



Uva Wellassa University, Sri Lanka
3rd Year 1st Semester Examination – February/March 2011
IIT 321-1 Principles of Financial Management



Time: One (01) hour

Instructions to candidates:

No. of pages : Two (02)
No. of questions : Three (03)
Marks allocated : 100 Marks
Answer All questions

- 01) I. Define Financial Management. List up the major functions of a financial manager in modern an enterprise? (10 Marks)
- II. What are the **four** types of financial management decisions? Give a relevant example of a business transaction for each type of decision. (20 Marks)
- III. What is an agency relationship? What are agency problems and how do they come about? (10 Marks)
(Total Marks 40)
- 02) I. Generally individuals show a time preference for money. Give reasons for such a preference. (5 Marks)
- II. What is the importance of time in financial decision making? (5 Marks)
- III. Suppose you have just celebrated your 19th birthday. Your father has set up the trust fund for you that will pay you Rs. 150,000 when you turn 30. If the relevant discount rate is 9 percent, how much is this funds worth today? (8 Marks)
- IV. You plan to make a series of deposits in an individual retirement account. You will deposit Rs.1000 today, Rs.2000 in two years, and Rs.2000 in five years. If you withdraw Rs. 1500 in three years and Rs.1000 in seven years, assuming no withdrawal penalties, how much will you have after eight years if the interest rate is 7 percent? (12 Marks)
(Total Marks 30)

03) I. What do you mean by the liquidity of a firm? How it can be assessed? (10 Marks)

II. Define the working capital management (5 Marks)

III. Explain the risk-return trade off of current assets financing. (7 Marks)

IV. Briefly explain the significance of working capital management (8 Marks)

(Total Marks 30)