



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

June 2015

Diploma in Retail Management

Paper 2

Financial & Legal Aspects of Retail Management

Date 14. 06-2015
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

Q 1) 16 marks. Attempt any 16 out of 20 (1 mark each – total 16 marks)

Choose the right answer from below.

1. Prime cost is the sum of:
 (a) Direct material, Direct labor, Direct overheads b) Administration and selling expenses
2. Solvency Analysis refers to analysis of :
 a) Long term financial position b) Short term financial position
3. . Financial Accounting activities include:
 a) Interpreting b) Auditing
- 4.. Current Assets include:
 a) Prepaid expenses b)Outstanding expenses
5. . Current Ratio is a part of :
 a) Balance sheet ratio b) Revenue statement ratio
- 6.. Variable cost is also known as :
 a) Product cost b) Process Cost
7. Capital Gearing Ratio is also known as :
 a) Proprietary Ratio b) Capital Structure Ratio
8. Absorption costing includes
 a) Marginal costing b) Process costing

Fill in the blanks:

- 9) The Education Cess is levied @ _____ and Secondary & Higher Education Cess @ _____.
- 10) The prevailing percentage of Service Tax is levied @ _____.
- 11) The percentage of VAT is _____ for Iron & Steel items in State of Maharashtra
- 12) Full rate of Excise Duty is applicable when the manufacturing turnover crosses _____ crores.
- 13) The additional duty (countervailing duty) is levied under Section 3(1) of the Customs Tariff Act and is equal to _____ levied on a like product manufactured or produced in India.
- 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.
- 17) When the terms of an Acceptance differ from the terms of the offer, they will automatically be incorporated in the Contract, unless one of the following 3 conditions exist: (a) unless they materially alter the intent of the offer, (b) unless the offeror objects in writing, and (c) _____.
- 18) A Contract must have the following two elements: (a) an agreement, and (b) _____.
- 19) The prevailing rate of Central Sales Tax currently is _____.
- 20) Every business enterprise should realize that that "litigation of any sort" is always costly, even if the enterprise receives a "_____ " decision.

Q2. State whether the following statements are true or false.

8 marks

- a) VAT is a single point Tax
- b) Permanent working capital represents current assets required on a seasonal basis over the entire year
- c) Foreign Company is always a non-resident in India
- d) Gross Profit ratio can be classified as a revenue statement ratio
- e) Redemption of preference shares is a source of fund
- f) Stock turnover ratio indicates the liquidity of inventory
- g) Income under the head "Other Sources" is taxable on "due basis"
- h) Unclaimed dividend can be recorded as a current liability

Q3. Match the following

(8marks)

1	Book of Prime Entry	A	Composite Ratio
2	Net Working Capital	B	Indirect expense
3	Debtors turnover Ratio	C	Furniture manufacturing
4	Stock turnover ratio	D	Administrative Expense
5	Direct expense	E	Current Assets less current liabilities
6	Job order costing	F	Materiality
7	Excise duty	G	Journal
8	Accounting Convention	H	Revenue Statement ratio

PART B

48 marks

(Attempt any four. Each question carry 12 marks)

Q4.

Write briefly what the following terms mean:

(a) Payback period	(b) Cash Budget	© Operations Budget
(d) Leverage Ratios	(e) Honest mistakes	(f) Warranty of title
(g) Money in transit cover	(h) use of any non-standard Weights & Measures	

Q5. Explain Profit / volume analysis and its limitations

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

Q7. What makes a good contract? Highlight some of the important themes a Buyer should reflect on.

Q8. Write briefly on any 3 of the following (3 x 4 marks = 12 marks)

(a) Octroi	(b) Excise Duty	(c) GST
(d) CVD	(e) Service tax	(f) Road tax

Q9. Illustrate with example "The interpretation and Use of Financial Information.

PART C

Q10. Case Study (Compulsory question) Answer any one question(A or B) – 20 marks

Ramesh is concerned about inventory costs and after extensive enquiries has identified a new software that will carry out the required process much more effectively than his present one. The installing and operating cost which will last for eight years, will be Rs. 8 lakhs during which period the running & maintenance cost will be reduced by Rs. 1 lakh a year, and there will be a savings on materials of Rs.40000/- a year.

Questions

A. Would you recommend Ramesh to buy the software if the only consideration was a financial one and the cost of money was 15%?

OR

B. Illustrate a system of Budgeting for a one brand Retail which demonstrates feedback and control at every stage, and a system that enables to produce information quickly and accurately.
