



Printed Pages : 3

MBAFM01(N)

(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 7125

Roll No.

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**M.B.A**

**(SEM III) ODD SEMESTER THEORY EXAMINATION 2009-10  
MANAGEMENT OF WORKING CAPITAL**

*Time : 3 Hours]*

*[Total Marks : 100*

- Note :**
- (1) *Attempt all questions.*
  - (2) *All questions carry equal marks.*

1 Write short notes on any **four** of the following : **5×4**

- (i) Cash Forecasting
- (ii) Meaning of Trade Acceptance
- (iii) Credit Monitoring Arrangement
- (iv) Aggressive Financing Strategy
- (v) Current Assets and Liabilities
- (vi) Receipts and Disbursement

2 Explain the concept of working capital Management and the factors which determine needs of working capital.

**OR**

2 "Funds from operations is the most important and regular source of working capital." Make a critical comment on this statement.



- 3 What purpose is served by inventories ? Discuss the Economic Order Quantity (EOQ) model for optimal order quantity for a particular item of inventory.

**OR**

- 3 Quality Ribbons Ltd. is engaged in manufacturing of nylon ribbons for printers. Each ribbon is priced at Rs. 100. The sales of the company during last accounting year were 80,000 units. The variable cost per unit is Rs. 60. The fixed costs of the company are Rs. 16 lakhs. The company is contemplating to relax its credit standard and as a result the company is expected 10 percent increase in sales. But at the same time by relaxing the credit standards the average collection period of the company is likely to increase from 30 days to 45 days. The bad debt losses are expected to be 2 percent of increased sales. The collection expenses are likely to go up by Rs. 50,000 (Rs. fifty thousand). The company also pays commissions of 10 percent on the sales and this cost is not included in the variable cost.

Question :

If the after-tax required rate of return on investment of the company is 15 percent and the tax rate is 50 percent, should the company relax its credit standards ?

- 4 'The credit policy of a company is criticised because the bad debt losses have increased considerably and the collection period has also increased.' Discuss under what condition this criticism may not be justified.

**OR**



4 List out significant steps you would take to prepare and submit your request to your banker for enhancement of bank limit.

5 Write briefly on any **two** of the following : **10×2**

- (i) Discuss the methods of lending as suggested by Tandon Panel Committee.
  - (ii) Describe different forms of Trade credit.
  - (iii) How are re-order levels established ?
  - (iv) Credit financing in India.
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