IIT 341-1 Financial Management
3rd year 1st semester
2016.



**Part B - (60 Marks)**

01. i) What is Financial Management? (5 Marks)

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ii) Agency problems occur due to the conflicts of interest of shareholders and managers. State five (05) strategies to mitigate agency problems. (5 Marks)

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02. i) State five (05) external factors which affect to financial decisions (5 Marks)

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ii) State five (05) objectives of Financial Management (5 Marks)

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03. You are the branch manager of Sisil Finance Company (Pvt) Ltd. A borrower approaches you for a term loan of Rs. 500,000. You agreed to give loan to be fully amortized in a period of 5 years at 10 percent, annual payment. What will be the size of each installment?

(10 Marks)

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04. i) Explain why firms hold cash balances in checking accounts? (6 Marks)

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ii) State three (03) methods to finance accounts receivables (4 Marks)

05. i) State five (05) categories of financial ratios (5 Marks)

ii) What is the earnings per share (EPS) for a company that earned Rs.200,000 last year as after-tax profits, has 50,000 common shares outstanding and Rs.1.2 million in retained earnings at the year end?? (5 Marks)

06. Explain the factors that you should consider to perform effective financial statement analysis

(10 Marks)