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**School of Business**  
**Bachelor of Business Administration**  
**Semester End Examination - May 2024**

**Duration : 180 Minutes**  
**Max Marks : 100**

**Sem VI - D1UA606T - Working Capital Management**

General Instructions

*Answer to the specific question asked*

*Draw neat, labelled diagrams wherever necessary*

*Approved data hand books are allowed subject to verification by the Invigilator*

- 1) Explain the concept of inventory financing and its relevance in managing working capital effectively. K3 (6)
- 2) Discuss the factors that companies should consider when deciding whether to pursue legal action against delinquent customers. What are the potential risks and costs associated with legal remedies for non-payment? K3 (9)
- 3) Examine the role of the sales cycle in optimizing cash flows and enhancing operational efficiency within businesses. K4 (4)
- 4) A manufacture of refrigerator purchases 3200 units of certain component from a supplier. His annual usages is 3200 units. The cost of placing the order is Rs.100 and the cost of carrying one unit for a year is Rs.16 Calculate EOQ. K4 (8)
- 5) XYZ Manufacturing is a leading producer of automotive components, supplying parts to several major automobile manufacturers. The company operates in a complex supply chain environment, sourcing raw materials from multiple suppliers and coordinating production activities across several manufacturing facilities. Given the critical nature of its operations, XYZ Manufacturing recognizes the importance of inventory holding in mitigating risks associated with production interruptions and supply chain disruptions. K4 (8)
- 6) LMN Construction, a small contracting company, struggles with managing cash flow due to irregular payment schedules from clients and fluctuating costs of materials and labor. The company needs to find ways to stabilize cash flow to avoid delays in project completion and payments to suppliers and subcontractors. How can LMN Construction implement cash management strategies to address these challenges? K5 (10)

- 7) A multinational corporation operates in multiple countries and currencies, leading to complexities in cash management and currency risk exposure. How can the company implement centralized cash management practices to optimize liquidity across its global operations while mitigating currency exchange risks? K5 (10)

- 8) From the information below, prepare a cash budget for the period from January to April. K5 (15)

Expected Sales

Expected Purchase

Jan. 60,000

Jan. 48,000

Feb. 40,000

Feb. 80,000

Mar. 45,000

Mar. 81,000

Apr. 40,000

Apr. 90,000

The wages to be paid to workers amount to \$5,000 each month. Also, the bank balance on 1st January was \$8,000

- 9) Despite implementing cost-cutting measures and operational efficiency initiatives, the manufacturing company continues to face working capital challenges, particularly with managing its inventory turnover rates. How can the company leverage technology and data analytics to optimize inventory management processes, identify slow-moving or obsolete inventory, and improve inventory turnover ratios to enhance working capital efficiency and maximize profitability? K6 (12)

- 10) You are the CFO of a large Indian pharmaceutical company. Over the last five years your company has grown, primarily through overseas acquisitions. You started acquiring companies in Europe and North America in 2000. K6 (18)

Your balance sheet on March 2005 has assets equivalent of US \$200 million, including those of your subsidiaries.

In the last board meeting, a presentation made by your major European subsidiary painted a worrisome picture. This bulk drug manufacturing facility sources its raw materials from a small South African country, which is facing political unrest. This means that the reliability of this source of raw material, in the days to come, is poor. Your subsidiary is keen to source this material from a small Taiwanese firm. This Taiwanese firm is willing to supply the raw material but wants payment in US dollars for the January to June 2006 period; in Euros for the July to December 2006 period through its Cayman Island bank account.

If this supply contract clicks, it could mean at least two things: one, getting a reliable supplier, and two, opening a link in the Far East market.

You are preparing to present a case for this supply contract to the top management. You search the web to get some data on USD/INR and EUR/INR behavior.

Q 1: What are the issues that you will take into account?(9)

Q 2: What is the likely response from the board members?(9)