



UNIVERSITY OF RUHUNA
FACULTY OF MANAGEMENT AND FINANCE

No. of Pages : 02
No. of Questions: 05
Total Marks :70

BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE

3000 LEVEL FIRST SEMESTER END EXAMINATION - AUG/SEP 2025

Three Hours

FIN 31333– Personal Finance and Financial Planning Academic Year 2024/2025

Instructions

- ➔ Answer all questions.
- ➔ You are allowed to use non-programmable calculators.

(01)

- (i) Define personal finance and explain its importance in achieving financial success. (03 marks)
- (ii) What is financial literacy? Briefly discuss how it helps an individual to achieve financial goals. (03 marks)
- (iii) Briefly explain how personal values and attitudes towards money influence financial decision-making. (03 marks)
- (iv) Briefly explain the problems that can arise from poor financial planning. (02 marks)
- (v) Differentiate between personal opportunity costs and financial opportunity costs, using examples. (03 marks)

(Total marks 14)

(02)

- (i) List the principles outlined in the code of ethics for financial planners. (03 marks)
- (ii) Explain the fiduciary duty of a financial planner and briefly discuss the key duties that must be fulfilled under this responsibility. (04 marks)
- (iii) What is integrity in financial planning? Briefly discuss the key aspects of integrity in financial planning. (04 marks)
- (iv) Discuss why regulating financial planning is crucial, highlighting the main reasons for its importance. (03 marks)

(Total marks 14)

(03)

- (i) Explain the role of risk tolerance in shaping an investor's investment philosophy, highlighting how different risk attitudes influence investment choices and strategies. (04 marks)
- (ii) Explain the differences between active and passive investors, highlighting their investment approaches and strategies. (03 marks)

- (iii) A bank offers a nominal interest rate of 8 % per year, compounded quarterly. Calculate the Effective Annual Rate (EAR) for this investment. (01 mark)
- (iv) Compare the following two investment offers: Investment A pays 12% interest compounded monthly, and investment B pays 12.2% interest compounded semi-annually. Which is the better offer? Show all calculations. (02 marks)
- (v) Briefly explain the Fisher Effect and its significance for investors and lenders. (02 marks)
- (vi) A sum of Rs. 5,000 is invested at an annual interest rate of 8% compounded semi-annually. Using both the exact method and the approximate method, calculate the interest earned for two years and nine months. (02 marks)

(Total marks 14)

(04)

- (i) Briefly explain the general characteristics of taxation. (03 marks)
- (ii) What is the legal status of tax avoidance and tax evasion? Briefly explain these two concepts with examples. (03 marks)
- (iii) Explain the meaning of penal provisions in taxation and the situations in which they are applicable in Sri Lanka. (03 marks)
- (iv) Explain the concept of tax planning and how it helps individuals manage their tax liabilities effectively. (03 marks)
- (v) Briefly discuss the sources of statutory provisions that form the basis of taxation in Sri Lanka. (02 marks)

(Total marks 14)

(05)

- (i) Briefly discuss the key challenges that can hinder successful retirement planning. (03 marks)
- (ii) List the key factors that individuals need to consider when planning for their retirement. (02 marks)
- (iii) Briefly describe when individuals are allowed to access their superannuation funds in Sri Lanka. (02 marks)
- (iv) What are superannuation and pension plans in Sri Lanka? Briefly discuss two of them. (03 marks)
- (v) "Estate planning involves both financial and legal considerations". Briefly explain this statement. (04 marks)

(Total marks 14)
