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MMPF-001

**MASTER OF BUSINESS
ADMINISTRATION
(MBA)**

Term-End Examination

June, 2025

**MMPF-001 : WORKING CAPITAL
MANAGEMENT**

Time : 3 Hours

Maximum Marks : 100

Note : (i) Attempt any *five* questions.

(ii) All questions carry equal marks.

1. What do you understand by Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) ? How does a change in these ratios

affect the availability of bank credit to business organisations ? Discuss.

2. Explain the different approaches to the determination of working capital. As a new entrepreneur which of the three broad approaches you would prefer and why ?
3. XYZ Ltd. presently has an annual sales level of 10000 units at ₹ 300 per unit. The fixed cost is ₹ 3,00,000 per annum and variable cost is ₹ 200 per unit. Credit period presently allowed by the company is 1 month. The company is considering a proposal to increase the credit period to

2 months and 3 months and has made the following estimates :

| | Existing | Proposed | |
|--------------------------------|----------|----------|----|
| Credit period (month) | 1 | 2 | 3 |
| Increase in sales (percent) | — | 15 | 30 |
| Bad debts (percent) | 1 | 3 | 5 |

Fixed cost will increase by ₹ 50,000 on account of increase in sales beyond 25% of present level. The company plans a pre-tax return of 20% on investment in receivables.

You are required to advise the company, which credit policy it should adopt ?

4. Explain the term 'Marketable Securities' and the need for investment in marketable securities. Discuss the different types of Marketable Securities.
5. What is trade credit ? Describe the determinants of trade credit and discuss the advantages of trade credit.
6. Explain the financing options accessible to large and small firms. Discuss the reasons for differences in access to working capital finance for SMEs and Large Companies.
7. Which factors are to be considered by MNCs in managing their working capital ? Describe the issues in International Cash Management and discuss how they are addressed by MNCs.

8. Write short notes on any *four* of the following :

- (a) Concept of Working Capital
- (b) Economic Order Quantity
- (c) Commercial Paper
- (d) Overdrafts
- (e) Behavioural Biases
- (f) Bank Guarantee

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