

47746



Total No. of Pages: 4

V SEMESTER BBA EXAMINATION – MARCH / APRIL – 2022

SCHEME – SEMESTER – CBCS

016 FINANCIAL MANAGEMENT – II

WORKING CAPITAL MANAGEMENT

Time: 03 Hours

Max Marks: 80

Instructions to Candidates: Answer all parts.

PART – A

Answer any TWO of the following. Each Question carries 15 Marks: 15x2=30

1. Manju Traders Ltd., given the following information from May 2022 to September 2022.

Months 2022	Total Sales	Total Purchases	Wages	Manufacturing Expenses	Other Expenses
May	7,50,000	5,00,000	40,000	24,000	20,000
June	9,00,000	7,00,000	60,000	28,000	32,000
July	8,00,000	6,00,000	74,000	30,000	38,000
August	7,00,000	6,20,000	80,000	40,000	36,000
September	6,50,000	5,40,000	76,000	38,000	40,000

Additional Information:

- a) Cash Balance expected on 1st July 2022 is ₹ 3,00,000
- b) A new machinery is to installed at ₹ 70,000 and payment to be made in two equal installments in August and December.
- c) 40% of sales are for cash. 40% of debtors pay in the month following the month of sales and the remaining in the second month (40:60).
- d) 20% of purchases are for cash. Creditors are paid in the month following month of supply.
- e) Sales commission @ 10% on sales payable in the month following the month of sales.
- f) ₹ 1,50,000 is expected to be received as deposit from distributors in September.

PTO



g) Loan installment of ₹ 75,000 is payable on quarterly basis in July, October etc.,

h) Lag in payment of wages $\frac{1}{2}$ month and manufacturing expenses $\frac{1}{4}$ th month.

i) Rent ₹ 5000 per month payable in advance for 3 months, in the month of May, August etc.

You are required to prepare 'Cash Budget' for 3 months from July 2022 to September 2022.

2. Calculate the amount of working capital requirement of 'Arpitha Ltd.'. From the following information on weekly basis.

	Per Unit
Raw Materials	₹ 200
Direct Labour	₹ 80
Overhead	₹ 180
Profit	₹ 40

- a) Raw materials are in stock, on an average for 4 weeks.
- b) Each unit of production is expected to be in process for 6 weeks (50% conversion cost)
- c) Finished goods are in stock on an average for 8 weeks.
- d) Credit allowed by supplier 5 weeks and credit allowed to debtors is 8 weeks.
- e) Time lag in payment of wages is $1\frac{1}{2}$ weeks
- f) One fourth of the sales are made on cash basis and cash on hand is expected to be ₹ 80,000.
- g) Expected level of production 1,56,000 units for a year of 52 weeks.
- h) Safety margin 10% on gross working capital.
3. Explain the factors which determine the working capital requirements of a firm.
4. Ananya Ltd., intends to relax its present credit policy. You are required to evaluate two proposal given & suggest the best policy. Currently the firm has annual credit sales of 1,50,000 units. The average collection period is 2 months. The present average cost per unit is ₹ 9, the variable cost & sales price per unit is ₹ 6 and ₹ 10 respectively. The expected rate of return is 15%. The

PTO



current level of bad debts is 2%, proposed policy & expected implications are as follows:

- Policy I : Credit period to be decreased by one month. Sales & Bad debts are likely to decrease by 10% and 1% respectively.
- Policy II : Credit period to be increased by one month. Sales & Bad debts are likely to increase by 20% and 2% respectively.

PART - B

Answer any **THREE** of the following. Each Question carries 10 Marks: $10 \times 3 = 30$

5. Following Information is related to two components A & B:

Normal usage : 10,000 units per week

Minimum usage : 1,500 units per week

Maximum usage : 5,000 units per week

Re-order quantity : A-40,000 units

B-60,000 units

Re-order period : A - 4 to 6 weeks

B - 2 to 4 weeks

Calculate for each components

- a) Re-order level b) Minimum Stock level
- c) Maximum Stock level d) Average Stock level
6. A firm has several items of Inventory. The average number of each of these items as well as their unit cost is listed below

Items	1	2	3	4	5	6	7	8
Average No. of units in Inventory	160	3000	1200	6000	1800	130	4400	3200
Average cost Per unit	76	3	1.90	0.50	25.00	2.70	9.50	2.60

The firm wishes to adopt ABC Inventory system. How should the items be classified into A, B & C?

7. Explain the techniques of Inventory Management.
8. Explain the motives for holding cash.
9. Explain the sources of financing Working Capital.

PTO

47746



PART – C

Answer any **FOUR** of the following. Each Question carries 5 Marks: **5x4=20**

10. What are the uses of Cash Budget?
11. Roopa group manufactures of refrigerators, buys 4800 units of certain components. Annual usage is 4800 units, cost of placing an order is ₹ 150 and cost of carrying one unit for a year is ₹ 24, unit cost ₹ 750. Calculate EOQ.
12. Write a note on Commercial Paper.
13. List the types of working Capital.
14. Write a note on JIT analysis.
- 15 Explain '3/15' net 45.

** *** **

MFGC
LIBRARY