



Uva Wellassa University

Faculty of Science and Technology

3rd YEAR 1st SEMESTER EXAMINATION – MARCH/APRIL 2013

IIT 341-1 Financial Management



Instructions to candidates:

No. of pages : Two (02)
No. of questions : Three (03) Essay
Time : One hour
Marks allocated : 100 Marks
Answer **all** questions

Index No:

01)

I. Define the term "Financial Management"

(5 Marks)

II. Briefly explain the importance of proper Financial Management for an organization.

(10 Marks)

III. Briefly explain the key decisions made by the Financial Manager with examples.

(15 Marks)

(Total Marks 30)

02)

I. Generally individuals show a time preference for money. Give reasons for such a preference.

(10 Marks)

II. Suppose you have deposited Rs. 1000 in a bank account and banks are currently paying an interest rate of 6 percent per year on deposits. What will be the value of the investment after 2 years and after 5 years?

(10 Marks)

III. You can earn 8 percent interest, compounded annually. How much you should deposit today to withdraw Rs.10,000 in 6 years?

(10 Marks)

IV. What is the future value of a 5-year ordinary annuity with annual payments of Rs.200, evaluated at a 15 percent interest rate?

(10 Marks)

(Total Marks 40)

03)

- I. Briefly explain the significance of Working Capital Management for companies. (5 Marks)
- II. What strategies can be used to manage cash conversion cycle effectively? (10 Marks)
- III. "Ratio Analysis is an effective tool used by the management of a firm for better planning and control of working operations." Discuss the above statement in the light of the importance of Ratio Analysis in Working Capital Management. (10 Marks)
- IV. Suppose that the inventory period is 50 days, the accounts receivable period is 40 days and the cash cycle is 90 days. What is the accounts payable period? (5 Marks)

(Total Marks 30)