

**SEMESTER EXAMINATION-2021**  
**CLASS – MBF III SEMSTER, SUBJECT- CASH MANAGEMENT**  
**PAPER CODE: MBF-E318**

**Time: 3 hour**

**Max. Marks: 70**

**Min. Pass: 40%**

**Note:** Question Paper is divided into two sections: **A and B**. Attempt both the sections as per given instructions.

**SECTION-A (SHORT ANSWER TYPE QUESTIONS)**

**Instructions:** Answer any five questions in about 150 words each. (5 X 6 = 30 Marks)  
Each question carries six marks.

- 1: What should my business do with excess cash?
- 2: Explain the main motives for holding cash.
- 3: Calculate cash conversion period from the financial variables given hereunder:

	FY 2020-21 (Rs Lakh)	As on March 2020 (Rs Lakh)	As on March 2021(Rs Lakh)
Sales	7,936	-	-
Cost of Goods	7,036	-	-
Inventory	-	940	936
Bills Receivable	-	942	962
Bills Payable	-	608	606

- 4: Explain the cash management techniques.
- 5: How do you know if a company has a liquidity problem?
- 6: How do you manage receivables?
- 7: What are inventory management types?
- 8: What is the difference between short term and long-term finance?
- 9: Why are liquid assets are important in cash management?
- 10: Is treasury the same as cash management?

**SECTION-B (LONG ANSWER TYPE QUESTIONS)**

**Instructions:** Answer any FOUR questions in detail. Each question carries 10 marks. (4 X 10 = 40 Marks)

- 11: What is budget planning and forecasting? How cash budget is used in forecasting?
- 12: Explain the four main liquidity ratios of a company. What are important ratios for operating cash flow

analysis?

13: How short term cash surplus should be invested? How is trade credit effective in cash management?

14: What is long-term finance in simple words? What are the main sources of long-term financing?

15: What are the most active instruments of money market in India? How does money market work in India?

16: What is inventory? What are types of inventory? Explain the importance of inventory control.

17: How can you manage cash efficiently and effectively in your business? Why are internal controls important for cash handling?

18: From the following budgeted data, forecast the cash position at the end of April, May and June 2021.

Months	Sales (INR)	Purcfhases (INR)	Wages (INR)	Miscellaneous (INR)
Feb	1,20,000	84,000	10,000	7,000
March	1,30,000	1,00,000	12,000	8,000
April	80,000	1,04,000	8,000	6,000
May	1,16,000	1,06,000	10,000	12,000
June	88,000	80,000	8,000	6,000

**Additional Information :**

- i. **Sales** -20% realized in month of sales, discount allowed 2% balance realized equally in two subsequent months.
- ii. **Purchases**- These are paid in the month following the month of supply.
- iii. **Wages** – 25% in arrear paid in following month.
- iv. **Miscellaneous Expenses** - Paid one month in arrears.
- v. **Rent** - Rs. 1000 per month paid quarterly in advance due in April.
- vi. **Income Tax** – First installment of advance tax Rs 25,000 due on or before 15<sup>th</sup> June.
- vii. **Income** –Rs. 5,000 on 1<sup>st</sup> April.