

**B.Com. : Semester-V**  
**DSE-2**

**BCR514: MANAGEMENT OF WORKING CAPITAL**

Teaching Scheme	Examination Scheme
Lectures: 3hrs/Week	Class Test – 12 Marks
Tutorials: 1 hr/Week	Teachers Assessment – 6 Marks
Credits: 4	Attendance – 12 Marks
	End Semester Exam – 70 Marks

**Course Objective**

The course aims to familiarize the commerce students with the needs of Working Capital in a business organization and management of current assets and liabilities at their optimum level.

**Course Learning Outcomes**

- After completing the course, the student shall be able to:
- CO1: learn concept of working capital and its components.
  - CO2: understand need of cash management.
  - CO3: learn the determinants of credit policy.
  - CO4: understand different techniques of Inventory Management.
  - CO5: evaluate the different sources of working capital finance.
  - CO6: understand factoring and financing mix.

<b>Unit I: Working Capital Policy</b>
Concepts of Working Capital, Components of Current Assets and Current Liabilities, Permanent and Variable Working Capital, Determinants of Working Capital, Operating and Cash Conversion Cycle, Estimation of Working Capital.
<b>Unit II: Cash Management</b>
Facets of Cash Management, Motives for Holding Cash, Factors Determining Cash Needs, Cash Budgeting, Cash Management models – Baumol's model and Miller-Orr's model.
<b>Unit III: Receivables Management</b>
Objectives, Credit Policy: Nature and Goals, Optimum Credit Policy, Credit Policy Variables, Credit Evaluation. Sound Credit Policy – Credit Standard, Credit Period, Cash Discounts and Collections.
<b>Unit IV: Inventory Management</b>
Nature of Inventories, Need to Hold Inventories, Objectives of Inventory Management, Costs and Benefits of Inventory Inventory Management Techniques, Inventory Control Systems.
<b>Unit V: Working Capital Finance</b>
Determining Financing Mix – Matching, Conservative and Aggressive Approaches; Costs and Risks of Financing Working Capital Accruals, Trade Credit and other current liabilities, Working Capital Advance by Commercial Banks, Short-term Loans from Financial Institutions, Commercial Paper., Factoring.

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### Suggested Readings

- Pandey I.M., Financial Management, Vikas Publication, New Delhi.
- Prasanna Chandra, Financial Management-Theory and Practice, Tata Mcgraw Hill, New Delhi.
- Sehall, Lawrence D and Charles W.Haley, Introduction to Financial Management, Mcgraw Hill, New York.
- Bechler, Pant, J, Contemporary Cash management, Principles, Practices and Perspectives, Johnwiley & Sons, New York.
- Parashar, S.P. Liquidity Management –Principles and Practices of Managing Cash Flow-Vision Books, New Delhi.

### Additional Readings

- Singh, S.P. and Singh S., Financial Analysis for Credit Management in Banks, Vikas, New Delhi.
- Mehta.D.R., Working Capital Management, Prentice Hall , N.J.
- Van-Horne, James, C, Financial Management and Policy, Prentice Hall of India, New Delhi.
- Kulkarni, P.V. Financial Management, Himalaya, Bombay.
- Kuchhal, S.C. Financial Management : An Analytical and Conceptual Approach, Chaitanya, Allahabad.
- Bhattacharya Hrishikesh, Working Capital Management, Prentice Hall of India, New Delhi.

Note: Latest Editions of the text books may be used.

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