

BBA 505
Semester: Fifth
Working Capital Management

Section A: Long Answer Type Questions

Unit I: Concepts and Determination of Working Capital

1. Define working capital and explain its types.
2. Discuss the conceptual framework of working capital.
3. Explain the operating environment of working capital.
4. Describe the various theories of working capital.
5. Discuss the importance of working capital management.
6. Explain the factors determining the working capital requirement.
7. Illustrate with examples how a business assesses its working capital.
8. Describe the working capital cycle with a diagram.
9. What are the approaches to financing working capital?
10. Compare and contrast gross working capital and net working capital.
11. Explain the implications of excess and inadequate working capital.
12. Discuss the importance of working capital in small vs large enterprises.
13. Write a detailed note on the objectives of working capital management.

Unit II: Management of Current Assets

1. Explain the techniques of cash management.
2. Discuss the strategies for managing accounts receivable.
3. What are the objectives of inventory management?
4. Describe the EOQ (Economic Order Quantity) model.
5. Discuss the aging schedule and its role in receivables management.
6. Explain the role of marketable securities in working capital.
7. What are the tools used in cash budgeting?
8. How can a company improve its receivables collection?
9. Discuss the types and features of marketable securities.
10. What are the advantages and limitations of inventory control systems?
11. Explain the trade-off between liquidity and profitability in asset management.
12. How is the cash conversion cycle calculated?

Unit III: Financing of Working Capital Needs

1. Discuss the principles of bank finance in working capital.
2. What is the method of lending based on turnover?
3. Compare the Tandon Committee and Chore Committee recommendations.
4. Explain the methods of assessing working capital needs by banks.
5. What are the non-bank sources of working capital financing?
6. Discuss the concept of short-term international finance.
7. Explain factoring and its types.
8. What is commercial paper? Describe its features.
9. Differentiate between cash credit and overdraft.
10. Explain the concept and process of working capital appraisal.

11. What are the key risks associated with short-term finance?
12. Discuss the impact of interest rates on working capital financing.
13. How can startups manage their short-term financing needs?

Unit IV: Integrated Working Capital Management

1. Discuss the trade-off between liquidity and profitability.
2. What is the role of payables management in working capital?
3. How are working capital and capital investment decisions integrated?
4. Explain the impact of international transactions on working capital.
5. Discuss the role of treasury management in working capital.
6. Describe how firms use short-term borrowings in capital structuring.
7. Explain how working capital affects the profitability of a business.
8. What are the challenges in integrating working capital and capital investment?
9. Discuss working capital management in multinational firms.
10. How does seasonal business affect working capital strategy?
11. Explain the impact of technology on working capital management.
12. What is just-in-time (JIT) and how does it affect working capital?

Section B: Short Answer Type Questions

Unit I

1. Define gross working capital.
2. Define net working capital.
3. What is the importance of working capital?
4. List the factors influencing working capital.
5. What is a working capital cycle?
6. Mention any two theories of working capital.
7. Define permanent working capital.
8. What do you understand by temporary working capital?
9. Explain the term liquidity in working capital context.
10. What is the significance of working capital planning?
11. Define operating cycle.
12. Give two advantages of effective working capital management.
13. What are the components of working capital?

Unit II

1. Define cash management.
2. What are the objectives of receivables management?
3. Mention two types of inventories.
4. Define marketable securities.
5. What is EOQ?
6. What is safety stock?
7. Define ABC analysis.
8. What is a credit policy?
9. Define receivables turnover ratio.

10. What are the benefits of effective inventory control?
11. Explain the term “float” in cash management.
12. What is inventory holding cost? What is the difference between cash budget and cash flow statement?

Unit III

1. What is bank credit?
2. Define working capital appraisal.
3. Name any two short-term financing instruments.
4. What is factoring?
5. What is commercial paper?
6. Define trade credit.
7. What is overdraft?
8. What is the role of banks in working capital finance?
9. What are short-term loans?
10. Mention two advantages of factoring.
11. What is the difference between cash credit and bill discounting?
12. What is the role of NBFCs in working capital finance?
13. Define export credit.

Unit IV

1. What is liquidity?
2. Define profitability.
3. What is payables management?
4. Mention two short-term international financing instruments.
5. What is capital investment process?
6. What is financial integration?
7. Define trade-off in working capital.
8. What is treasury management?
9. What are the benefits of JIT?
10. Define working capital leverage.
11. What is a hedging approach to working capital?
12. What is spontaneous financing? Define short-term investment strategies.

Section C: Multiple Choice Questions (MCQs)

Unit I

1. Working capital is also known as:
 - a) Fixed capital
 - b) Circulating capital
 - c) Operating capital
 - d) None of the above
2. Which of the following is not a component of working capital?
 - a) Cash
 - b) Inventory
 - c) Fixed assets
 - d) Debtors
3. Net working capital equals:
 - a) Current Assets - Fixed Assets
 - b) Current Liabilities - Current Assets
 - c) Current Assets - Current Liabilities
 - d) None
4. The term 'liquidity' refers to:
 - a) Profit
 - b) Cash reserves
 - c) Ability to meet short-term obligations
 - d) Investments
5. Which of the following factors does not affect working capital?
 - a) Nature of business
 - b) Production cycle
 - c) Seasonality
 - d) Capital budgeting
6. The longer the operating cycle, the:
 - a) Lower the working capital
 - b) Higher the working capital
 - c) No effect
 - d) None
7. Working capital is required to:
 - a) Purchase machinery
 - b) Build fixed assets
 - c) Manage day-to-day operations
 - d) Pay dividends
8. Permanent working capital is:
 - a) Constantly changing
 - b) Required at all times
 - c) Seasonal

- d) Short-term in nature
9. Which of these is not a source of working capital?
- a) Retained earnings
 - b) Issue of shares
 - c) Sale of old machine
 - d) Land acquisition
10. Theories of working capital include:
- a) Hedging
 - b) Speculative
 - c) Both a and b
 - d) None
11. Which capital is not used for daily operations?
- a) Net working capital
 - b) Fixed capital
 - c) Gross working capital
 - d) Liquid capital
12. Net working capital can be negative if:
- a) Current assets < current liabilities
 - b) Fixed assets < current liabilities
 - c) Revenue < expenses
 - d) Cash = zero

Unit II: Management of Current Assets

13. Which of the following is a part of current assets?
- a) Plant & machinery
 - b) Debtors
 - c) Land
 - d) Trademark
14. The main objective of cash management is to:
- a) Maximize profits
 - b) Minimize taxes
 - c) Maintain liquidity
 - d) Increase sales
15. EOQ stands for:
- a) Equal Order Quantity
 - b) Economic Order Quantity
 - c) Essential Order Quotient

- d) Emergency Order Quantity

16. Receivables are also known as:

- a) Inventory
- b) Accounts payable
- c) Accounts receivable
- d) Cash

17. Marketable securities are usually:

- a) Long-term investments
- b) Illiquid assets
- c) Short-term investments
- d) Tangible assets

18. Float refers to:

- a) Cash lying idle
- b) Cash in transit
- c) Overdraft limit
- d) Fixed deposit

19. ABC analysis is used for:

- a) Cash budgeting
- b) Sales analysis
- c) Inventory management
- d) Receivables management

20. The receivables turnover ratio indicates:

- a) Sales efficiency
- b) Collection efficiency
- c) Payment schedule
- d) None

21. Inventory turnover ratio =

- a) Cost of Goods Sold / Average Inventory
- b) Sales / Inventory
- c) Inventory / Cost of Goods Sold
- d) Gross Profit / Inventory

22. Safety stock is kept to avoid:

- a) Excessive inventory
- b) Stockouts
- c) Obsolescence
- d) Discounts

23. The cost of carrying inventory includes:

- a) Order cost
- b) Setup cost
- c) Storage and insurance
- d) Transportation

24. Effective cash management leads to:

- a) Increased taxes
- b) Higher working capital
- c) Optimal liquidity
- d) Increased interest expense

25. Credit policy affects:

- a) Cash reserves
- b) Inventory
- c) Receivables
- d) Fixed assets

Unit III: Financing of Working Capital Needs

26. Bank overdraft is a:

- a) Long-term loan
- b) Short-term credit
- c) Debenture
- d) Investment

27. Factoring deals with:

- a) Inventory control
- b) Receivables financing
- c) Asset financing
- d) Fixed asset sale

28. Which committee recommended norms for bank financing of working capital?

- a) Kelkar Committee
- b) Tandon Committee

- c) Rangarajan Committee
- d) Narasimham Committee

29. Commercial paper is issued by:

- a) Government
- b) Individuals
- c) Companies
- d) Banks

30. Bill discounting is a form of:

- a) Investment
- b) Borrowing
- c) Receivables financing
- d) Leasing

31. Short-term financing is generally for:

- a) More than 5 years
- b) Less than 1 year
- c) 10 years
- d) 3–5 years

32. Trade credit is a:

- a) Formal source of finance
- b) Long-term loan
- c) Spontaneous source
- d) Lease financing

33. Working capital finance by banks is:

- a) Fixed
- b) Seasonal
- c) Need-based
- d) Only for MSMEs

34. Bank credit limit is sanctioned after:

- a) Collateral submission
- b) Working capital appraisal
- c) Board resolution
- d) Credit card application

35. Export finance is a type of:

- a) Long-term finance
- b) international finance
- c) Asset finance
- d) None

36. Factoring charges are based on:

- a) Purchase
- b) Receivables amount
- c) Net profit
- d) Loan term

37. Credit rating is required for issuing:

- a) Equity shares
- b) Fixed deposits
- c) Commercial paper
- d) Mutual funds

38. Working capital gap is:

- a) Difference between total current assets and current liabilities
- b) Difference between fixed assets and liabilities
- c) Inventory + Debtors
- d) Total assets - total liabilities

Unit IV: Integrated Working Capital Management

39. Liquidity vs profitability is a:

- a) Cost-benefit analysis
- b) Trade-off decision
- c) financial statement
- d) None

40. Payables management includes managing:

- a) Receivables
- b) Creditors
- c) Cash flow
- d) Bank loan

41. JIT system helps reduce:

- a) Costs of raw material
- b) Inventory levels
- c) Sales
- d) Assets

42. Capital budgeting affects:

- a) Fixed asset management
- b) Day-to-day expenses
- c) Debtors
- d) None

43. Treasury management deals with:

- a) Long-term investments
- b) Managing cash & liquidity
- c) Raising equity
- d) Product pricing

44. Hedging policy means financing current assets with:

- a) Long-term funds
- b) Permanent capital
- c) Matching maturity funds
- d) None

45. Spontaneous financing includes:

- a) Trade credit
- b) Equity
- c) Bonds
- d) Retained earnings

46. A conservative approach to working capital financing uses:

- a) Only short-term sources
- b) Only long-term sources
- c) Both in balance
- d) No external source

47. Seasonal industries require:

- a) Stable working capital
- b) No working capital
- c) Fluctuating working capital
- d) Long-term capital

48. International working capital is affected by:

- a) Local tax rules
- b) Exchange rate risk
- c) Inflation only
- d) Inventory cost

49. Working capital financing strategy does not include:

- a) Hedging
- b) Aggressive
- c) Conservative
- d) Passive

50. Integration of working capital with investment decision is known as:

- a) Portfolio management
- b) financial modelling
- c) Capital planning
- d) financial integration