



16/12/2015

DOON UNIVERSITY, DEHRADUN

Semester Final Examination, Second Semester, 2015

School of Management

MBA 2 years (3rd Semester)

Course: MMS – 522: Working Capital Management

Time Allowed: 3 Hours

Maximum Marks: 50

Note: Attempt All Questions from Sections A, B and C.

Section A:

(18 marks)

Other things remaining constant. What effect would the following events have on the average cash balance that the firm keeps for transactions purpose? Explain your answer'

- Increase in interest rate.
- It becomes more expensive to transfer funds from cash to securities and vice versa.
- The variability of net cash flow increase.

Section A: write short notes on any seven of the followings.

(2x7=14 marks)

- Commercial papers.
- VED analysis.
- Miller-Orr model.
- Captive finance companies.
- Working capital as an Investment.
- Factoring.
- Marketable securities.
- Operating cycle

Section B: Attempt any two of the following. First question is compulsory. (2x9=18 marks)

- A manufacturing company has a expected usage of 50000 units of certain product during the next year. The cost of processing an order is Rs 20 and the carrying cost per unit is Rs 0.50 for one year. Lead time on an order is five days and the company will keep a reserve supply of two days' usage. You are required to calculate (a) the economic order quantity and (b) the re-order point. (Assume 250-days year).

