Exam.Code:1306
Sub. Code: 9213

1059

B. Voc. (Retail Management)
Sixth Semester
RSC-603: Financial Management for Retail

Time allowed: 3 Hours

Max. Marks: 80

NOTE: *Attempt five questions in all, including Question No. I which is compulsory and selecting one question from each Unit.*

x-x-x

I. Answer any four of the following:-

a. Why does risk and return move together?

b. *Calculate the present value of following cash inflows assuming a discount rate of 10%. [discounted factor at 10%= 1 (.909), 2 (.826), 3 (.751), 4 (.683)]*

Year	*Amount*	*Year*	*Amount*
2010	*20,000*	*2012*	*50,000*
2011	*30,000*	*2013*	*40,000*

c. Calculate Financial leverage from the following data:

Sales= Rs. 400,000 (MRP-Rs. 4 per unit)	Variable cost per unit: Rs. 1.40	Fixed cost: Rs. 130,000	Interest charges: Rs. 30,000

d. Differentiate between Weighted average cost of capital and marginal cost of capital.

e. Explain the factors affecting working capital.

P.T.O

Unit-I

2. What do you mean by Financial Management? State its objectives. Why Wealth maximization is superior to Profit maximization?
3. Solve the following:
   a. If you deposit Rs. 25,000 today @ 12% rate of interest, In how many years will this amount be doubled taking the help of Rule 72 and Rule 69? (5+5)
   b. Mr. Gurpreet invested Rs. 50,000 @ 12% p.a. simple interest, what is the amount after 5 years? (6)

Unit-II

4. No project is acceptable unless the yield is 10%. Cash inflows of a certain project along with cash outflows are given below:

year	flows	Year	flows
2000	150,000 (outflow)	2002	30,000 (inflow)
2001	30,000 (outflow)	2003	60,000 (inflow)
	20,000 (inflow)	2004	180,000 (inflow)
		2005	30,000 (inflow)

The salvage value at the end of 2005 is Rs. 40,000. Present value @ 10% discount factor for 5 years is as given below:

Year	2001	2002	2003	2004	2005
PV	.909	.826	.751	.683	.620

Calculate: (i) Discounted payback period method of the project
(ii) Profitability index of the project.

5. How is the cost of different sources of capital measured? Illustrate with examples about the various methods of calculation of equity capital.

Unit- III

6. A company's expected annual net operating income (EBIT) is Rs. 150,000. The company has Rs. 6,00,000, 10% debentures. Its overall cost of capital (Ko) is 15%.
   a. Find value of the firm, value of equity capital and equity capitalization rate (Ke)
   b. What will happen to the market value of the firm and equity capitalization rate if the debentures are increased to Rs. 700,000?
7. Explain the following:
   a. Sources of finance (5)
   b. Illustrate operating leverage (5)
   c. Determinants of capital structure. (6)

Unit-IV

8. Prepare an estimate of working capital requirement from the following information:

• Projected annual sales	50,000 units
• Selling Price	Rs. 10 per unit
• Percentage of net profits on sales	20%
• Average credit period allowed to customers	10 weeks
• Average credit period allowed by suppliers	5 weeks
• Average stock holding	13 weeks
• Allow margin for contingencies	10%

9. What is called dividend policy? Discuss in detail the relevance theories of dividend decision in the light of 'A bird in hand' argument.

x-x-x