



JHARKHAND
Rai University
R A N C H I

PRACTICE SET
End Semester Examination, December, 2025

Program: BBA

Semester: V

Course: Working Capital Management

Code: 11CCDE305

Course Learning Objective:

The Objective of the course are classified as follows: -

CLO 1: To understand the students about fundamental concepts and importance of working capital

CLO 2: To enable students to estimate working capital requirements and evaluate financing strategies.

CLO 3: To apply cash management models, evaluate liquidity needs, and develop strategies for optimizing cash and marketable securities.

CLO 4: To analyze receivables and inventory data, apply appropriate management techniques, and design effective strategies to improve liquidity and minimize costs.

Course Outcome:

On completion of the Course, the students will be able to:

CO1: Understand the components and determinants of working capital and understand its impact on business efficiency.

CO2: Apply estimation techniques and evaluate suitable sources of working capital financing for different business scenarios.

CO3: Able to prepare cash budgets, apply models for cash management, and analyze short-term investment strategies.

CO4: Develop credit and collection policies, apply inventory management tools, and analyze their impact on working capital efficiency.

SECTION A

Question for Five (5) marks:

- Q1. Define Working Capital. Explain its meaning and concept with suitable examples.
(CO1, Unit–I, BTL–LOT, Remember)
- Q2. Distinguish between Gross Working Capital and Net Working Capital. (CO1, Unit–I, BTL–LOT, Understand)
- Q3. List and explain any four factors influencing the Working Capital requirements of a business firm.
(CO1, Unit–I, BTL–LOT, Understand)
- Q4. Explain the importance of Working Capital Management in ensuring business liquidity and profitability.
(CO1, Unit–I, BTL–LOT, Understand)
- Q5. Briefly describe the role of a Finance Manager in the management of working capital.
(CO1, Unit–I, BTL–LOT, Understand)
- Q6. Define Estimation of Working Capital. Why is it important for business organizations?
(CO2, Unit–II, BTL–LOT, Remember)
- Q7. What is the Zero Working Capital approach? State its advantages and limitations.
(CO2, Unit–II, BTL–LOT, Understand)
- Q8. Explain the term Operating Cycle. How is it useful in estimating working capital requirements?
(CO2, Unit–II, BTL–LOT, Understand)
- Q9. Write a short note on the Dahejia Committee Report on working capital finance.
(CO2, Unit–II, BTL–LOT, Remember)
- Q10. Briefly explain the use of the Cash Budget in the estimation of working capital requirements.
(CO2, Unit–II, BTL–LOT, Understand)
- Q11. Define Cash Management. What are its main objectives?
(CO3, Unit–III, BTL–LOT, Remember)
- Q12. List any four factors influencing the cash balance of a business firm.
(CO3, Unit–III, BTL–LOT, Remember)
- Q13. Explain the concept and importance of Cash Budgeting in business decision-making.
(CO3, Unit–III, BTL–LOT, Understand)

- Q14. Write a short note on the Baumol Model of cash management.
(CO3, Unit–III, BTL–LOT, Remember)
- Q15. Explain Marketable Securities and their role in short-term investment management.
(CO3, Unit–III, BTL–LOT, Understand)
- Q16. Define Receivables Management. What are its main objectives?
(CO4, Unit–IV, BTL–LOT, Remember)
- Q17. Explain any two Credit Policy Variables that influence the management of receivables.
(CO4, Unit–IV, BTL–LOT, Understand)
- Q18. Explain the concept of Factoring and differentiate it from Forfaiting with suitable examples. (CO4, Unit–IV, BTL–LOT, Understand)
- Q19. State the need for maintaining Inventories in business organizations.
(CO4, Unit–IV, BTL–LOT, Remember)
- Q20. Write a short note on ABC Analysis and its importance in Selective Inventory Control.
(CO4, Unit–IV, BTL–LOT, Remember)

SECTION B

Question for Ten (10) marks:

- Q21. Discuss the various types of Working Capital. How do permanent and temporary working capital differ in their financing needs?
(CO1, Unit–I, BTL–HOT, Analyze)
- Q22. Explain the Operating Cycle Concept. How does it help in determining the Working Capital requirements of a business?
(CO1, Unit–I, BTL–HOT, Analyze)

Q23. The relevant information of XYZ Ltd for the financial year ended 2009 is given below:

Particulars	Amount in ₹
Sales	80000
Cost of Goods Sold	56000

	Opening Balance	Closing balance
Inventory	9000	12000
Accounts Receivable	12000	16000
Accounts Payable	7000	10000

What is the length of the operating cycle? Assume 365 days in a year. (CO1, Unit-I, BTL-HOT, Analyze)

Q 24. At the end of the year, the balance sheet of M/S Raghav Traders shows a balance of ₹ 20000 in accounts receivables, ₹ 75000 of gross credit sales, and ₹ 20000 of the returns. Last year their balance sheet showed ₹ 10000 of accounts receivables. Compute debtors' collection period. (CO1, Unit I, BTL-LOT, Apply)

Q 25. Discuss the various methods used for the Estimation of Working Capital Requirements. Which method do you think is most reliable and why?
(CO2, Unit-II, BTL-LOT, Understand)

Q26. Explain the Operating Cycle Approach for estimating working capital needs. Illustrate your answer with a suitable numerical example.
(CO2, Unit-II, BTL-HOT, Apply)

Q27. Evaluate the significance of Cash Budget, Cash Flow Statement, and Projected Balance Sheet in determining the short-term financial position of a business.
(CO2, Unit-II, BTL-HOT, Evaluate)

Q28. You are given the following operating results (in rupees) of M/S Kartika Engineers Ltd:

Raw Materials	25000
Work in Progress	16000
Finished Goods	24000
Purchases	100000
Cost of Goods Sold	150000
Sales	175000
Debtors	40000
Creditors	20000

Compute the duration of the operating cycle, assuming 360 days in a year. [CO2, Unit-II, BTL-HOT, Evaluate]

Q29. A firm has provided the following information for the year ended 31-03-2016.
[CO2, Unit-II, BTL-HOT, Evaluate]

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity Share Capital	200000	Fixed Assets (Less depreciation)	300000
8% Debentures	100000	Inventories	100000
Reserves & Surplus	50000	Sundry Debtors	70000
Long term Loans	50000	Cash and Bank	10000
Sundry Creditors	80000		
Total	480000	Total	480000

Sales for the year ended 31-03-2016 amounted to ₹ 1000000 and it is estimated that the same will amount to ₹ 1200000 for the year 2016-17. You are required to estimate the working capital requirements for the year 2016-17 assuming a linear relationship between sales and working capital.

Q30. State the objectives of cash management. How does effective cash management contribute to the profitability and liquidity of a business?

(CO3, Unit–III, BTL–LOT, Understand)

Q31. Explain the Baumol Model and the Miller–Orr Model of cash management. Compare their assumptions and practical relevance.

(CO3, Unit–III, BTL–HOT, Analyze)

Q32. Describe the process of Cash Budgeting and Forecasting. How can a cash budget be used as a tool for financial control?

(CO3, Unit–III, BTL–LOT, Understand)

Q33. Suppose the total cash needed by the firm is Rs. 1000000 per annum. Transaction cost whenever the marketable securities are converted into cash is ₹50. The opportunity cost is 12%. Find the optimum cash balance. (CO3, Unit–III, BTL–HOT, Evaluate)

Q34. Calculate the working capital requirement (in 7) for Horizon Ltd. From the following information: (CO3, Unit–III, BTL–HOT, Evaluate)

Raw Material	160
Direct Labour	60
Overhead	120
Total Cost	340
Profit	60
Selling Price	400

Raw Material is held in stock on an average for four weeks. Materials are in process on an average for two weeks. Finished goods are in stock on an average for four weeks. The credit allowed by the supplier is four weeks. The credit allowed to the debtor is eight weeks. Lag in

payment of wages is 1(1/2) weeks. Time lags in payment of overhead expenses is four weeks.

Cash Sales 1/4 of total sales

Cash in Hand / bank * 50,000

Expected level of production : 1,04,000 units

One year is taken as 52 weeks.

Production is carried on evenly throughout the year.(Unit III,BTL- HOT, Evaluate)

Q35. Evaluate the techniques used for managing receivables, with special reference to credit evaluation and control of receivables. Illustrate how a firm can balance liquidity and profitability through effective receivable management.

(CO4, Unit-IV, BTL–HOT, Evaluate)

Q36.Discuss the need and importance of inventory management in business. Explain the Economic Order Quantity (EOQ) model and how it helps in minimizing total inventory costs.

(CO4, Unit-IV, BTL–LOT, Understand)

Q37.Critically examine the various selective inventory control techniques—ABC, VED, and FSN analysis—and explain their relevance in managing different types of inventories in manufacturing organizations.

(CO4, Unit-IV, BTL–HOT, Evaluate)

Q38. Calculate the Economic order Quantity for material M. the following details are

Furnished: (CO4, Unit-IV, BTL–LOT, Apply)

Annual usage	90000 units
Buying cost per order	₹ 10
Cost of inventory	10% of cost
Cost per unit	₹50

SECTION C

Question for twenty (20) marks:

Q39. From the following data, compute the duration of operating cycle for each of the two years and comment on the increase/decrease:

	Year 1	Year 2
Raw Materials	20000	27000
Work-in-Progress	14000	18000
Finished Goods	21000	24000
Purchases	96000	135000
Cost of Goods Sold	140000	180000
Sales	160000	200000
Debtors	32000	50000
Creditors	16000	18000

Assume 360 days per year for computational purposes. [CO1, Unit-I, BTL-HOT, Evaluate]

Q 40. Prepare an estimate of working capital requirement from the following information of a trading concern:

- | | |
|---|----------|
| (a) Project annual sales (in units) | 100000 |
| (b) Selling price (per unit) | ₹8 |
| (c) %age of net profit on sales | 25% |
| (d) Average credit period allowed to customers | 8 weeks |
| (e) Average credit period allowed by suppliers | 4 weeks |
| (f) Average stock holding in terms of sales requirement | 12 weeks |
| (g) Allow 10% for contingencies. | |

[CO2, Unit-II, BTL-HOT, Evaluate]

Q41. PKG Company has a policy of maintaining a minimum cash balance of ₹500000. The standard deviation of the company's daily cash flow is ₹200000. The annual interest rate is 14%. The transaction cost of buying or selling securities is ₹ 150 per transaction. Determine PKG'S Upper control limit and the return point as per the Miller Orr Model. [CO4, Unit-III, BTL-HOT, Evaluate]

Q42. Explain the concepts of factoring and forfaiting as methods of receivables financing. Compare their advantages and limitations and analyze how they contribute to improving working capital management.

(CO4, Unit-IV, BTL-HOT, Analyze)

Q43. From the following information, calculate Economic Order Quantity and the number of orders to be placed in one quarter of the year (CO4, Unit-IV, BTL-HOT, Analyze)

- | | |
|---------------------------------------|-------------------------|
| a) Quarterly consumption of materials | 2000kg |
| b) Cost of placing one order | ₹50 |
| c) Cost per unit | ₹40 |
| d) Storage and carrying cost | 8% of average inventory |

Summary:

CO Wise:

CO	Ques. No	Marks
CO1	Q1–Q5, Q21–Q24, Q39	85
CO2	Q6–Q10, Q25–Q29, Q40	115
CO3	Q11–Q15, Q30–Q34, Q41	95
CO4	Q16–Q20, Q35–Q38, Q42– Q43	60

Unit Wise:

Unit	Ques No	Marks
I	Q1–Q5, Q21–Q24, Q39	85
II	Q6–Q10, Q25–Q29, Q40	115
III	Q11–Q15, Q30–Q34, Q41	95
IV	Q16–Q20, Q35–Q38, Q42–Q43	60

Blooms Taxonomy Level (BTL) Wise

BTL	Ques No	Marks
LOT	Q1–Q19, Q21, Q25, Q27, Q30, Q32, Q36, Q38	155
HOT	Q20, Q22–Q24, Q26, Q28, Q29, Q31, Q33–Q35, Q37–Q43	200

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Disclaimer: - This is a Practice Set. The Question in End term examination will differ from the Practice set. This Practice set is meant for practice only.