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Total No. of Pages: 03
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B.B.A (Sem.-6th)

BANKING AND WORKING CAPITAL MANAGEMENT

Subject Code: BB-605
Paper ID: [C-0233]

Time: 3 Hrs. **Max. Marks: 60**

INSTRUCTIONS TO CANDIDATE:

1. ***Section-A is compulsory.***
2. ***Section-B Attempt any four questions.***

SECTION-A

10x2=20

Q. 1.

(a) Differentiate between Permanent working capital and Temporary working capital.

(b) Only draw the Cash Cycle for a manufacturing concern.

(c) Explain about the precautionary motive of holding cash.

(d) Define about the Lock-Box System in Cash Management.

(e) What do you mean by 'Debtor Collection Period'?

(f) What factors are decided under Collection policy while maintaining receivable?

(g) What do you mean by JIT method of inventory management?

(h) Find out the economic order quantity from the following particulars:

(i) Annual usage	Rs. 2, 40, 000
(ii) Cost of placing and receiving one order	Rs. 120
(iii) Annual carrying cost	10% of inventory value

(i) If current assets are Rs. 5, 00, 000 and current liabilities are Rs.3, 50, 000, then calculate the value of Gross as well as Net Working Capital?

(j) Calculate optimal cash balance with the following information:

(a) Monthly cash requirements	Rs. 90, 000
(b) Fixed cost per transaction	Rs. 15
(c) Interest rate on marketable securities	6% p.a.

Section-B

4x10=40

Q. 2. Raj and Kumar, who want to buy a business, seek your advice about the average working capital requirements in the first year trading. The following estimates are available and you are asked to add 10% to allow for contingencies.

			Per Annum in Rs.
(a)		Average amount locked up in stocks	
	(i)	Stock of finished products	5, 000
	(ii)	Stock of Stores Materials etc.	8, 000
(b)		Average Credit given	
	(i)	Local sales – 2 weeks credit	78, 000
	(ii)	Outside the state – 6 weeks credit	3, 12, 000
(c)		Time available for payment	
	(i)	For Purchases – 4 weeks	96, 000
	(ii)	For Wages – 2 weeks	2, 60, 000

Calculate the average amount of working capital required. Give details of your working.

Q. 3. Sarathi & Company wishes to arrange overdraft facilities with its bankers during period April to June 2015, when it will be manufacturing mostly for stock. Prepare cash budget for the above period from the following data including the extent of bank facilities the company will require at the end of each month:

(a)

Months	Sales (Rs)	Purchases (Rs)	Wages (Rs)
February	1, 80, 000	1, 24, 800	12, 000
March	1, 92, 000	1, 44, 000	14, 000
April	1, 08, 000	2, 43, 000	11, 000
May	1, 74, 000	2, 46, 000	10, 000
June	1, 26, 000	2, 68, 000	5, 0000

(b) 50% of credit sales is realized in the month following the sale and remaining 50% in the second month following. Creditors are paid in the month following the month of purchase.

(c) Cash at bank on 1st April (estimated) Rs. 25, 000.

Q. 4. What do you mean by Receivables Management? Explain in detail about the dimensions of receivable Management.

Q. 5. The following is an extract of the record of receipts and issues of sulphur in a chemical factory during February 2014.

2014, Feb.1	Opening balance 500 tonnes @ Rs. 200/-
2014, Feb. 3	Issue: 70 tonnes
2014, Feb. 4	Issue: 100 tonnes
2014, Feb. 8	Issue: 80 tonnes
2014, Feb. 13	Received from suppliers 200 tonnes @ Rs. 190/-
2014, Feb. 14	Returned from department 15 tonnes
2014, Feb. 16	Issue: 250 tonnes
2014, Feb. 20	Received from suppliers 240 tonnes @ Rs. 190/-
2014, Feb. 24	Issue: 300 tonnes
2014, Feb. 25	Received from suppliers 320 tonnes @ Rs. 190/-
2014, Feb. 26	Issue: 115 tonnes
2014, Feb. 27	Returned from department 35 tonnes
2014, Feb. 28	Received from suppliers 100 tonne @ Rs. 190/-

Issues are to be prices on the principle of FIFO. The stock verifier of the factory had found a shortage of 10 tonnes on the 22nd and left a note accordingly. Prepare the stores ledger.

Q. 6. Why should inventory be held in the era of JIT delivery? Its management must meet two opposing needs. What are they? Do explain any two methods of managing it.

Q. 7. What is the concept of working Capital Cycle? Illustrate the profitability – solvency tangle in working capital management.

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