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DAM-04

Diploma in Accounting Management EXAMINATION, June, 2008

WORKING CAPITAL MANAGEMENT

Paper DAM-04

(Working Capital Management)

Time allowed : Three hours

Maximum marks : 100

Attempt any five questions. Each question carries equal marks.

1. Define working capital. Explain various approaches of working capital.

2. From the following information calculate :
 - (i) Current ratio
 - (ii) Quick ratio
 - (iii) Working capital turnover ratio
 - (iv) Inventory turnover ratio

PTO

Balance Sheet as on 31st March, 2007

Liabilities	Rs.
Share capital	30,000
Reserve	15,000
Borrowings	20,000
Creditors	5,000
Provisions	2,000

	72,000

Assets	Rs.
Fixed assets	58,000
Stock	7,000
Debtors	4,000
Cash	3,000

	72,000

Additional information :

Cost of goods sold Rs. 70,000

Opening stock Rs. 13,000

3. From the following Balance Sheet of *R Ltd.*, you are required to show an increase or decrease in working capital and sources and applications thereof :

Balance Sheet

Liabilities	As on 31.03.2004	As on 31.03.2005
Share capital	2,40,000	3,60,000
Share premium	24,000	36,000
General reserve	18,000	27,000
P & L A/c	58,500	62,400
15% debentures	—	78,000
Provision for taxation	29,400	32,700
Creditors	1,00,500	1,09,200
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	4,70,400	7,05,300
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Assets	As on 31.03.2004	As on 31.03.2005
Building	1,66,200	3,39,600
Machinery	1,06,800	1,53,900
Furniture	7,200	4,500
Stock	66,300	78,000
Debtors	1,09,500	1,17,300
Bank	14,400	12,000
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	4,70,400	7,05,300
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Additional informations :

- (i) Tax paid during the year was Rs. 30,000
 - (ii) Depreciation on machinery Rs. 38,400
 - (iii) Depreciation on furniture Rs. 1,200
4. What is cash flow forecasting ? State differences between cash flow forecasting and cash budgeting.
5. What are the common securities against which a bank may lend for working capital purposes ? Can a bank extend an unsecured loan or advance ?
6. Explain the procedure for evaluating credit applicants by a firm.
7. What is Miller Orr model of cash management ?
8. Clearly explain the meaning of inventory control. Explain 'economic order quantity' technique of inventory control.
9. What is short-term integrated funds planning ? Explain in detail.
10. Write short notes on :
- (i) Treasury bills market
 - (ii) Commercial paper