Exam.Code:1306
Sub. Code: 9228

2071

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 each from Section B-E.*

x-x-x

Section – A

1. Attempt any four parts.
   a) Explain time value of money.
   b) Explain risk and return trade off.
   c) Explain the objectives of capital budgeting.
   d) Explain the concept of working capital.
   e) Explain combined leverage.
   f) Explain marginal cost of capital.

(4 marks each)

Section – B

2. Define financial management. Explain the nature and scope of financial management.
3. Define risk. What are the different types of risk?

(16 marks each)

Section – C

4. Explain the concept of capital budgeting. What are the various techniques of capital budgeting?
5. From the following information calculate WACC by using
   a. Book values as weights
   b. Market value as weights

   The capital structure of the company is as under

	Book value	Market value
Debentures (Rs 100 per debenture)	Rs 5,00,000	Rs 105 per debenture
Preference shares (Rs 100 per share)	Rs 5,00,000	Rs 110 per share
Equity shares (Rs 10 per share)	Rs 10,00,000	Rs 24 per share

   Additional information:
   a) Rs 100 per debenture redeemable at par, 10% coupon rate, 4% floatation cost, 10 year maturity.
   b) Rs 100 per preference share redeemable at par, 5% coupon rate, 2% floatation cost and 10 year maturity.
   c) Equity shares have a floatation cost of Rs 4 per share.
   d) Expected dividend next year is Rs 1 per share with annual growth of 5%.
   e) Corporate dividend tax rate is 50%.

(16 marks each)

P.T.O.

Section – D

6. G limited has a total capitalization of Rs 10,00,000 consisting entirely of equity shares of Rs 50 each. It wishes to raise another Rs 5,00,000 for expansion through one of its two financial plans:
a. All equity share of Rs 50 each.
b. All debentures carrying 9% interest.
The present level of EBIT is Rs 1,40,000 and income tax rate is 50%. You are required to calculate the EBIT level at which the EPS is same for both the plans.
7. What do you mean by capital structure? Explain the determinants of capital structure.

(16 marks each)

Section – E

8. Explain the irrelevance theories of dividend policy.
9. Anil Ltd. plans to sell 30,000 units next year. The expected cost of goods sold is as follows:

	Rs. (Per Unit)
Raw material	100
Manufacturing expenses	30
Selling, administration and financial expenses	20
Selling price	200

The duration at various stages of the operating cycle is expected to be as follows :

1. Raw material stage	2 months
2. Work-in-progress stage	1 month
3. Finished stage	1/2 month
4. Debtors stage	1 month

Assuming the monthly sales level of 2,500 units, estimate the gross working capital requirement. Desired cash balance is 5% of the gross working capital requirement, and working- progress in 25% complete with respect to manufacturing expenses.

(16 marks each)

x-x-x