Exam.Code:1306
Sub. Code: 9218

2053

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. 1 (Section-A) which is compulsory and selecting one question from each Section B-E. All questions carry equal marks.*

x-x-x

SECTION - A

Q1. Attempt any four of the following:-

a. Differentiate between profit maximization and wealth maximization.
b. What is weighted average cost of capital?
c. What is net present value method of capital budgeting.
d. A firm has sales of Rupees 10,00,000 variable cost of Rs.5,00,000 & fixed cost Rs. 200,000 & debt of Rs.500,000 at 10% rate of interest. What are the operating, financial & composite leverage?
e. A company raised loan of Rs.3,00,000 by 10% debentures issued at 10% discount for a period of ten years, underwriting costs are 2% and tax rate is 50%. Calculate cost of debt after tax.
f. What is stable dividend policy?

SECTION – B

Q2. What is financial management? Explain the need and scope of financial management.

Q3. What is the time value of money? Explain the compounding techniques of time value of money and with their applications.

SECTION – C

Q4. ABC Corporation has the following book value capital structure:

Particulars	Amount in Rupees
Equity Capital at FV Rs. 10 per share	20,00,000
Preference Capital (Rs.100 per share)	2,00,000
Debentures (Rs. 100 per share)	8,00,000
Total	30,00,000

The market prices of the securities are

Debentures Rs. 105 per debenture

Equity Shares Rs. 24 each

Preference Shares Rs. 110 per share

Additional Information:

a. Rs. 100 debenture redeemable at par, 10% coupon rate, 4% floatation cost and 10 years maturity
b. Rs. 100 preference share redeemable at par, 5% coupon rate, 2% floatation cost and 10 years maturity
c. Equity share has Rs 4 floatation cost and expected dividend Rs 1 with growth rate of 5%
d. Corporate tax rate applicable is 50%

Calculate weighted average cost of capital on the basis of book value weights and market value weights.

P.T.O.

Q5. ABC Company is considering two new machines that should produce considerable cost savings in its assembly operations. The cost of each machine is Rs.150,000 and neither is expected to have a salvage value at the end of a 4-year useful life. The working capital requirement is Rs. 30,000. The Company's required rate of return is 10% and the company prefers that a project return its initial outlay within the first half of the project's life. The annual after-tax cash savings for each machine are provided in the following table:

Year	Machine A	Machine B
1	50000	80000
2	50000	40000
3	50000	60000
4	50000	20000

Required:

a. Compute the payback period for each machine
b. Compute the net present value for each machine.
c. Which machine should be purchased?

SECTION – D

Q6. What factors affect the capital structure decision of the firm? Explain the Net Operating Income Approach.

Q7. What are the various sources of finance? Explain in detail.

SECTION – E

Q8. What is working capital management? Explain various methods of estimating working capital requirements.

Q9. Explain the relevance and irrelevance theories of dividend decision.

x-x-x