

BBA
COURSE : BBAHDSE-2
 (Working Capital Management)

Time- 2 Hours

Full Marks: 50

Answer any 5 questions. (10X5)

1. What are the factors that determine the working capital requirement of a manufacturing company. (10)
2. Explain Gross Operating Cycle and Net Operating Cycle of a manufacturing company. (10)
3. Explain the aggressive, conservative and matching working capital finance policies. (10)
4. What are the short term and long term sources of Finance for Working Capital. (10)
5. Explain the Reorder Level, Maximum Level, Minimum Level and Average Level of Stock. (10)
6. From the following information compute the most economical purchase level.

| Price per Kg | Kgs |
|--------------|-------------------------|
| 4800 | Less than 500 |
| 4720 | 500 and less than 1000 |
| 4640 | 1000 and less than 2000 |
| 4560 | 2000 and less than 3000 |
| 4480 | 3000 and above |

The annual requirement of the material is 5000 Kg. The ordering cost is Rs 1500 per order and the carrying cost is 20% of material cost p.a.

7. Alpha Trading Limited is considering to increase its credit period from “net 35” to “net 50”. The firm’s expected sales to increase from Rs 240 lakhs to Rs 360 lakhs and the average collection period to increase from 35 days to 50 days. The bad debt loss ratio and collection costs ratio are expected to remain at 5 percent and 6 percent respectively. The firm’s variable costs ratio is 85 percent, corporate tax rate is 35 percent and the after tax required rate of return is 20 percent. Evaluate the proposal
8. Explain the objective of credit policy? What is an optimum credit policy? Discuss.
9. (a) Explain permanent working capital and temporary working capital
 (b) What is Gross Working Capital and Net Working Capital (5+5)
10. Explain deposit float and payment float. (10)
