

MMPF-001 Working Capital Management

- 1. What is working capital? Explain its types and significance in business operations.
- 2. Differentiate between permanent and temporary working capital.
- 3. Discuss the factors affecting working capital requirements.
- 4. What is an Operating Cycle? How is it calculated?
- 5. Distinguish between gross and net working capital.
- 6. Explain the Baumol and Miller-Orr models of cash management.
- 7. What are the costs associated with inventory? Explain EOQ with formula. (EOQ numerical comes often)
- 8. How do ABC and VED analysis help in inventory control?
- 9. Discuss the credit policy variables and their impact on profitability.
- 10. Evaluate the receivables policy using incremental analysis.
- 11. Explain the sources of financing working capital.
- 12. What are the Tandon Committee norms for bank lending?
- 13. How is the Working Capital Turnover Ratio calculated? Interpret its significance with examples.
- 14. The management of Beta Ltd. is reviewing its current credit policy and is considering shifting to a more liberal credit policy to increase sales. The financial details of the proposals are given below:

Particulars	Existing	Option A	Option B	Option C
Annual Sales	80	88	92	94
Variable Cost (75% of sales)	60	66	69	70.5

Particulars	Existing	Option A	Option B	Option C
Fixed Cost	10	10	10	10
Average Collection Period	30 days	45 days	60 days	75 days

Additional Information:

- 1. The company's required rate of return on investment = 18% per annum.
- 2. Assume 360 days in a year.
- 3. No bad debts assumed.

Required:

Evaluate each credit policy using the following:

- 1. Incremental Contribution = (Sales Variable Costs)
- 2. Investment in Receivables = $(Sales / 360) \times Collection Period$
- 3. Required Return on Receivables = Investment \times 18%
- 4. Incremental Profit = Contribution Required Return
- 5. Recommend the best credit policy.
- 15. A company's annual demand is 10,000 units.
 - 1. Ordering cost = 400/order
 - 2. Carrying cost = 10 per unit/year
 - 3. Purchase price = 100/unit
 - 4. Calculate EOQ and total inventory cost.
- 16 From the following data, calculate:
- (i) Operating cycle in days
- (ii) Working capital requirement Data:

(1) Raw Material Storage: 30 days(2) WIP: 10 days(3) Finished Goods: 20 days

(4) Debtors Collection: 40 days
(5) Creditors Payment: 25 days
(6) Daily operating cost: 75,000 □