'समानो मन्त्रः समितिः समानी'

UNIVERSITY OF NORTH BENGAL

B.VOC. Programme 6th Semester Examination, 2023

GE63-RETAIL MANAGEMENT (6.3B)

FINANCIAL MANAGEMENT

Time Allotted: 2 Hours | Full Marks: 60

The figures in the margin indicate full marks.

GROUP-A

1. Answer any ***four*** questions: $3\times4 = 12$

(a) Enumerate the functions of Financial Management. 3

(b) Why a company should pay a dividend? 3

(c) Define and explain the meaning of Financial Leverage. 3

(d) What is cost of capital? 3

(e) Explain the meaning of Internal Rate of Return. 3

(f) Define the term Capital Structure. 3

GROUP-B

2. Answer any ***four*** questions from the following: $6\times4 = 24$

(a) Briefly discuss the factors that affect the Capital Structure decision of a firm. 6

(b) Write a short note on the 'Net Operating Income Approach' (NOI). 6

(c) Explain 'Walter's Model' of Dividend Theory. 6

(d) What is 'Operating Leverage'? How is it calculated? 6

(e) Discuss the factors affecting the firm's requirements of working capital. 6

(f) Discuss the advantages and limitations of the Payback Period. 6

GROUP-C

3. Answer any ***two*** questions from the following: $12\times2 = 24$

(a) XYZ Co. Ltd has 10,000 outstanding shares of Rs. 10 each. The company requires additional funds of Rs. 50,000 to finance an expansion programme. Three alternative financing plans are under consideration. 12

Plan I:	Issue 5000 Equity Shares of Rs. 10 each.
Plan II:	Issue 500 Preference Shares of Rs. 100 each @ 10%
Plan III:	Issue 10% Debentures of Rs. 50,000.

The Company's Operating Profit (EBIT) is Rs. 40,000. Tax Rate @ 30%. Calculate the Earnings per Share (EPS) under each plan and suggest which of the financial plans is the best for the company.

(b) The following table is giving information regarding three different firms, Firm X, Firm Y and Firm Z. 4+4+4

Particulars:	**Firm X**	**Firm Y**	**Firm Z**
Output (in Units)	60,000	15,000	1,00,000
Fixed Cost	Rs. 7,000	Rs. 14,000	Rs. 15,000
Variable Cost per unit	Re 0.20	Rs. 1.50	Re 0.02
Interest	Rs. 4,000	Rs. 8,000	—
Selling Price per unit	Re 0.60	Rs. 5	Re 0.10

You are required to compute the following leverage estimates for each firm

(i) Degree of Operating Leverage (DOL)

(ii) Degree of Finance Leverage (DFL)

(iii) Degree of Combined Leverage (DCL)

(c) The capital structure of ABC Ltd is shown below: 6+6

- 10% Debentures = Rs. 1,50,000
- 9% Preference Shares = Rs. 50,000
- Equity Shares = Rs. 2,00,000.

The following table shows the book value and market value of the various types of capital

Sources of Capital	Book Value	Market Value
10% Debenture	₹ 150,000	₹ 100,000
9% Preference Share	₹ 50,000	₹ 75,000
Equity Share	₹ 200,000	₹ 400,000

Given, the expected rate for equity shareholders is 15% and the tax rate applicable to the company is 30%. Calculate the Weight Average Cost of Capital (WACC) based on (i) Book Value & (ii) Market Value.

(d) Narrate the importance of capital budgeting. Also, explain the process of Capital Budgeting. 12

——×——