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#### NPTEL (https://swayam.gov.in/explorer?ncCode=NPTEL) » Working Capital Management (course)

#### Course outline

How does an **NPTEL** online course work? ()

#### Week 1 ()

- Introduction I (unit? unit=5&lesson= 6)
- Introduction II (unit? unit=5&lesson= 7)
- O Nature of the Working Capital Management (unit? unit=5&lesson= 8)
- O Approaches of Working Capital

### Working Capital Management

Working capital management has gained the attention of industry and academia as an exclusive area of study after liberalization of Indian Economy. Management of working capital sometimes becomes more important than the management of long term funds because the day-to-day operations of any business largely depend upon this source of finance. Many firms have been seen in the past closing down for the want of short term finance. The profitability of any business to a larger extent is affected by this source of finance due to efficient management of current assets and current liabilities. Hence, learning about managing working capital has become more important and critical in the modern scenario.

INTENDED AUDIENCE: M.Com, MBA, MFC, CA, ICWA, CS, Working professionals in the area of finance. PREREQUISITES: NIL INDUSTRY SUPPORT: All companies working in any area would value this course.

Management- I (unit? unit=5&lesson= 9)

 Approaches of Working Capital Management- II (unit? unit=5&lesson= 10)

 Quiz: Assignment 1 (assessment? name=103)

 Solution Assignment 1 (unit? unit=5&lesson= 122)

#### Week 2 ()

- Trade off
   between
   Profitability and
   Risk-I (unit?
   unit=12&lesson
   =13)
- Trade off between
   Profitability and
   Risk-II (unit? unit=12&lesson
   =14)
- Working Capital Management in Indian
   Business-I (unit?
   unit=12&lesson
   =15)
- Working Capital Management in Indian Business-II (unit? unit=12&lesson =16)



Prof. Anil K. Sharma

IIT Roorkee

Dr. Anil K. Sharma a Professor in the area of Finance & Accounting in the Department of Management Studies, IIT Roorkee is M. Com and M. Phil, First Class First and Gold Medalist and Ph.D. in Financial Management from Panjab University Chandigarh. He is working at IIT Roorkee for the past more than 17 years and has more than 24 years teaching experience in total. His area of interest is finance and accounting and he has equally goods interest in research in the same area. He has published more than 125 research papers in International and National refereed journals and refereed conferences. He has been awarded best paper award for his paper presented in an international conference in Thailand. He is the editorial board member for three International Journals and reviewer to more than twenty International and national Journals.

## COURSE TYPE

Elective

## **COURSE LEVEL**

Undergraduate/Postgraduate

Operating
 Cycle (unit?
 unit=12&lesson
 =17)

 Quiz: Assignment 2 (assessment? name=105)

 Solution
 Assignment 2 (unit?
 unit=12&lesson
 =123)

Week 3 ()

Weighted
 Operating
 Cycle (unit?
 unit=19&lesson
 =20)

- Working Capital Requirement Assessment-I (unit? unit=19&lesson =21)
- Working Capital Requirement Assessment-II (unit? unit=19&lesson =22)
- Assessing
   Working Capital
   Requirements Problem 2 & 5
   (unit?
   unit=19&lesson
   =23)
- Working Capital Requirement-The Conclusion (unit? unit=19&lesson =24)

Quiz: Assignment 3

## COURSE LAYO<mark>U</mark>T

**Week1:** Introduction, meaning, concepts, classification and importance of working capital, Relevance of current assets and current liabilities in the balance sheet,Objectives of WCM. Over- capitalisation, under- capitalisation, zero working capital, Short-term v/s long term financing-A risk-return trade-off. Liquidity v/s profitability trade-off. Cost trade-off, Working capital approaches. Working capital management in some companies.

**Week2:** Factors determining working capital requirements, Assessment and forecasting of working capital requirements, Assessment and forecasting of working capital requirements, Operating cycle, Weighted Operating cycle.

**Week3:** Relevance of current assets and current liabilities and their inter-relationship, Management of different current assets, Management of Inventory. Relevance and scope, Deciding the optimum level of inventory in a firm, Purpose and benefits of holding inventory.

**Week4:** Risk and cost of holding inventory, Inventory management - tools, techniques, Inventory management - tools, techniques, Inventory management - tools, techniques, Inventory management models.

**Week5:** Inventory management models, Determining stock levels and safety stocks, Types of organizations holding inventory, Inventory strategies & techniques, Inventory strategies & techniques.

**Week6:** Cases on Inventory Management, Management of Accounts Receivables, Creation and size of accounts receivables, Motives of extending credit, Limitations of A/Rs-Marginal tax considerations.

**Week7:** Limitations of A/Rs-Tax considerations, Determining maximum length of credit period, Credit terms, opportunity costs, receivables at cost or sale price, Goals and functions of A/Rs management, Short-term changes in credit policy, Long-term changes in credit policy.

**Week8:** Financial statements analysis wrt. A/Rs, Financial statements analysis wrt. A/Rs, Financial, Cash management-meaning and concept statements analysis wrt. A/Rs, Cash management-meaning and concept, Cash v/s profit. Cash flow, cash stock and cash to current assets ratio.

**Week9:** Cash flow presentation as per IFRS, NOCF & priority outflows, Management of liquidity-Shiftability theory, Liquidity newly defined, liquidity crises 7 firm level action, Measurement of liquidity.

**Week10:** Window dressing, Certainty model by Baumol, Uncertainty model by Miller & Orr, Cash flow forecasting, Cash collection system.

**Week11:** Management of Accounts Payables, Trade credits-terms of purchase, stretching accounts payables, Cost of Stretching A/Ps, The model of cost of stretching A/Ps, Overtrading

(assessment? name=106)

 Solution
 Assignment 3 (unit?
 unit=19&lesson
 =124)

#### Week 4 ()

- Working Capital Leverage (unit? unit=26&lesson =27)
- Risk and Cost of Holding Inventory (unit? unit=26&lesson =28)
- Inventory Costs (unit? unit=26&lesson =29)
- Inventory
   Behaviour
   (unit?
   unit=26&lesson
   =30)
- Inventory Management-Methods and Strategies (unit? unit=26&lesson =31)

 Quiz: Assignment 4 (assessment? name=107)

 Solution Assignment 4 (unit? unit=26&lesson =125)

Week 5 ()

 EOQ Technique of Inventory and the need of a good information system.

**Week12:** Financing Working Capital Gap, Sources of working capital finance, Bank finance, Tondon and Chore committees on Bank finance, Other sources of working capital finance and deciding a suitable mix.

## **BOOKS AND REFERENCES**

- 1. Working Capital Management by Hrishikes Bhattacharya, PHI publication.
- 2. Working Capital Management by R.P. Rustagi, Taxman Publication.
- 3. Financial Management by Prasanna Chandra, McGraw Publications.
- 4. Financial Management by I.M. Pandey, Vikas Publishing House.

## CERTIFICATE

The course is free to enroll and learn from. But if you want a certificate, you have to register and write the proctored exam conducted by us in person at any of the designated exam centres.

The exam is optional for a fee of Rs 1000/- (Rupees one thousand only).

Date and Time of Exams: **20 December 2020** Morning session 9am to 12 noon; Afternoon Session 2pm to 5pm.

Registration url: Announcements will be made when the registration form is open for registrations. The online registration form has to be filled and the certification exam fee needs to be paid. More details will be made available when the exam registration form is published. If there are any changes, it will be mentioned then.

Please check the form for more details on the cities where the exams will be held, the conditions you agree to when you fill the form etc.

#### **CRITERIA TO GET A CERTIFICATE**

Average assignment score = 25% of average of best 8 assignments out of the total 12 assignments given in the course.

Exam score = 75% of the proctored certification exam score out of 100

Final score = Average assignment score + Exam score

YOU WILL BE ELIGIBLE FOR A CERTIFICATE ONLY IF AVERAGE ASSIGNMENT SCORE >=10/25 AND EXAM SCORE >= 30/75. If one of the 2 criteria is not met, you will not get the certificate even if the Final score >= 40/100.

Certificate will have your name, photograph and the score in the final exam with the breakup. It will have the logos of NPTEL and IIT Roorkee. It will be e-verifiable at nptel.ac.in/noc (http://nptel.ac.in/noc).



Pune District Education Association's

# MAHATMA PHULE INSTITUTE OF MANAGEMENT & COMPUTER STUDIES

(Affiliated to Savitribai Phule Pune University, Recognised by D.T.E. Govt. of Maharashtra, Approved by A.I.C.T.E. New Delhi )

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PUN Code - IMMP010720

DTE Code - MB6107

AISHE Code : C - 41697

### COURSE NAME: - WORKING CAPITAL MANAGEMENT

#### ONLINE COURSE OF SWAYAM

ACADEMIC YEAR 2020-21

### STUDENTS ENROLMENT LIST



Hua IQAC Mahatma Phule Institute Of Management & C.S.

Hadapsar, Pune-28.

SSBharadula I/C DIRECTOR Mahatma Phule Institute of Mom: & C.S. Hadapsar, Pune-28









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<ul> <li>Approaches of Working Capital Management- II (unit? unit=5&amp;lesson =10)</li> </ul>	<ul> <li>Meet its cash obligations as they occur and take advantage of prompt payment discounts.</li> <li>Meet its cash obligations as they occur and support appropriate level of sales.</li> <li>Maintain current and acid-test ratios at or above industry norms.</li> <li>Yes, the answer is correct.</li> <li>Score: 1</li> </ul>
Quiz: Assignment 1 (assessment? name=103)	<ul> <li>Accepted Answers: <i>Meet its cash obligations as they occur and support appropriate level of sales.</i></li> <li>4) To determine the optimum level of Current Assets for the firm, management is <b>1 point</b> confronted with:</li> </ul>
<ul> <li>Solution         Assignment 1             (unit?             unit=5&amp;lesson             =122)      </li> <li>Week 2 ()         Week 3 ()     </li> </ul>	<ul> <li>Trade-off between profitability and risk.</li> <li>Trade-off between equity and debt.</li> <li>Trade-off between short-term and long-term borrowing.</li> <li>Trade-off between liquidity and marketability.</li> <li>Yes, the answer is correct. Score: 1</li> <li>Accepted Answers:</li> </ul>
Week 4 ()	Trade-off between profitability and risk.
	5) Permanent Working Capital <b>1</b> point
vveek 5 ()	O Includes fixed assets
Week 6 ()	represents the amount of current assets required to meet a firm's long-term minimum needs
Week 7 ()	<ul> <li>varies with seasonal fluctuations</li> <li>includes Account payable</li> </ul>
Week 8 ()	Yes, the answer is correct. Score: 1
Week 9 ()	Accepted Answers:
Week 10 ()	represents the amount of current assets required to meet a firm's long-term minimum needs
Week 11 ()	6) Which of the following would be consistent with an aggressive approach to financing <b>1</b> point working capital?
Week 12 ()	• Financing permanent inventory build-up with long-term debt.
DOWNLOAD	Financing seasonal needs with short-term funds.
VIDEOS ()	• Financing short-term requirements with short-term funds.
WEEKIX	Financing some long-term needs with short-term funds.
FEEDBACK	Yes, the answer is correct.
0	Accepted Answers:
Text	Financing some long-term needs with short-term funds.
Transcripts ()	7) Which of the following would be consistent with a hedging (maturity matching) <b>1</b> point approach to financing working capital?
	Financing permanent inventory build-up with long-term debt.

Financing seasonal needs with short-term funds.

• Financing short-term requirements with short-term funds.

• Financing some long-term needs with short-term funds.

No, the answer is incorrect.

Score: 0

Accepted Answers:

*Financing short-term requirements with short-term funds.* 

8) Which of the following would be consistent with a conservative approach to **1** point financing working capital?

• Financing short-term requirements with long-term debt.

• Financing seasonal needs with short-term funds.

• Financing short-term requirements with short-term funds.

• Financing some long-term needs with short-term funds.

Yes, the answer is correct.

Score: 1

Accepted Answers:

Financing short-term requirements with long-term debt.

9) How can a firm provide a margin of safety if it cannot borrow on short term notice to **1** point meet its needs?

Lengthening the maturity schedule of financing.

• Increasing the level of Fixed assets (especially Plant and Equipment).

Maintain a low level of Current assets (especially Cash and marketable securities).

Shorten the maturity schedule of financing.

No, the answer is incorrect. Score: 0 Accepted Answers: *Lengthening the maturity schedule of financing*.

10) If a company moves from a "conservative" working capital policy to an "aggressive" **1** point policy, it should expect \_\_\_\_\_\_.

Cliquidity would increase, whereas risk would also increase.

Expected profitability to increase, whereas risk would decrease.

Risk and profitability to decrease.

Liquidity to decrease, whereas expected profitability would increase.

Yes, the answer is correct. Score: 1 Accepted Answers: *Liquidity to decrease, whereas expected profitability would increase.* 

11) Credit policy of a firm should involve a trade-off between increased

1 point

Sales and increased profit

Profit and Increased costs of receivables

Sales and Costs of goods sold

O None of the above	
Yes, the answer is correct. Score: 1	
Accepted Answers: Profit and Increased costs of receivables	
12) Risk return trade-off implies	1 point
O Maximisation of Risk	
O Minimisation of Risk	
Optimisation of Risk	
○ Ignorance of Risk	
Yes, the answer is correct. Score: 1	
Accepted Answers:	
Optimisation of Risk	







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How does an NPTEL online course work? ()

Week 1 ()

#### Week 2 ()

- Trade off between Profitability and Risk-I (unit? unit=12&lesso n=13)
- Trade off between Profitability and Risk-II (unit? unit=12&lesso n=14)
- Working
   Capital
   Management
   in Indian
   Business-I
   (unit?

# Assignment 2

The due date for submitting this assignment has passed.

Due on 2020-09-30, 23:59 IST.

1 point

1 point

1 point

## Assignment submitted on 2020-09-26, 09:43 IST

- 1) The working capital requirement (WCR) is
  - Inventories plus receivables less payables plus prepayments less accruals
  - Working capital plus short-term debt plus cash
  - O Inventories plus receivables less payables
  - Working capital less short-term debt less cash
- Yes, the answer is correct. Score: 1 Accepted Answers: *Inventories plus receivables less payables plus prepayments less accruals*
- 2) Short-term cash flow improvement may not be achieved by
  - Reducing trade receivables
  - Increasing trade payables
  - Reducing inventories
  - Reducing trade payables

Yes, the answer is correct. Score: 1 Accepted Answers: *Reducing trade payables* 

3) Long-term cash flow improvement may not be achieved by

- Reducing capital expenditure
- Increasing long-term liabilities

unit=12&lesso	<ul> <li>Increasing equity capital</li> </ul>
n=15)	Reducing long-term debt
<ul> <li>Working</li> <li>Capital</li> <li>Management</li> </ul>	Yes, the answer is correct. Score: 1
in Indian	Accepted Answers:
Business-II	Reducing long-term debt
(unit? unit=12&lesso	4) In Current Ratio, Current Assets are compared with: <b>1</b> point
n=16)	○ Fixed Assets
Operating	Current Profit
Cycle (unit?	Current Liabilities
unit=12&lesso	Equity Share Capital
• Quiz:	Yes, the answer is correct. Score: 1
Assignment 2	Accepted Answers:
(assessment?	Current Liabilities
	5) Negative working Capital represents that: <b>1 point</b>
Assignment 2	
(unit?	Current Liabilities > Current Assets
unit=12&lesso	Current Liabilities < Current Assets
11-123)	Both (a) and (b)
Week 3 ()	None of the above
Week 4 ()	Yes, the answer is correct. Score: 1
	Accepted Answers: Current Lightities > Current Assets
Week 5 ()	Current Lidoutties > Current 2155ct5
Week 6 ()	6) Which motive for holding cash refers to maintain cash balance to meet unexpected/ <b>1 point</b> contingencies which may arise due to uncontrollable circumstances?
Week 7 ()	Transactions motive
Mook 8 ()	Precautionary motive
Week o ()	O Speculative motive
Week 9 ()	• None of the above
Week 10 ()	Yes, the answer is correct. Score: 1
	Accepted Answers:
Week 11 ()	Precautionary motive
Week 12 ()	7) is the length of time between the firm's actual cash expenditure and its <b>1</b> point
	own cash receipt.
	Cash conversion cycle
VIDEOS ()	• Gross operating cycle
WEEKLY	• Net operating cycle
FEEDBACK	• Working capital cycle
0	Ves the answer is correct

Text Transcripts () Score: 1 Accepted Answers: *Net operating cycle* 

8) Consider the following statements: (i) A company is considered to be overcapitalised **1** *point* when its actual capitalisation is lower than the Optimum capitalisation as warranted by the earning capacity. (ii) Both over-capitalisation and under-capitalisation are detrimental to the interests of the society.

- (i) True ; (ii) True
- (i) False ; (ii) True
- (i) True ; (ii) False
- (i) False ; (ii) False

Yes, the answer is correct. Score: 1 Accepted Answers:

(i) False ; (ii) True

9) ABC Ltd. is an oil-based business company, which does not have adequate working **1** point capital. It fails to meet its current obligation, which leads to bankruptcy. Identify the type of decision involved to prevent risk of bankruptcy.

- Dividend decision
- Finance decision
- Investment decision
- Liquidity decision

Yes, the answer is correct. Score: 1 Accepted Answers: *Liquidity decision* 

10) A firm's operating cycle is equal to its inventory turnover in days

1 point

plus its Receivable turnover in days.

minus its Receivable turnover in days.

• plus its Receivable turnover in days minus its Payable turnover in days.

• minus its Receivable turnover in days minus its Payable turnover in days.

Yes, the answer is correct. Score: 1 Accepted Answers: *plus its Receivable turnover in days.* 

11) In last year, the current ratio was 3:1 and quick ratio was 2:1. Presently, current ratio **1** *point* is 3:1 but quick ratio is 1:1. This indicates comparably

- High liquidity
- Low liquidity
- Higher stock
- Lower stock

Yes, the answer is correct. Score: 1 Accepted Answers: <i>Higher stock</i>	
12) Current ratio of a concern is 1 : 1, it's Net Working Capital will be	1 point
<ul> <li>Positive</li> <li>Negative</li> <li>Nil</li> </ul>	
Ves, the answer is correct. Score: 1 Accepted Answers: <i>Nil</i>	







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Course outline

How does an NPTEL online course work? ()

Week 1 ()

Week 2 ()

Week 3 ()

Weighted
 Operating
 Cycle (unit?
 unit=19&lesso
 n=20)

 Working Capital Requirement Assessment-I (unit? unit=19&lesso n=21)

Working
 Capital
 Requirement
 Assessment-II
 (unit?)

# Assignment 3

The due date for submitting this assignment has passed.

Due on 2020-10-07, 23:59 IST.

# Assignment submitted on 2020-09-26, 11:48 IST

1) Current ratio is 4:1. Net Working Capital is Rs.30,000. Find the amount of current **1** point Assets.

Rs.10,000

Rs.40,000

© Rs.24,000

© Rs.6,000

Yes, the answer is correct. Score: 1 Accepted Answers: *Rs.40,000* 

2) Current ratio is 2: 5. Current liability is Rs.30000. Compute Net Working Capital: 1 point

ORs.18,000

Rs. 45,000 (Negative)

Rs.45,000

Rs.18000 (Negative)

Yes, the answer is correct. Score: 1 Accepted Answers: *Rs.18000 (Negative)* 

3) Average stock of raw material and raw material consumption per annum are Rs. **1** *point* 1,24,000 and Rs. 8,42,000 respectively. Consider 365 days. Calculate raw material consumption period.

unit=19&lesso n=22)	50 days (Approx.)		
Assessing	48 days (Approx.)		
Working	$\bigcirc$ 54 days (Approx.)		
Capital	0 60 days (Approx.)		
Problem 2 & 5	Yes, the answer is correct. Score: 1		
(unit?	Accepted Answers:		
unit=19&lesso n=23)	54 days (Approx.)		
Working	4) ABC Ltd. furnishes following in	formation:	1 point
Capital	Particulars	Amount (Rs. '000)	
Requirement-	Average Debtors (Outstanding)	480	
The Conclusion	Raw material consumption	4400	
(unit?	Total production cost	10,000	
unit=19&lesso n=24)	Total cost of sales	10,500	
	Credit Sales for the year	16,000	
Assignment 3	Value of Average stock maintained:		
(assessment?	Raw Material	320	
name=106)	Work-in-progress	350	
Solution Assignment 3	Finished goods	260	
(unit?	Average period of credit allowed by suppli	ers: 16 days	
unit=19&lesso n=124)	Compute Duration of Raw Material.		
Week 4 ()	23 days (Approx.)		
	27 days (Approx.)		
Week 5 ()	25 days (Approx.)		
Week 6 ()	<ul> <li>29 days (Approx.)</li> <li>Yes, the answer is correct</li> </ul>		
Week 7 ()	Score: 1		
	Accepted Answers: 27 days (Approx)		
Week 8 ()	27 uuys (11pp10x.)		
Week 9 ()	5) From the information given in Question 4, C period.	Compute Work-in-progress holding	1 point
Week 10 ()	13 days (Approx.)		
Wook 11 ()	12 days (Approx.)		
Week II ()	8 days (Approx.)		
Week 12 ()	II days (Approx.)		
	Yes, the answer is correct. Score: 1		
VIDEOS ()	Accepted Answers:		
	13 days (Approx.)		
WEEKLY FEEDBACK	6) From the information given in Question 4, C	compute duration of Finished goods.	1 point

()

Text Transcripts () 6 days (Approx.)
9 days (Approx.)
10 days (Approx.)
8 days (Approx.)
Yes, the answer is correct. Score: 1
Accepted Answers:
9 days (Approx.)

7) From the information given in Question 4, Compute duration of Accounts receivable **1** point (Book Debt).

- 17 days (Approx.)
- 11 days (Approx.)
- 18 days (Approx.)
- 13 days (Approx.)

Yes, the answer is correct. Score: 1 Accepted Answers: *11 days (Approx.)* 

8) From the information given in Question 4, Compute Duration of Net Operating cycle. 1 point

- 60 days (Approx.)
- 54 days (Approx.)
- 40 days (Approx.)
- 44 days (Approx.)

Yes, the answer is correct. Score: 1 Accepted Answers: *44 days (Approx.)* 

9) Net operating cycle is:

Gross Operating cycle – Duration of Account payable

- Ouration of Raw material +Duration of WIP+ Book Debt
- Gross Operating cycle + Payment deferral period
- None of the above

Yes, the answer is correct. Score: 1 Accepted Answers: *Gross Operating cycle – Duration of Account payable* 

From the following given information of Alpha Ltd., Calculate<sup>1</sup> point working capital requirement of Alpha Ltd.

Assume Period covered to be 365 days.

Particulars	
Cost of Goods sold	Rs. 3,50,000

1 point

	Weighted Operating Cycle	75 days
	Cash & Bank balance requirement	Rs. 1,75,000
	<ul> <li>Rs. 2,46,918</li> <li>Rs. 2,16,918</li> <li>Rs. 2,26,618</li> <li>Rs. 2,36,618</li> </ul>	
Y S A <i>R</i>	es, the answer is correct. core: 1 ccepted Answers: <i>s. 2,46,918</i>	
11 Avei Avei Assi	) Compute Book debt period from the following rage Sundry debtors Rs. 5,40,000 rage Credit sales during the year Rs. 27,00,000 ume Period covered 360 days.	information: <b>1 point</b>
	<ul><li>70 days</li><li>74 days</li></ul>	
	72 days	
	○ 76 days	
Y S	es, the answer is correct. core: 1	
A 7	ccepted Answers: 2 days	
12	) Funds required for purchasing current assets	is an example of: <b>1</b> point
	Fixed capital requirement	
	C Lease financing	
	Ploughing back of profits	
	Working Capital Requirement	
Y S	es, the answer is correct. core: 1	
А И	ccepted Answers: Vorking Capital Requirement	







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Inventory	O Based on their quality	
Behaviour	Based on their usage and value	
(unit? unit=26&lesso	O Based on physical volume	
n=30)	• All of the above	
<ul> <li>Inventory</li> <li>Management-</li> </ul>	Yes, the answer is correct. Score: 1	
Methods and	Accepted Answers:	
Strategies	Based on their usage and value	
unit=26&lesso	4) Inventory holding cost may include:	1 point
n=31)	O Material purchase cost	
Quiz:	O Penalty charge for default	
Assignment 4	O Interest on Loan	
(assessment? name=107)	None of the above	
<ul> <li>Solution</li> </ul>	Yes, the answer is correct. Score: 1	
Assignment 4 (unit?	Accepted Answers:	
unit=26&lesso	None of the above	
n=125)	5) Use of Safety stock by an organisation would:	1 point
Week 5 ()	Increase inventory cost	
	Decrease inventory cost	
Week 6 ()	$\bigcirc$ No effect on cost	
Week 7 ()	○ Can't say	
Week 8 ()	Yes, the answer is correct. Score: 1	
	Accepted Answers:	
Week 9 ()	Increase inventory cost	
Week 10 ()	6) Carrying costs and the Inventory size are:	1 point
Week 11 ()	Positively related	
	Negatively related	
Week 12 ()	○ No relation	
	○ None of the above	
VIDEOS ()	Yes, the answer is correct. Score: 1	
WEEKLY	Accepted Answers: Positively related	
FEEDBACK	T Ostitvety related	
0	7) Which of the following is <b>not</b> the characteristics of effective Inventory	1 point
Text	Management?	
Transcripts ()	O Maintains sufficient stocks of Raw materials	
	O Minimises the carrying cost and time	
	Ensuring intermittent supply of Raw materials	
	$\bigcirc$ Controls investment in inventories at an optimum level	

Accepted Answers: Ensuring intermittent supply of Raw materials	
<ul><li>8) Cash Discount term 5/25, net 40 means:</li></ul>	1 p
<ul> <li>5% Discount if payment in 25 days, otherwise full payment in 40 days</li> <li>25% Discount if payment in 5 days, otherwise full payment 40 days.</li> <li>5% Interest if payment made in 40 days and 25%, interest thereafter.</li> <li>None of the above.</li> </ul>	
Yes, the answer is correct. Score: 1	
Accepted Answers: 5% Discount if payment in 25 days, otherwise full payment in 40 days.	
9) The Transaction Motive for holding cash is for:	1 p
Safety Cushion	
Daily Operations	
O Purchase of Assets	
O Payment of Dividends	
Yes, the answer is correct. Score: 1	
Accepted Answers: Daily Operations	
10) Cost of not carrying sufficient inventory is known as	1 p
○ Carrying costs	
○ Total cost	
○ Holding cost	
Stock-out costs	
Yes, the answer is correct. Score: 1	
Accepted Answers: Stock-out costs	
11) Which one of the following is not a strategy of Inventory management?	1 p
O Differentiation strategy	
• Focus strategy	
Kaizen strategy	
Ocost leadership strategy	
Yes, the answer is correct. Score: 1	
Accepted Answers: Kaizen strategy	
12) Cash discount policy of the firm does not specify:	1 p
-	

- OPrice of Article
- Net Credit period
- O Cash Discount period

No, the answer is incorrect. Score: 0 Accepted Answers: *Price of Article* 







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NPTEL (https://swayam.gov.in/explorer?ncCode=NPTEL) » Working Capital Management (course)



 Rationing of Working Capital-I (unit? unit=33&lesso n=36)

 Rationing of Working Capital-II (unit? unit=33&lesso n=37)

 Different Modes of Bank Finance (unit? unit=33&lesso n=38)

 Quiz: Assignment 5 (assessment? name=108)

 Solution
 Assignment 5 (unit?
 unit=33&lesso
 n=128)

Week 6 ()

Week 7 ()

Week 8 ()

Week 9 ()

Week 10 ()

Week 11 ()

Week 12 ()

DOWNLOAD VIDEOS ()

WEEKLY FEEDBACK ()

Text Transcripts () Provision for dividend

• All of the above

Yes, the answer is correct. Score: 1 Accepted Answers: *Provision for dividend* 

4) A company makes bicycles. It produces 850 bicycles a month. It buys the **1 point** tires for bicycles from a supplier at a cost of Rs.60 per tire. The company's inventory carrying cost is estimated to be 15% of cost and the ordering is Rs.90 per order. Compute EOQ.

639 tires
522 tires
580 tires
621 tires
Yes, the answer is correct.
Score: 1
Accepted Answers:
639 tires

5) From the information given in question 4, Calculate number of orders to **1** point be made per year.

- 35 orders
- 39 orders
- 37 orders
- 32 orders

Yes, the answer is correct. Score: 1 Accepted Answers: *32 orders* 

6) Compute Economic order quantity from the following information:

\_1 point □

Actual Consumption	18,000 units p.a.
Cost per unit	Rs. 1.50
Cost of placing order and processing delivery	Rs. 12 per order
Inventory carrying cost	20 % of unit value

1150 units

1200 units

1240 units

1350 units

Yes, the answer is correct. Score: 1 Accepted Answers: *1200 units* 

<ol> <li>From the information given in question 6, Compute number of orders per year.</li> </ol>	1 point
18 orders	
13 orders	
15 orders	
12 orders	
Yes, the answer is correct. Score: 1	
Accepted Answers: 15 orders	
8) 'Buffer stock' is the level of stock:	1 point
At which the ordering process should start	
Minimum stock level below which actual stock should not fall	
○ Half of the actual stock	
O Maximum stock in inventory	
Yes, the answer is correct. Score: 1	
Accepted Answers: Minimum stock level below which actual stock should not fall	
9) Which of the following is true for Inventory control?	1 point
Economic order quantity has minimum total cost per order	
Inventory carrying cost increases with quantity per order	
$\bigcirc$ Cost of ordering inventory falls with increase in ordering volume	
All of the above	
Yes, the answer is correct. Score: 1	
Accepted Answers: All of the above	
10) The time period between placing an order and its receipt in stock is known as:	1 point
Over time	
○ Shortage time	
• Carrying time	
Lead time	
Yes, the answer is correct. Score: 1	
Accepted Answers: Lead time	
11) The formula for computing Ordering cost Error factor is represented by:	1 point
Estimated ordering cost / Actual ordering cost	
Estimated demand / Actual ordering cost	

O Actual ordering cost / Estimated ordering cost • Actual ordering cost / Estimated demand Yes, the answer is correct. Score: 1 Accepted Answers: Estimated ordering cost / Actual ordering cost 12) Modes of obtaining working capital finance through banks. 1 point Cash Credit limit (CC limit) • Working Capital loans Obscounting of credit sales bill All of the above Yes, the answer is correct. Score: 1 Accepted Answers: All of the above

## Institute has issued course completion certificate to the students

## Sample Course Completion Certificate

## 2020-21 Working Capital Management





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