



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Diploma in Retail Supply Chain Management

Paper 2

Financial & Legal Aspects of Retail Management

DEC 2015

Date: 13 .12.2015
Time : 10.00 to 1.00 p.m.

Max. Marks 100
Duration 3 hours

Instructions:

1. From Part A, answer all questions Qs 1,2 and 3 (compulsory) – Q1 (16m), Q2 (8m) and Q3 ((8m) - Total 32 marks.
2. From Part B , answer any 4 questions from Q No.4 to Q9. Each question carries 12marks (total 48 marks)
3. Part C, Q No. 10 (Case Study) is compulsory.(20 marks)

PART A (32 marks)
(Compulsory, Each subquestion carry 1 mark).

Q. 1A) Choose the right answer from below.

1. Share capital of a firm includes:
(a) Owners Equity x b) Preference capital c) Both of them d) None of them
2. While computing the Acid Test Ratio the following items of current assets are calculated
a) Marketable Securities b) Bills Payable c) Debtors d) Inventory
3. Sources of funds for a business enterprise running several retail stores are
a) Secured loans b) Unsecured loans c) Capital, reserves & surplus d) All of them
4. Current Assets for a manufacturing company include:
a) Prepaid expenses b) Outstanding expenses
c) Local conveyance expenses d) None of them
5. Financial markets play pivotal role in allocating resources in economy and
a) Facilitate price discovery b) Provide liquidity
c) Reduce cost of transacting d) All of them
6. The principal factor which determine the rate of return in market economy :
a) Expected productivity of capital b) Time preference
c) Degree of risk aversion d) All of them
7. What will be the assessment year for M/s. Nano consultants Ltd. If the business started on 1-2-2010
a) 2009 - 10 b) 2011 - 12 c) 2011 - 12 d) 20010- 11

8. Miss Jaya Gokuldas Banwarilal Gupta bought a house from the builder for Rs. 69 Lakh on 24 th September 2009 and let it out to a tenant who is distant relative at Rs. 5000/ per month. What period will be treated as previous year for income tax purpose for assessment year 2010 – 11 .
- a) 01 – 04- 2010 to 31-03-2011 b)24-09-2-09 to 31-03-2010 c) 01 -04- 2010 to 31-03-2011

Q .1B) Fill up the blanks:

- 9) Financial statements disclose only _____ facts about a company.
- 10) In ratio analysis inventory is included to calculate _____. _____
- 11) Current ratio is calculated to compare current _____ with current _____
- 12) Full rate of Excise Duty is applicable when the manufacturing turnover crosses _____ crores.
- 13) Profit _____ tax is obtained by subtracting the income tax provisions from profit _____ tax.
- 14) Money Insurance policy covers risks associated with _____ of goods.
- 15) Fire Insurance policy does not cover loss or damage to the property caused by fire generated due to own fermentation, natural _____, or spontaneous _____ of the stocks.
- 16) For money lying in the safe at the business premises, the insurance protection is termed _____ in Safe Cover.

Q2. (Total 8 marks)

State whether the following statements are true or false.

- a) Financial statements present the firms business activities .
- b) A business firm is regarded as a separate entity distinct from the persons connected with it.
- c) Liabilities are expected to provide future economic benefits to the firm .
- d) Leverage ratios reflect the ability of the firm to meet its debt related commitments .
- e) Redemption of preference shares is a source of fund
- f) Value added tax is charged on the increase in value of both goods and services.
- g) Dividend declared by a domestic company is exempt from income tax.
- h) Unclaimed dividend can be recorded as a current liability**

Q3. Match the following (8marks)

	Column A		Column B
1	Going concern concept	A	Total tax free donation for all assesses
2	Net profit of a company	B	Fully Taxable Income for employees
3	Trial Balance	C	Private expenditure by housewife
4	Unsecured loans	D	Equity shares and Debentures
5	Long term investments	E	Public deposits and commercial paper
6	PIN Money	F	Listing of ledger accounts
7	Dearness Allowance	G	Revenue earned minus expenses
8	Prime Minister's Relief Fund	H	Indefinitely long period

PART B

48 marks

(Answer any four. Each question carry 12 mark).

Q4. Explain any 4 terms from the following terms

(12 marks)

- a) Stock Turnover Ratio
- (b) Cash Budget
- (c) Internal Rate of Return
- (d) Payback period
- (e) Money in transit cover

Q5. The following information has been collected from the books of accounts of M/s Tower Fabricators of India Limited for two critical items .

S.NO.	DETAILS	MATERIAL –A	MATERIAL - B
1.	Opening Stock	20,000	18,000
2.	Net Purchases	1,04,000	54,000
3.	Closing Stock	12,000	22,000

Calculate the Inventory Turnover Ratio and average Stock holding in number days.

Q6. Outline briefly the salient features of major insurance policies available to Retail Business in India .

Q7 Explain the salient features of a good contract for successful Retail Management in India.

Q8. Write short note on any 4 of the following

- a) Excise Duty
- b) Central Sales tax
- (c) Countervailing Duty
- (d) Service tax
- (e) Custom Duty

Q9. The proper use and interpretation of relevant Financial Information is necessary to understand the health of any business organization. Discuss with examples

PART C

20 marks

Q10. Case Study (Compulsory)

M/s International Retailers India Limited is a well known company having several outlets in prime locations all over India . The company has appointed you recently and you have collected the following information from the books of accounts for the last financial year . Please prepare the balance sheet of the company.

- | | |
|--|------------------------------|
| 1. Current Ratio | - 2.5 |
| 2. Fixed assets turnover ratio | - 2 times (on cost of sales) |
| 3. Quick Ratio | - 1.5 |
| 4. Net Working capital | - Rs. 3 00 000 /- |
| 5. Average debt collection | - 2 months |
| 6. Stock turnover ratio (cost of sales /closing stock) | - 6 times |
| 7. LI;Fixed Assets/shareholders net worth | - 0.80 |
| 8. Gross profit ratio | - 20% |
| 9. Reserve and Surplus/capital | - 0.50 |
