



UNIVERSITY OF RUHUNA
FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Degree Programme 3000 Level

Second Semester End Examination - Old Syllabus (March/April 2021)

ACC 3211 - Strategic Financial Management

Duration: Three hours

The question paper contains five (05) questions.

Total Marks: 70

Answer all questions.

Scientific calculators are allowed.

- (1) (A) What is the fundamental problem faced by a strategic financial manager? (2 Marks)
(B) Differentiate between a risk averse investor and a risk neutral investor. (2 Marks)
(C) Briefly explain the four main categories of decisions that a strategic financial manager is concerned with. (4 Marks)
(D) Discuss the role of corporate governance in modern corporations. (6 Marks)
(Total 14 Marks)
- (2) (A) List the key steps in capital budgeting process. (2 Marks)
(B) List two conventional and two modern investment appraisal techniques. (2 Marks)
(C) Describe what is meant by independent investment projects and dependent investment projects using suitable examples. (4 Marks)
(D) Information relating to six divisible projects are given in the following table. Applicable discount rate is 10%.

Project	Initial Outlay (Rs.)	Annual Cashflow (Rs.)	Project Life (Years)
A	1,000	250	5
B	3,000	950	5
C	8,000	2,500	5
D	8,000	2,330	5
E	5,000	1,480	5
F	4,000	1,140	5

Demonstrate how you are going to invest Rs. 20,000 under following conditions, if there are no other investment opportunities than those given in the table (clearly indicate the basis used for project selection).

- (i) All projects are independent.
(ii) Project B and C are mutually exclusive.
(iii) Projects A and C are dependent.

(6 Marks)

(Total 14 Marks)

- (3) (A) What is the primary role of a financial market? (2 Marks)
- (B) List the systemically important banks in Sri Lanka as per the latest guidelines. (2 Marks)
- (C) Briefly explain two factors that can constrain the fund transfer between savers and borrowers. (4 Marks)
- (D) Briefly explain the following terms. (6 Marks)
- (i) S&P SL 20
 - (ii) ASPI
 - (iii) Treasury bills
 - (iv) Treasury bonds
 - (v) Spot market
 - (vi) Capital market
- (Total 14 Marks)**

- (4) (A) Explain what is meant by a foreign exchange quote using an example. (2 Marks)
- (B) Assume that one British Pound is selling at 264 Sri Lankan Rupees in Sri Lanka. Express this exchange rate as an indirect quote using ISO currency designators. (2 Marks)
- (C) Discuss the difference between a position trader and an intraday trader. (4 Marks)
- (D) If USD/LKR:195 and LKR/JPY:0.566; and you have LKR 1,000,000, how would you use triangular arbitrage to make a profit in currency trading in the following two alternative contexts (explain your strategy step-by-step with proper justifications and clearly indicate the profit)? (6 Marks)
- (i) A dealer is offering USD/JPY:110.
 - (ii) The dealer's offer is USD/JPY:111.
- (Total 14 Marks)**

- (5) (A) List four aspects which require attention during a corporate restructuring. (2 Marks)
- (B) What is meant by financial restructuring? (2 Marks)
- (C) Discuss the difference between mergers and consolidations. (4 Marks)
- (D) Briefly explain the following terms. (6 Marks)
- (i) Vertical Mergers
 - (ii) Synergy
 - (iii) Acquisition
 - (iv) Hostile takeover
 - (v) Tender offer
 - (vi) Proxy fight
- (Total 14 Marks)**

Present value interest factors for a one Rupee annuity

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.9009	0.8929
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.7125	1.6901
3	2.9410	2.8839	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4437	2.4016
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.1024	3.0373
5	4.8534	4.7135	4.5797	4.4518	4.3296	4.2124	4.1002	3.9927	3.8897	3.7908	3.6959	3.6048