

MID-WEST UNIVERSITY
SCHOOL OF MANAGEMENT (MUSOM)
(An Autonomous Institution)
CHANCE EXAMINATION: 2022
BACHELOR OF BUSINESS ADMINISTRATION (BBA)
SEMESTER – VIII

Subject: Working Capital Management

Course Code: MGT 386

Full Marks: 100

Time: 3 Hrs.

Exam Roll No.:

Section A : Multiple Choice Questions (1×15 = 15 Marks) Time : 15 Minutes

Tick (✓) the best answer

1. Working capital is also known as _____.
 - a) Operation capital
 - b) Operating capital
 - c) Current assets capital
 - d) Capital relating to main projects of the company
2. What is the difference between the current ratio and the quick ratio?
 - a) The current ratio includes inventory and the quick ratio does not.
 - b) The current ratio does not include inventory and the quick ratio does.
 - c) The current ratio includes physical capital and the quick ratio does not.
 - d) The current ratio does not include physical capital and the quick ratio does.
3. Which of the following ratios is used to assess the extent of use of long-term funds to invest in current assets?
 - a) Liquidity ratios
 - b) Structural ratios
 - c) Efficiency ratios
 - d) Profitability ratios
4. When the current ratio is 2:5, and the amount of current liabilities is 25,000, what is the amount of current assets?
 - a) Rs 20,000
 - b) Rs 15,000
 - c) Rs 10,000
 - d) Rs 5,000
5. The following classes of costs are usually involved in inventory decisions except _____.
 - a) Cost of ordering
 - b) Carrying cost
 - c) Cost of shortages
 - d) Machining cost
6. If A represents Annual requirements and P represents purchase price per unit then Total Material Cost (TMC) is calculated by _____.
 - a) $TMC = A \times P$
 - b) $TMC = A \div P$
 - c) $TMC = A - P$
 - d) $TMC = A + P$
7. Which of the following refers to the system of buying parts and components of product from outside rather than manufacturing them internally?
 - a) ABC System
 - b) JIT System
 - c) Computerized System
 - d) Outsourcing

8. The time period between placing two successive orders is called _____ and the time period between ordering an item for replenishment and actually receiving the item into the inventory is called as _____.
- Lead time, Order cycle
 - Order cycle, Operating cycle
 - Order cycle, Lead time
 - Operating cycle, Lead time
9. A system used to decide whether to grant credit by assigning a numerical value that is related to the creditworthiness of the applicant is an.....
- Credit Scoring System
 - ERP System
 - D & B Rating Classification System
 - JIT System
10. If the closing balance of receivables is less than the opening balance for a month. Which one of the following is true?
- Collections > current purchases.
 - Collections > current sales.
 - Collections < current purchases.
 - Collections < current sales.
11. Which of the following function is required to be performed by the finance manager in relation to proper management of receivables?
- To adopt relaxed policy for administrative expense.
 - To increase opportunity cost of funds blocked in the receivables.
 - To obtain optimum (not maximum) value of sales.
 - To make more purchases at bigger discounts.
12. Which of the following will not appear in a Cash Budget?
- Machinery bought on hire purchase
 - Sales revenue
 - Wages
 - Depreciation of machinery
13. Which of the following is/are motive(s) for holding cash?
- Transactional Motive
 - Speculative Motive
 - Derivative Motive
 - Contingency Motive
 - Promissory Motive
- Select the correct answer from the options given below:
- 1,2,3
 - 1,2,4
 - 2,4,5
 - 1,3,5
14. Which of the following transactions would not create a cash flow?
- A company purchased some of its own shares from a shareholder.
 - Amortization of a patent
 - Payment of a cash dividend.
 - Sale of equipment at book value.
15. Marketable securities are primarily
- Long-term debt instruments
 - Long-term equity securities
 - Short-term equity securities
 - Short-term debt instruments