

## Working Capital Management Problems

1. Problem No:1

1. Average amount locked up in stock:

Stock of finished goods and work-in-progress	Rs.10,000
Stock of stores, material etc.	Rs.8,000

2. Average Credit given:

Local Sales 2 weeks credit	Rs.1,04,000
Outside the state 6 weeks credit	Rs.3,12,000

3. Time available for payments:

For Purchases 4 weeks	Rs.78,000
For wages 2 weeks	Rs.2,60,000

Add 10% for contingencies.

2. Y Limited is engaged in customer retailing. You are required to forecast the working capital requirements from the following information:

Projected annual sales	Rs.6,50,000
% of NP to cost of sales	25%
Average credit allowed to debtors	10 weeks
Average credit allowed by creditors	4 weeks
Average stock carrying	8 weeks

Allow 20% for contingencies.

3. R Limited desires to purchase a business and consulted you and one point on which you are asked to advice them is the average amount of working capital.

You are given the following information and are instructed to add 10% for contingencies

1. Average amount locked up in stock:

Stock of finished product	Rs.5,000
Stock of Stores, Materials etc..	Rs.8,000

2. Average credit given:

Inland sales 6weeks credit	Rs.3,12,000
Export sales 1 ½ credit	Rs. 78,000

3. Lag in payment of wages and other outstandings:

Wages 1 ½ weeks	Rs.2,60,000
Stores 1 ½ months	Rs.48,000

Rent and Royalties 6 months	Rs.10,000
Clerical Staff ½ month	Rs.62,400
Manager ½ month	Rs.4,800
Miscellaneous Expenses 1 ½ months	Rs.48,000
4. Payment in advance:	
Sundry expenses paid quarterly in advance	Rs.8,000
5. Undrawn profits on average throughout the year	Rs.11,000

Calculate the average amount of working capital required.