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UNIVERSITY OF RUHUNA
FACULTY OF MANAGEMENT AND FINANCE
Bachelor of Business Administration Degree Program 3000 Level Semester II
End Examination (Old Syllabus) - March 2022
Academic Year 2020/2021

ACC 3211 – Strategic Financial Management

Duration: Three hours

The Question Paper contains five (05) questions.

Answer all questions.

Question No. 01

(A). Briefly explain the main objective of strategic financial management.

(03 Marks)

(B). Briefly explain fundamental problem faced by a finance manager.

(03 Marks)

(C). List the main functions of strategic financial management.

(04 Marks)

(D). Discuss the two main categories of decisions in finance made for maximizing shareholders wealth.

(04 Marks)

(Total Marks 14)

Question No. 02

(A). Briefly explain meaning of financial market.

(02 Marks)

(B). Briefly explain the primary role of a financial market.

(03 Marks)

(C). Briefly explain the meaning of direct mode of financing and indirect mode of financing.

(03 Marks)

(D). Briefly explain meaning of the following terms.

- i. Capital Market.
- ii. Spot Market.
- iii. Treasury Bills.
- iv. Treasury Bonds.

(06 Marks)

(Total Marks 14)

Question No. 03

(A). "Capital budgeting is the process that a business uses to determine which proposed fixed asset purchases it should accept, and which should be declined. This process is used to create a quantitative view of each proposed fixed asset investment, thereby giving a rational basis for making a judgment."

Explain the above statement using key steps in capital budgeting process.

(05 Marks)

(B). Briefly explain the following investment appraisal techniques while clearly indicating their decision criteria.

- i. Net Present Value.
- ii. Internal Rate of Return.
- iii. Profitability Index.

(06 Marks)

(C). Describe what is meant by independent investment projects and dependent investment projects using suitable examples.

(03 Marks)

(Total Marks 14)

Question No. 04

(A). "Agency theory shows that occurs as a result of a dispute between Managers and Owners of a firm and how they affect the capital structure." Explain this statement based on principle-agency theory.

(06 Marks)

(B). Discuss why the share price of a company can be used as a performance indicator of its management.

(04 Marks)

(C). Explain the difference between spin-off and split-off in relation to corporate restructuring.

(04 Marks)

(Total Marks 14)

Question No. 05

Explain the following terms.

- i. Acquisition.
- ii. Vertical Mergers.
- iii. Two-tier tender offer.
- iv. Initial public offering.

(Total Marks 3.5 x 4 = 14)