuss the different methods of creating charge over the borrower's assets.
5. Discuss the different External Exposure Management techniques that are used by both exporters and importers.
6. What do you mean by trade credit ? Discuss the significance of trade credit and the different factors that determine trade credit.
7. You are required to prepare a cash budget of ABC Ltd. for the months of April 2022 to July 2022 from the details given below :

(i) Estimated sales :

February 2022	₹ 12,00,000
March 2022	12,00,000
April 2022	16,00,000
May 2022	20,00,000
June 2022	18,00,000
July 2022	16,00,000
August 2022	14,00,000

- (ii) 20% of sales are cash sales, on an average. The credit sales are realised in the third month.
- (iii) Purchases amount to 60% of sales. Purchases made in a month all generally sold in the third month and payment for purchases is also made in the third month.
- (iv) Variable expenses (other than sales commission) constitutes 10% of sales and there is time lag of half a month in their payments.
- (v) Commission on sales is paid at 5% of sales value and payment is made in the third month.
- (vi) Fixed expenses per month amount to ₹ 75,000 approximately.
- (vii) Other items anticipated due :
- | | |
|------------------------------|--------------------|
| Interest payable on deposits | ₹ 1,60,000 (April) |
| Sale of old assets | 1,25,000 (May) |
| Payment of tax | 80,000 (June) |
| Purchase of fixed assets | 6,50,000 (July) |
- (viii) Opening cash balance ₹ 1,50,000

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

- (a) Commercial paper
- (b) F-S-N Analysis
- (c) Statutory Liquidity Ratio (SLR)
- (d) Factoring of Receivables
- (e) Agency schedule