

B

DAM-04

D.A.M. EXAMINATION, December, 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. How funds flow statement is prepared ? Explain various methods of preparing it. 20
2. Following is the Balance Sheet of Ram Ltd.

	Rs.
Share capital	7,00,000
Reserve & surplus	1,20,000

PTO

Bank overdraft	35,000
Creditors	1,50,000
	<u>10,05,000</u>
Fixed assets	5,50,000
Stock	1,55,000
Debtors	80,000
Cash	2,20,000
	<u>10,05,000</u>

Additional informations :

- (a) Opening stock Rs. 1,45,000
- (b) Sales Rs. 7,50,000
- (c) Gross profit Rs. 1,50,000

Calculate :

- (i) Current ratio
- (ii) Liquidity ratio
- (iii) Stock turnover ratio
- (iv) Debtors turnover ratio

20

3. Prepare a cash Budget from April to June from the following information :

Months	Sales Rs.	Purchase 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	15,000

(a) 50% of the credit sales are realised in the month following the sales and the remaining sales in the second month following the sales. The creditors are paid after one month of purchase.

(b) Cast at bank on 1st April Rs. 25,000. 20

4. What are Treasury Bills and what purpose do they serve ? 10+10

5. Describe the recommendation of Tandon Committee for financing of working capital by banks. 20

6. Compare and contrast inter-corporate loans and commercial paper as sources of short term finance for Indian companies. 20

7. Distinguish between trade discount, quantity discount and cash discount. 7+7+6
8. Explain 'Optimisation Models' for short term investments. 20
9. How is projected Cash Flow Statement related to Projected Balance Sheet and Projected Income and Expenditure Statement ? 20
10. Write short notes on :
- (i) Concept of Working Capital
 - (ii) Certificate of Deposit
 - (iii) Economic Order Quantity
 - (iv) Reorder Level or Point 4×5