

**BANKING AND WORKING CAPITAL MANAGEMENT
(BBA)
PAPER-BB605**

Time Allowed: 3 hrs

Max. Marks: 60

Section A

Note: Attempt all questions. Each question carries two marks. The answer to each question may be up to 2-5 lines. (10*2)

1. Gross working capital
2. Aging Schedule
3. Conservative Approach of Financing Policy
4. Ordering costs
5. Optimum credit policy
6. Lock-box method
7. Average method of pricing the issues of raw material
8. Lead Time
9. Payment float
10. Speculative motive of holding cash

Section-B

Note: Attempt any four questions. Each question carries 10 marks.

(4*10)

1. What is the importance of working capital for a manufacturing firm? What shall be the repercussions if a firm has (a) paucity of working capital, (b) excess working capital?
2. How would you determine the optimum level of current assets? Illustrate your answer.
3. Define inventory. Discuss in detail the Economic Order Quantity model of inventory management.
4. Explain the three principal motives for holding cash. Illustrate with example the modus operandi of preparing a cash budget.
5. What are the variables of credit terms? How do they affect the investments in accounts receivable?
6. "In managing cash, finance manager faces the problem of compromising between conflicting goals of liquidity and profitability" comment. What strategies should a finance manager develop to solve this problem?