UNIT 14 FINANCIAL MANAGEMENT ISSUES IN RETAILING

Objectives

After going through this unit you should be able to:

- explain what is Financial management in retailing;
- comment on the role of financial management in retailing,
- understand the key issues in financial planning in retailing; and
- prepare financial plans for business model.

Structure

14.1 INTRODUCTION

A mini steel plant is considering building a new furnace, an Insurance company is planning to install a computer system, the government of India is thinking of an ambitious plan to link two major rivers in India and you as a student is planning to buy a motor bike. All these situations involve a capital expenditure decisions. Capital expenditure is also referred to as capital investment.

Get Started

To start with let us understand what the role of financials is in a retailing scenario. It is critical to understand these roles and plan our steps ahead based on these learning and assumptions.

Financial Management is very common-and is used by everybody. A common man like you and me does this. We plan our monthly budget according to our needs for instance, if we have to go for a festival shopping then in ideal conditions we plan our budget and control our expenses before hand in order to avoid any financial shortage.

Managing finance in retailing is by far the same as compared to individual level of financial planning; there are specifications that make it different from general finance planning. In retail the most critical aspects of managing finance revolves around factors like:

- Present availability of resources based on financial parameters and data history relevant to business

- Consumer issues
- External factors that affect financial management

Let us understand these factors one by one with the help of examples for the ease of understanding:

Factor	Activity	Example
1) Present availability of resources based on financial parameters and data history relevant to business	• A detailed study carried out is to identify the current position of the organisation resources from the point of view of i) Financial ii) Manpower iii) Knowledge	• Market research for understanding current market trends • Carrying an internal review to understand the current position. • To gain knowledge, detailed education programme regarding the product category about retailing business should be imparted through awareness campaigns
2) Consumer issues	• Empathy / Service to customers • Product Availability at the Retail Store • Product QualityProduct Visibility	• Carry out a market study to understand the following: i) Why consumers buy? ii) What are the consumer buying behaviour iii) What can we propose different to the consumer
3) External factors that affect financial management	• Market competition • Present financial trends in the market • Gaps that exist between internal position and external parameters that are relevant to the business	• Analyse and position the business in a de risking model • Identify the gaps between the internal position a d external standards • Identify reasons for these gaps • Cover these gaps by effective strategic building methods.

Understanding the Factors and the Implications

Let us understand these aspects based on simple examples.

Let us consider an organisation that is entering into retailing business, earlier it was a manufacturing company, to increase their turnover they are looking forward to start a retail venture. Before you start any operational activity, it is very important to understand the various aspects that make retailing different from any other business format. There can be various fields that have different ways of functioning when it comes to retailing.

Understanding retail business and the relevant effects on financial management

The key success elements of Retail Business that makes it different from any other business line are as follows:

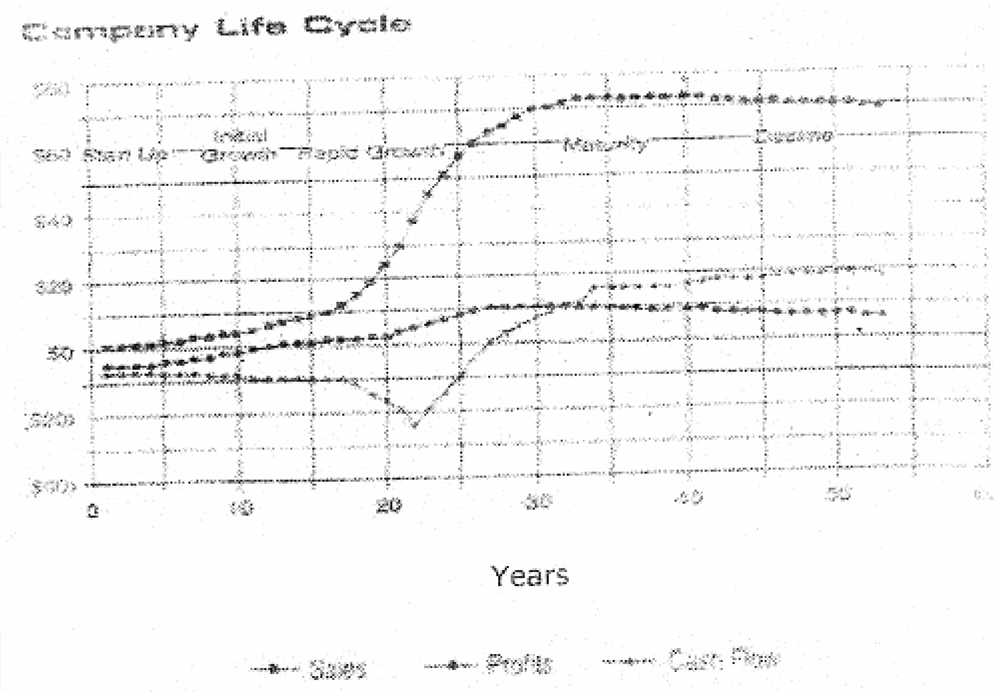
- Empathy / Service to customers (understanding consumer needs and behaviour)
- Product Availability at the Retail Store
- Product Quality
- Product Visibility
- Ordering Frequency (managing supply from suppliers in an efficient way)

The functional departments in retailing which are similar to that of manufacturing are:

- Human Resources
- Finance management
- Purchase and Procurements
- Audit and Accounts
- Cash Handling
- IT System

These are the various aspects of retailing business; we consider our focus to finance management in this unit.

Having understood the relevance of retailing and its unique implications on finance management, the next step that goes in is identifying the current position of an organisation in retailing scenario. Any company needs to identify the phase through which it is going and understand various aspects that can affect the phase it is going or may be going through. We can understand these phases through the following graph.



Phase 1

During this phase of a venture, the organisation is more of an idea. The sources to provide funds are few, but expenditure is usually high as the internal selling of the idea, developing financial plans and gathering resources for operations requires a lots of capital investment.

Phase 2

This phase comes when your organisation begins to deliver its products or services, you see losses because initial sales does not generate volumes and sufficient profits to cover initial cost and expenses.

Phase 3

This is a challenging phase but easier than the initial phase, in addition you get more rewards in this phase and the company becomes profitable and demand grows rapidly.

Activity 1

Visit a retailing company and suggest the phase that they are in currently as well as their performance since inception and develop a list of:

- Challenges they have and are currently facing with respect to finance
- Achievements they have gathered
- Methodology they pursued to gather these achievements

Bring your output in form of a graph and recommend the various measures, give your suggestion which are critical for the company to grow.

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Now having a fair understanding of finance management let us draw statements on the role that the entire exercise of finance management plays in retailing

14.2 ROLE OF FINANCIAL MANAGEMENT IN RETAILING

Role of Financial Management in retailing is very critical and we will understand the implications in this unit.

Retailing involves a lot of finance investment in terms of merchandise, real estate, infrastructure building investments, human resources which needs to be managed and optimised for the better operational efficiency and a healthy ROI (Return on Investment). Therefore it becomes important to understand the various dimensions of finance management as played out in the retail scenario.

Thus managing your finance decides most critical aspects of business plan like:

1) Budget planning

2) Performance measure

3) Resource allocation

4) Future business estimation

5) Analysing present business

The imperatives of the role is explained in details in the following sub topics

14.3 STRUCTURE OF FINANCIAL ACCOUNTING

We all will vote for the fact that seeing is believing and things which are presented in. front of you are much easier to study and analyse compared to things that are conceptual and do not have physical presence. Reading a book registers longer memory than hearing the same knowledge in dialogue.

Firstly Let us understand what does the term "structure" means in context to financial management. It is very clear to all of us that the financial of any retailing business needs to be established well before the execution. The plan of this financial should cover all the broad as well as granular details and aspects of the business. Let us understand this with an example.

Say a company "X" is opening a retail supermarket (like big bazaar). The management decides to decide what all is required to start the store from financial point of view. They structure the financials of the store in a format like this:

Item	**Value (Rs.)**
Real Estate - Land & Building	
Security Deposit Store for floor area	2,000,000
Security Deposit Car parking Covered	100,000
Security Deposit Office	500,000
Rent for first floor of store	8,000,000
Rent for office space	500,000
Interiors & Exteriors:	20,000,000
Civil Works	
Electrical Works	
Painting	
Racks & Shelves	
Furniture & Fixtures	
Signage	
Sum Total (All Real Estate Items)	**31,100,000**

IT Requirements

Store Point of sales unit: POS - Includes Computers	400,000
Store - Computer for Backend Operations:	40,000
Computers (warehouse):	400,000
Software Retail Programme	300,000

Software Operating Systems	100,000
Website	50,000
Miscellaneous Expenses Cabling etc	90,000
AMC HO applicable from second year	50,000
Broad Band HO	100,000
AMC Store applicable from second year of operation	50,000
Support for software applicable from second year	30,000
Broad Band Store	40,000
Total IT Cost	**1,850,000**

Manpower and HR

Salary - Head Office Employees	
Purchase - level 2	500,000
Operations - level 2	1,000,000
Accounts - level 2	700,000
Merchandising-level 2	700,000
Administration-level 2	700,000
Salary - Store Employees	
Head of store-level 1	1,000,000
Store supervisor-level 2	1,000,000
IT manager-level 2	500,000
Purchase Manager Level 2	500,000
Warehouse manager level 2	500,000
Billing executives/ Customer Care associates	1,000,000
Helpers	400,000
Temporary Staff	400,000
Recruitment costs for Store	100,000
Recruitment HO	100,000
Salary for Security Guards	500,000
Staff Training & Development	500,000
Total HR Cost	**12,100,000**

Travel for Vendor Management & Back End process Integration	
Air Travel	1,000,000
Boarding & Lodging	1,000,000
Local Conveyance for Outstation Travel	300,000
Local Travel Store	300,000
Total Travel Expenses	**2,600,000**

Communication	
Telephone expenses Store	300,000
Telephone expenses HO	2,000,000
Total Travel Communication Expenses	2,300,000
Inventory	
Cost of Inventory	15,000,000
Shrinkage	200,000
Inventory Holding Cost	1,000,000
Total Inventory Costs	16,200,000
Contingencies	1,000,000
Sales Tax Deposit & Registration fees	
Telephone Deposit & Registration fees	
Broad Band Deposit & Registration fees	
Electricity Deposit & Registration fees	
Water Deposit & Registration fees	
Store Miscellaneous Expense	200,000
Total Contingencies	1,200,000
Power and Water	
Electricity Charges including generator running and maintenance including cost of running AC lighting etc	2,000,000
Water	15,000
Total Power & Water Expenses	2,015,000
Marketing	
Promotions & Schemes	2,000,000
Toll Free Telephone Lines	70,000
Brand Building & Advertisement	2,000,000
Total Advertising & Marketing	4,070,000
Stationary And Courier	
Includes Printing (Visiting Cards etc), Stationary, Courier & postage	300,000
Total Stationary and courier cost	300,000
Insurance Charges	
Insurance charges	1,500,000
Total cost of Insurance	1,500,000
Delivery Logistics	
Vehicle Lease Rent	300,000
Total cost of Transportation	300,000
Bank Charges	20,000
Total Bank Charges	20,000
Grand Total	78,055,000

Hence we see here, that firstly broad heads of expenses were covered like real estate, IT, Maintenance etc, this was followed by dividing them into finer details based on usage and requirement like (rent, electricity, instalment are parts of real estate)

Activity 2

Prepare a financial outlay for new retailing venture with the cost of HO, store operational costs (set-up costs) and business running costs for a 3 store chain in Apparels category in our city/ town.

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14.4 KEY ISSUES IN FINANCIAL MANAGEMENT

14.4.1 Budget Planning

Financial planning lies at the core of the retail planning and is divided into two broad sub categories, "financial accounting" and management accounting. It is imperative to understand that for success of any retailing business model, the most critical aspect is financial planning. It is thus critical for the promoters of Retail Company to begin their planning process with the following:

1) Detailed assessment of financial resources available

2) Effective and timely use of these resources

The variance in retailing can be understood with examples of business doing an annual turnover of Rs. 1 lakh, at the same time we have retailers that have an annual turnover of over Rs. 100 million. It is therefore important for retailers to plan the format and size of their operation on the basis of the resource available to them at the same time managing effectively these resources on the scales of time and manpower.

We can consider two types of retail formats that are operational, the retail chain format and the independent stand alone format. While there is no doubt that the former, that is the chain store retailing is far more profitable than independent retailing, it becomes critical for a retailer to understand whether his available resources permit him to go for such format. Talking about financial strategy it is always advisable to go for retail chain format as it provides much better economics of scale and duplication of efforts at a fraction of cost.

Having said this, we would like to consider planning, issues and controls relevant only to independent format as they constitute vast majority of retailing operations in India.

Mobilising financial resources is an integral aspect of any business and retail is no exception. There are a few critical check point and issues that is generally associated with organised retailing in India.

a) The initial capital required in the setting up of a retail operation of a scale itself could be quite substantial. While real estate is easily available on lease to retailer through out the world, the situation in context to India is not very much conducive to leasing or renting and this leads to a substantial part of investment in a retail operation. This is also one of the reasons of slow catching up of chain retail format in India.

b) Capital investment too forms a major component of initial investment as equipment and fixtures form the basic infrastructure required in retail.

c) Lack of adequate knowledge of financial of organised retailing is one more critical issue in propagation of organised retailing in India.

Although the initial investment in terms of space and providing the necessary infrastructure for a retail operation can be substantial, it needs to be understood that retailing is generally a negative working capital business. While it is a common knowledge that most retailers buy on credit and sell on cash, most products (merchandise) is available on extended credit terms as well. In fact, an interesting thing to note here is the fact that the greater the number of stores, the higher would be the power that retailer holds which usually facilitates from their supplies.

For example if a retailer has a sale of Rs 50 Lakhs per month and was getting an average credit of 30 days, his total outstandings would usually be around the same value.

However, if the retailer has efficient inventory management systems in place, he should not at any time be holding more than 15 days of inventory, and therefore have 15 days sale as cash surplus which he could dedicate for further expansion. It is also critical to understand that this surplus is not a short term surplus; rather it is a long term surplus and is likely to increase with an increase in number of stores.

In other words, if financial planning is carefully conducted and all the systems and procedures are in place, it is possible to generate surplus cash flow in retail operation.

While there is no doubt that this is easier said then done, many of the large multinational retailers did take a long time to create a cash surplus situation and Indian retailers too would have to work hard to understand the economics of a retail operation and arrive at such favourable situations.

In fact, it is the interest free surplus that is used by financially poor retailers around the world to fund their expansions, Retailers in India too must adopt careful financial methods to achieve both a high level of credibility and success in their operations. It may also be a good financial strategy for retailers who use their surplus for expansion to be able to offset a large part of their profits in terms of taxation by the benefits like depreciation, that they would avail from the new equipment for their new stores and this cycle could go on.

In other words a large part of what would have otherwise gone into paying taxes could be used by the retailer for fuelling his growth.

14.4.2 Understanding Retail Business as Profit Centre

While the most important factor that supports retailing is cost control, apportioning the cost is equally important as has been briefly explained in the earlier section. The success of any financial strategy, particularly in the retail sector, is confirmed by it ability to leverage its intangible assets to the greatest extent by multiplying the same, and then apportioning the costs over a much larger network of stores.

Profit centre accounting is now acquiring increasing significance throughout the global business community as it has not only proved to be most scientific method of accounting but is also able to more explicitly define the performance of those responsible for their respective profit centres.

Understanding the term "profit centre"

In retailing, the term "profit centre" is significant as it identifies every individual store as a centre of generating profit. Each such profit centre would usually have two kinds of expenditure, which are: Direct expenditure and indirect expenditure. All expenditure that is incurred only account of the respective retail stores (profit centres) is termed as "direct expenditure". This would be expenses like salaries of the store personnel, and the rental expenses, electricity consumption and telephone expenses of the store.

The head office and warehouse of the store, which basically provide all the necessary support to run the store operation efficiently, also incur a major expenditure while individual centres do not have any source of profit. As such by an effective formula decided upon by the management of the retail company, thus selects an effective formula to apportion these expenses over the number of stores that the company operates achieving a true picture of its profitability. However, it must be noted that there is no single standard formula for doing so and every retail company decides on its method of apportioning which, it feels, is most appropriate to its format and structure.

In case, the creation of a larger chain of stores does help in generating a good circle of low cost which drive higher volumes and which allow the retailer to charge an even lower price that, in turn increases volume even further. In this context, Shopper's Stop can be considered as the best living example through out India that has been able to achieve this with high level of success.

We must not, however, forget that in business of retailing in particular, any company sailing with a heavy load of overheads, is destined to gradually sink to bottom of the market ocean. Overheads must be axed and the situation needs to be reviewed every month rather than just once a year. Even if a retailer is able to expand, it must be the prime objective of management to constantly eliminate all such activities that are geared towards **helping the customer.**

14.4.3 Budgeting and Resource Allocation

It is by design that we are not perfectly sure about what things are going to turn out in future and plan everything accordingly. The concept of developing a financial model (we refer it as budget in this unit) is too based on the same principle. "Budget" is a term used by accounts to define a detailed plan that is prepared in advance for any future activity and is usually based on the available historical data. It helps retailers to predict as accurately as possible the future performance of the company on numerous parameters, thereby preparing the management decision makers for future.

It also offers companies an insight into these areas wherein it must concentrate its efforts instead of spending time on issues which may be less relevant for the time being.

Budgeting is a process that involves the same accounting heads and parameters discussed earlier in, this unit and is an extremely effectively tool for managing a retail operation.

Retailers would do well to use this tool in the most efficient and effective way rather than simply treating it as another formality to be completed, as is usually the case. Budgeting can thus be defined as an approach in which the experience of the past information or history of business experience available is used to try and project estimates for future. These estimates can be sales value based, revenue based, volume based etc.

The key output from this whole process of efficient budgeting is to get cost control. There can be two broad heads under these costs which are namely direct and indirect expenses. The investment has two parts as follows variable and fixed costs.

Fixed costs are the bottom line expenses that are mandatory for any retailing business and hence it is difficult to control it as these are the core requirements to initiate the business. Budgeting does not affect these costs to a certain extent but certainly budgeting is done with these fixed cost keeping in the radar screen. But can help to a great extent in managing variable costs thereby adding to the profitability and revenue. Budgeting needs to be done with the core concern of integrating all the fields in retail operations and its implications.

For example a store, let us call it K's store expects that in the coming financial year the sales are likely to go up by a certain level, this should be used as an opportunity by all the departments of the retail store e.g. sales increase by 40%, then increase in investment should also be there if not 40% then in some proportion. This will maintain the financial balance of the store.

Let us look at some of the key success factors and check points for budgeting:

- Protocols laid down by budget should be strictly obeyed and practised
- It is critical to understand the reason for differences between the planned budget and actual performance.
- All departments of the retail business needs to plan their budget according to their data availability and requirements which should be integrated on a holistic scale
- Constant reviewing of the sales performance
- There must be role clarity among the team members
- Estimates for budget can not be perfectly correct, but should be close to ground realities.

Post identification of these red flags, it is critical to follow them and standardise then on serious and common platform with no room of departures from it.

Key Learning from the Budgeting Activities:

- Standardisation and frequent monitoring of the estimates projected by the budget
- Discrepancy in estimates and actual figures must be identified and a particular process should be followed, that would encompass activities like:

  i) Identifying the areas of variations

  ii) Identifying key factors affecting the variations

  iii) Re planning with the control measures for these variations

14.4.4 Strategy Planning

Based

It is very commonly understood that planning a strategy is done for future sustainability of any operation or model. Strategy is done on a holistic scale and covers all the broad as well as granular aspects of any business model.

In this unit we will focus our discussion to financial aspect of strategy planning. To authenticate any definition for strategy we can say that it is done to achieve the optimum scenario for a retail organisation keeping in consideration its current resources and the external factors that can come into affect to its business. Retailers all round the world and now in India also have realised the importance of strategy planning and are focusing in "planning before execution".

Let us get an understanding of planning a strategy on the basis of this simple example:

Retailer "A" has to design a financial strategy for his business for coming years, he is advised to go through the following set of critical activities.

- He is advised to understand and establish his clear financial objectives that he wants to achieve through the exercise of strategy planning.

- He should be able to understand and identify his current strengths and resources, or we can say his current financial position. He should allocate his resources and utilise his strength areas in direction to achieve the financial objectives

- After identifying his internal position, a close assessment of the external competitive challenges and changes need to be understood. These set of challenges that need to be identified should be relevant to his current business area.

- After making a comparison between internal and external factors of growth and changes, he should identify the gaps that exist between his current assets and external behaviour.

- Post an analysis of all the positives and negatives and the areas that can be explored for the growth of his store finances, then only he was advised to go ahead and plan a detailed future steps ahead to achieve the desired results.

Activity 3

Visit a local retail store near your house and design the future steps and course of action for the store with all the above suggested activities and trace an annual financial plan for the store.

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The above steps and discussions were in line with the aspect of designing a strategy for an existing retail business. We also need to understand the basic and methods involved in planning a financial strategy for a new business in retailing, Say setting up a new store with out any prior retiling experience.

The activities involved in this case are not diametrically opposite, but a few additional check points need to be addressed in this case. An organisation or an individual entering into retailing should be able to understand the dynamics of retailing before hand and the core issues that are associated with the business like:

- Consumer focused planning

- Slow rate of growth

- Current market behaviour

- Understanding a format and position the business i.e. does the organisation or the individual see themselves as:

i) A convenience store e.g. "In and Out" outlets at petrol pumps

ii) A department store e.g. "Ebony"

iii) A store with proposition of service e.g. Financial institutions like "Kotak Mahindra"

iv) A store that would provide discounted merchandise aiming at volumes e.g.: "Big Bazaar"

Any of the above formats needs to undergo a set of planning and pre feasibility analysis of the persisting market trend, and the challenges that are likely to affect the business.

It is critical to understand the initial investment and manage them efficiently. We can list and address them as the key factors effecting capital requirements in retailing:

1) Real Estate - Land and Building

   - Security Deposits
   - Rents for floor space
   - Interiors and Exteriors
   - Civil Works
   - Electrical Works Racks and Shelves Furniture and Fixtures
   - Signage External and internal

2) IT Requirements

3) Manpower and HR

   - Accounts
   - Sales
   - Merchandising
   - Supply chain, etc

4) Back end management (managing meeting suppliers and vendors for the consistent performance stock)

Apart from the capital investment you have to also look at recurring expenses like travel, communication (phone bills, internet access, electricity, water bill) which needs to be understood as fixed set of expenses, and you should look to it that an effective cost control system on these areas is in place before the launch of the business. Please understand that these expense heads are basic and can change according to the change in market behaviour.

14.5 PERFORMANCE MEASURES AND AUDIT IN RETAILING

There are a few technical filters that are very handy when it comes to analysing our performance in a retailing scenario, we can have a look on them in the following set of explanations with the terms.

Pay back period

The pay back period is the duration of time required to recover the initial cash outlay on the project. Pay back period is widely used in appraising investments.

Example: if a project involves a cash outlay of Rs. 16,00,000 and generated cash inflows of Rs. 2,00,000, 4,00,000, 3,00,000, 7,00,000 in first, second, third and fourth year respectively, then its payback period is 4 years because the sum of cash flows during the four years is equal to the initial outlay.

Benefit-Cost Ratio

BCR relates the present value of benefits to the initial investment

$$BCR = \frac{PVB}{I}$$

Where BCR = Benefit Cost Ratio

PVB = Present Value of Benefits

I = Initial Investment

Net Present Value

The net present value of a project is equal to the sum of present value of all the cash flows associated with the project. Mathematically

$$NPV = \frac{CF_0}{(1+k)^0} + \frac{CF_1}{(1+k)^1} + \dots\dots\dots\dots\dots + \frac{CF_n}{(1+k)^n}$$

NPV = Net present value

CFt = Cash flow occurring at the end of the year t (t = 0,…………………, n)
n = Life of the project

k = Interest Rate

Example

Consider a project which has the following cash flow stream

Year	Cash Flow
0	-10,00,000
1	2,00,000
2	2,00,000
3	3,00,000
4	3,00,000
5	3,50,000

Assuming the interest rate for the firm is 10%. The NPV of the project is

NPV = -10, 00,000 + 2, 00,000 + 2, 00,000 + 3,00,000 + 3,00,000

$(1.10)^{\circ}$ $(1.10)^1$ $(1.10)^2$ $(1.10)^3$

$(1.10)^4$

$$\frac{+3,50,00}{(1.10)^5} = -5,273$$

Common Decision Rules: Accept the project if NPV is positive, reject if NPV is negative and if NPV = 0, then it is a matter of indifference for us.

Since the net present value is negative, therefore we should not invest in this project.

Internal Rate of Return(IRR)

The internal rate of return of a project is the discount rate which makes net present value equal to zero.

$$0 = \frac{CF_0}{(1+r)^0} + \frac{CF_1}{(1+r)^1} + \ldots\ldots\ldots\ldots\ldots + \frac{CF_n}{(1+r)^n}$$

Where

CFt = Cash flow occurring at the end of the year t (t = 0,....................................., n)

n = Life of the project

r = Discount/Interest Rate

Example

To illustrate the calculation of IRR consider the following example

Year	Cash Flow
0	-1,00,000
1	30,000
2	30,000
3	40,000
4	45,000

IRR is the value of r which satisfies the following equation:

$$1{,}00{,}000 = \frac{30{,}000}{(1+r)} + \frac{30{,}000}{(1+r)2} + \frac{40{,}000}{(1+r)3} + \frac{45{,}000}{(1+r)4}$$

The calculation of r consists of a process of trial & error. Calculation ·Se interpolation gives value of *r* as 15.37%

Some Common Appraisal Criteria in Retailing

Sales per square Feet

Sales per square feet is ratio of sales of a particular product/space occupied by the product in square feet.

Example: If a retail store keeps sells products worth 5 lakh annually and those products occupy a shelf space of 200 sq. ft, therefore sales per square feet is Rs. 2500/ sq. ft.

Gross Margin Return on Investment (GMROI)

GMROI is one of the most used appraisal criteria. It is the ratio of gross margin a company earns to investment made. For example if a retail store invests 1, 00,000 in garments and gross margin on the garments is say, 65,000. Then GMROI is 65%. This excludes the taxes, other fixed & variable expenses (salaries, wages, electricity, rent, maintenance etc) which are vital for running the showrooms.

This practice is particularly useful for small retail chains with fewer stores where fixed costs are high.

Example

GMROI of a Steel Retail store is 55%, but its balance sheet shows a net loss of say 1 lakh (The retail chain is debt free). At this time of crisis the retail chain should concentrate it efforts on reducing down the administrative expenses (both fixed & variable) rather than reworking on its product mix.

Activity 4

Visit a organised retail store near by your and check its performance based on the above explained measures of analysing financial performance of the store. Rate the performance on a scale of 10 according to your analysis.

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14.6 SUMMARY

The importance of finance, financial planning, and management of financial issues in retailing is the core of this unit. The unit covers the various factors and their implication in planning the financial aspects of a retail business. A detailed structure of financing accounting is dealt with for better understanding. Key issues like budget planning, understanding retail business as profit centre and resource allocation has been covered. Audit in retailing and some common appraisal criteria in retailing have been touched upon.

14.7 SELF ASSESSMENT QUESTIONS

1) What can be the various factors that effect the finance planning in a retailing business? Explain with examples

2) What are the specifications that .make retail business different from any other line of business?

3) Can you map the various phases through which an organisation goes through and also make a graph to support your answer.

4) List the key aspects that come as an output finance management in retailing

5) What cane be the various heads which can effect the finance. planning at the time of capital investment?

6) With respect to finance management please explain the following:

    a) Budgeting

    b) Strategy planning

    c) Profit centre management

    d) Resource Allocation

7) What are your key learning from budgeting activities? What are its implications?

8) Define the following with examples:

   a) Pay back period

   b) Benefit - Cost ratio

   c) Net Present value

   d) Internal Rate of Return

   e) Sales per sq ft

   f) GMROI

14.8 FURTHER READINGS

Financial Management by Prasanna Chandra

Van Home Financial Management