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MS-41

MANAGEMENT PROGRAMME

00082

Term-End Examination

December, 2010

MS-41 : WORKING CAPITAL MANAGEMENT

Time : 3 hours | *Maximum Marks : 100*
(Weightage 70%)

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

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1. Discuss the different types of working capital. Describe the different tools that could be used for analysing the working capital requirements of a firm.

2. Explain the four principles laid down by Walker with respect to working capital investment with the help of a suitable example.

3. Describe the internal factors that affect the cash flows of firms ? Which methods are used by firms to recognise and manage uncertainty associated with cash flow variations ?

4. Discuss the chief characteristics of bills of exchange. Explain the procedure for discounting of bills and the advantages of discounting of bills ? How is discounting of bills different from factoring of accounts receivables ? Discuss.

5. Explain the significance of payables as a source of finance ? What are the different types of trade credit and the factors that determine them ?

6. ABC Ltd. has currently an annual credit sales of Rs. 8,00,000. Its average age of accounts receivables is 60 days. It is contemplating a change in its credit policy that is expected to increase sales to Rs. 10,00,000 and increase the average age of accounts receivables to 72 days. The firm's sale price is Rs. 25 per unit, the variable cost per unit is Rs. 12 and the average cost per unit at Rs. 8,00,000 sales volume is Rs. 17. Assume a 360-day year, and calculate the following.

   (i) What is the average accounts receivable with both the present and the proposed plans ?

   (ii) What is the cost of marginal investment, if the assumed rate of return is 15% ?

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

   (a) Cash Reserve Ratio (C.R.R)

   (b) Letter of credit

   (c) VED Analysis

   (d) Industry Norm Approach

   (e) Bridge Loans and Composite Loans.

   (f) Return on Assets and Return on Capital employer

8. What are the key factors that are considered for deciding the credit worthiness of a borrowing company by the CRISIL's rating methodology ? Discuss.