

**January 2015**

**Bachelor of Business Administration (BBA) Examination  
V Semester**

**Working Capital Management**

Time : 3 Hours ]

[ Max. Marks : 80

**Note : Attempt any four questions from Section A. Section B is compulsory. Each question of Section A carries 15 marks and of Section B a case for 20 marks.**

**Section A**

1. What is the significance of working capital for a manufacturing firm ? What will be the consequences of shortage and excess of working capital?
2. Write short notes on :  
(a) Marketable Securities in Cash Management.  
(b) Motives of Holding Cash,
3. What is Credit Policy ? Explain the objectives and elements of credit policy of a firm.
4. Write short notes on :  
(a) ABC Analysis of Inventory Control. (b) Safety Stock.
5. Describe the important features of Tandon Committee. What are the three methods of financing as suggested by the committee.
6. "Cash Budget is an important technique of Cash Management," Explain with an example.

**Section B**

7. Hi-tech Ltd. plans to sell 30,000 units next year. The expected cost of goods sold is as follows:

	Rs. (Per Unit)
Raw material	100
Manufacturing expenses	30
Selling, administration and financial expenses	20
Selling price	200

The duration at various stages of the operating cycle is expected to be as follows :

Raw material stage	2 months
Work-in-progress stage	1 month
Finished stage	1/2 month
Debtors stage	1 month

Assuming the monthly sales level of 2,500 units, estimate the gross working capital requirement if the desired cash balance is 5% of the gross working capital requirement, and work-in-progress is 25% complete with respect to manufacturing expenses.

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