

**ELECTIVE COURSE II – WORKING CAPITAL MANAGEMENT**

**Credit Allotted: 4**

**Max. Marks: 75**

**Objective :** To make the students understand the concept of working capital Management.

**Unit I - Working Capital Policy**

Overall Considerations, Importance of Working Capital Management, Component of Working Capital, Factors Influencing the Requirements of Working Capital, Risk-return Trade-off, Profitability Vs. Liquidity , Estimating Working Capital Requirements Operating Cycle Method, Percent of Sales Method, Role of finance managers in working capital Management.

**Unit II Cash Management:**

Importance, The right proportion, Factors influencing cash balance Determining optimum cash balance, Cash Budgeting – Controlling and monitoring collections and disbursements, Cash management models.

**Unit III: Receivables Management:**

Credit Policy variables: Credit Standards, Credit period, Cash discount and collection efforts. Credit Evaluation- Credit granting decision Control of Receivables – Management of Trade Credit in India, Aging schedule.

**Unit IV Inventory Management:**

Need for inventories and the importance of its management, Techniques for managing inventory – Order quantity –E.O.Q. model – Order point – Safety stock – Analysis of Investment in inventory – Selective inventory control – A.B.C. analysis, VED analysis – Inventory Turn over ratio..

**Unit V: Financing Current Assets:**

Different approaches to financing current assets: conservative aggressive and matching approach, Sources of finance, Spontaneous source, Trade credits, Short term bank finance, Commercial papers and Public deposits,

**(Theory – 30 Marks      Problem - 45 Marks)**

**Reference:**

1. Hrishikes battacharya, Working Capital Management: Strategies and Techniques, Prentice Hall of India, 2001.
2. I.M.Pandey, Financial Management, Vikas Publishing House, New Delhi.
3. K.M.Chitnis, Working Capital Management of Large Industrial units, Dastane Ramachandra & Co., Poona.
4. Prasanna Chandra, Financial Management- Theory and Practice , Tata McGraw Hill.
5. Joshi, R.N., Cash Management, New Age International Publishers, 1999.