

PAST PAPERS

<i>Faculty</i>	<i>Department / Section/Division</i>
<i>Not Applicable</i>	<i>Learning Resource Centre</i>

Past Papers

Faculty of Management & social Sciences

Department of Logistics & Transportation

**BSc in International Transportation
Management and Logistics**

(Year 2 – Semester I)

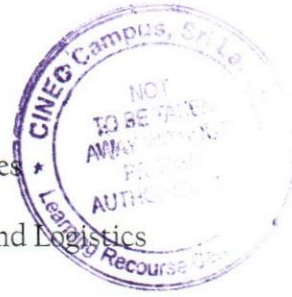
2023

<i>Document Control & Approving Authority</i>	<i>Senior Director – Quality Management & Administration</i>
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Faculty of Management and Social Sciences
Department of Logistics & Transport
BSc in International Transportation Management and Logistics
Course CODE: COM551



Year 2 Semester I

REPEAT EXAMINATION

Management Information Systems – LTMS2203

- This paper consists of SEVEN (07) questions on EIGHT (08) pages.
- Answer FOUR (04) Questions including Question 01.
- Only non-programmable calculators are allowed.
- You may use appropriate graphs, diagrams, equation/s to prove or justify the answers.
- If you have any doubt as to the interpretation of the wording of a question, make your own decision, but clearly state it on the script.
- Write Legibly.

Date: 2023.06.16

Pass mark: 50%

Time: 02 Hours

Question 01 (Compulsory)

01. What cannot be considered as major advantage experienced through implementing an automated system instead of implementing a manual system. (1.5 Marks)
- a) Speed
 - b) Real-time updates
 - c) Initial cost
 - d) Accuracy and reliability
02. Collecting information is an important process when conducting research activities and when completing projects. Either manual or automated survey strategies can be used to collect information. What can be considered as a disadvantage of collecting information based on a manual approach? (1.5 Marks)
- a) Detailed information can be collected.
 - b) Simple and easy to implement
 - c) Less capital expenditure required
 - d) Time consumption is high



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03. Consider the hierarchy of a manufacturing company. Which level does not employ the knowledge workers? (1.5 Marks)

- a) Director Board
- b) Operational level employees
- c) General Managers
- d) Executives

04. Select the incorrect sentence about knowledge. (1.5 Marks)

- a) Knowledge is the ability to understand information
- b) Knowledge is the ability make decisions or predictions based on the information.
- c) Knowledge is generally subjective and inherently local.
- d) Knowledge is generally public and common to everyone.

05. Select the incorrect sentence about the Knowledge Management Systems (KMS)?

(1.5 Marks)

- a) KMS consists of organized collection of people, procedures, software, databases, and devices.
- b) KMS is used to create, store, and use the organization's knowledge and experience.
- c) Google Analytics is an example for KMS whose knowledge base offers its own predictive search engine.
- d) KMS provides a technology solutions in itself for organizational problems.



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06. Which of the following contexts does not provide continuous information. (1.5 Marks)

(Hint: You are the fan/student/manager/customer or whoever supposed to receive information.)

- a) Live cricket match
- b) Ongoing paper marking process in the university
- c) Ongoing production process
- d) Online-ordered (Uber Eats) delivery process happening now

07. Malware that is capable of spreading itself from one computer to another is called a;
(1.5 Marks)

- a) logic bomb
- b) Trojan horse
- c) virus
- d) worm

08. Which of the following is not an example for cyberbullying (1.5 Marks)

- a) Pranking someone's cell phone
- b) Hacking into someone's gaming or social networking profile
- c) Bullying someone in the hallway
- d) Pretending to be someone else to spread hurtful messages online

09. What is Trojan Horse? (1.5 Marks)

- a) A Trojan Horse program has the appearance of having a useful and desired function
- b) A Trojan Horse neither replicates nor copies itself, but causes damage or compromises the security of the computer.
- c) A Trojan Horse must be sent by someone or carried by another program and may arrive in the form of a joke program or software of some sort.
- d) All of the other options



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10. Summary transaction data, high volume data and simple models are information inputs characteristics of; (1.5 Marks)

- a) Decision Support System (DSS)
- b) Management Information System (MIS)
- c) Executive Support System (ESS)
- d) Transaction Processing System (TPS)

11. Which of the following statement is incorrect regarding batch processing (1.5 Marks)

- a) A lag exists between time when the economic event occurs and when it is recorded.
- b) Generally fewer hardware, programming and training resources are required.
- c) Certain records are processed after the event to avoid operational delays.
- d) More processing capacity and quality are required.

12. What is correct according to the Porter's Generic Model?

- I. Broad target - Cost - Cost Leadership
 - I. Narrow target - Cost - Cost Focus
 - II. Narrow target - Offer unique value - Differentiation
 - III. Broad target - Offer unique value - Differentiation Focus
- a) Only II and IV are correct
 - b) Only I and III are correct
 - c) Only I and II are correct
 - d) Only III and IV are correct



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13. What is incorrect about competitive advantage? (1.5 Marks)
- A competitive advantage is an attribute that enables a company to outperform its competitors.
 - A competitive allows a company to achieve superior margins compared to its competition
 - A competitive generates value for the company and its shareholders.
 - A competitive advantage must not be difficult, if not impossible, to duplicate.
14. Select the correct order of soap brands in Sri Lanka relevant to given order of competitive strategies. (1.5 Marks)
- Cost Leadership, Differentiation, Differentiation Focus
- Sunlight, Lifebuoy, Venivel
 - Velvet, Dettol, Wonderlight
 - Kohomba, Rani, Baby Chermay
 - Diva, Lux, Ayush

15. Give an example for each of the following systems. (04 Marks)
- TPS
 - MIS
 - DSS
 - ESS

Question 02

- List down five (5) ethical, social, and political issues are raised by information systems? (05 Marks)
- Why do contemporary information systems technology and the Internet pose challenges to the protection of individual privacy and intellectual property? (10 Marks)



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c) How have information systems affected laws for establishing accountability, liability, and the quality of everyday life? (10 Marks)

Question 03

a) Briefly describe any two management challenges (relevant to areas of IS knowledge) that may be faced by LMS manager of CINEC when the whole academic process suddenly started online due to Covid-19 pandemic. (04 Marks)

b) Briefly explain the following three IS activities by considering any IT/IS application used in logistics field. (09Marks)

- I. Input of data resources
- II. Processing of data into information
- III. Output of information products

c) Discuss the economic impact and behavioral impact of information systems on organizations using an example. (12 Marks)

Question 04

(a) List down five (5) mediating factors that affects to the two-way relationship between organizations and information technology. (05 Marks)

(b) You have been asked to participate in the preparation of your company's strategic plan. Specifically, your task is to analyze the competitive marketplace using Porter's five forces model. Prepare your analysis, using your knowledge of a business you have an interest in working for. (10 Marks)

(c) Based on the analysis you performed in the preceding discussion question, what possible strategies could your organization adopt to address these challenges? Critically analyze the role of information systems play in these strategies. (10 Marks)



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Question 05

Every day, over 1.9 billion servings of Coca-Cola products are sold in approximately 16 million retail outlets located in more than 200 countries across the globe. To accomplish this gargantuan task, Coca-Cola has long relied on a supply chain management system – an information system that manages all activities involved in raw material sourcing and procurement, conversion of raw materials to finished products, and the warehousing and delivery of finished product to customers. To increase efficiency, Coca-Cola needed a supply chain performance management application that would improve the consistency of real-time information across its vast supply chain.

In 2010, Coca-Cola hired ITC Infotech, then Coca-Cola established guiding principles for the new system: the same metrics must be used across the supply chain, with a focus on metrics that do not require manual inputting or intervention of data; the application must incorporate metric standards established by the beverage industry; and the application must provide consistent supply chain reporting that identifies production adjustments required to adapt to new business goals or changes in the marketplace. The company's goal was to gain uniformity across the company's three divisions – Coca-Cola North America, Coca-Cola International, and the Bottling Investments Group – and to establish closer supply chain cooperation with its bottling partners.

The system reports performance scores on a real-time basis in the areas of planning, production, and customer service. The system was so successful in increasing supply chain efficiency that the company decided to implement it globally.

- a) To which trend the supply chain management system of Coca-Cola belongs? Justify your answer. (05 Marks)

- b) Critically analyze the following statement by giving evidence from the given case to verify your answer.

“When analyzing the tasks performed by the Supply Chain Management System – an information system used by Coca-Cola can be considered as a combination of two major types of information systems, rather than considering it belongs to a one type.”

Do you agree with the above statement? (10 Marks)



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- c) The supply chain management system of Coca-Cola has the characteristics of following types of system. Provide examples from the case to explain how this IS holds characteristics of each type. (10 Marks)
- I. Functional business systems
 - II. Cross-functional informational systems

Question 06

- a) Explain what is meant by "Knowledge Workers". (03 Marks)
- b) Your company wants to do more with knowledge management. Describe the steps it should take to develop a knowledge management program and select knowledge management applications. (10 Marks)
- c) Describe various ways that knowledge management systems could help firms with sales and marketing or with manufacturing and production. (12 Marks)

Question 07

Write short notes on the following topics. (5*5 Marks)

- (a) ERP system
- (b) SCM system
- (c) CRM system
- (d) KM system
- (e) Push vs Pull systems

-----END OF THE QUESTION PAPER-----

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Year 2 Semester I

REPEAT EXAMINATION

Transport and Logistics Policy- LTTP2204

- This paper consists of SEVEN (07) questions on FOUR (04) pages.
- Answer FOUR (04) Questions including Question 01.
- Only non-programmable calculators are allowed.
- You may use appropriate graphs, diagrams, equation/s to prove or justify the answers.
- If you have any doubt as to the interpretation of the wording of a question, make your own decision, but clearly state it on the script.
- Write Legibly.

Date: 2023.06.15

Pass mark: 50%

Time: 02 Hour

Question 01: (Compulsory)

- (a) What is meant by a Transport Policy? Distinguish between a Transport policy and a Transport Plan (05 Marks)
- (b) One of the significant current issues identified in the Land Transport System in Sri Lanka is "Centralization of Land Transport System (Both Road and Rail) within the Colombo CBD (Central Business District) and is road dominated without efficient linkages to other modes. This arises the need of modernizing the transport system to meet the new economic challenges in the 21st century"
Express your comments on the above statement and illustrate three (03) suggestions to overcome the future consequences (10 Marks)
- (c) The post covid situation has raised many goods and services to increase their prices, as a result the cost of transportation has increased. At the same time Sri Lanka has to face a period of fuel crisis where, it has been nowadays diluted based on the approach of introducing a fuel quota system. Due to the above reasons, supply chain of goods, especially for imported products had been hindered.



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Criticize the above statement and explain three (03) suggestions that would have implemented as policies to over come these. (10 Marks)

Question 02

- (a) Briefly describe accessibility and mobility with relevant examples (05 Marks)
- (b) Explain the two (02) spatial categories of accessibility (05 Marks)
- (c) List down and explain three (03) challenges for urban transportation and explain three (03) appropriate strategies to overcome those challenges (15 Marks)

Question 03

- (a) List down and briefly explain five (05) issues in rural transportation sector in Sri Lanka (05 Marks)
- (b) "The typical centroid in the Freight and Logistics Sector in Sri Lanka is considered to be Pettah, within which almost all freight related activities are done. With this scenario, the CBD has become more congested and having negative externalities. " Critically comment on the above statement. Give your arguments to support the comments (10 Marks)
- (c) Transportation plays a significant role in a country for the development of its society and its economy.
 Explain the impact of transportation towards a country's society and economy with reference to the contexts of Sri Lanka and China as two examples. (10 Marks)



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Question 04

- (a) Briefly explain the significance of a Logistics policy for a country (05 Marks)
- (b) List down five (05) different areas concerned under the boarder policies of Customs in Sri Lanka (05 Marks)
- (c) One of the important measures that the National Logistics Policy of Indonesia adapted was 'The inclusion of human resources, new Information and Communication technologies as factors when formulating the National Logistics Policy'
 Explain the importance of such measures and their relevance to the National Logistics Policy in Sri Lanka (10 Marks)
- (d) Illustrate and briefly explain the logistics cycle and its relevance to the policy (05 Marks)

Question 05

- (a) List down five (05) strategies that are adopted under the development plans of Sri Lanka Railways in the National Transport Policy (05 Marks)
- (b) Briefly explain with four (04) points : the importance of having 'Transport System performance measures over the threats of major accidents, terrorist attacks and natural disasters' included in a National Transport Policy as analysis measures (10 Marks)
- (c) Explain with three (03) reasons as to why there should be a central policy regulator for the bus transportation in Sri Lanka? (10 Marks)



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Question 06

- (a) Explain the contemporary transport planning process (05 Marks)
- (b) Smart mobility integrates all modes of transportation via wireless communications and applies real-time data analytics and machine learning to make transportation safer and more efficient.
Mention three (03) restraints to mobility and discuss the need for smart mobility. (10 Marks)
- (c) 'Public consultation in doing the transport planning process specially when doing the strategic/long term transport projects are highly important'
Justify your answer by giving three (03) relevant reasons (10 Marks)

Question 07

Select any two (02) of the below topics as per your preference and give brief summary of each elected topic.

- (a) Logistics Policy. (10 Marks)
- (b) Impediments to Rail Freight Transportation. (10 Marks)
- (c) The Avoid-Shift-Improve Approach. (10 Marks)
- (d) Components of transport. (10 Marks)

-----END OF THE QUESTION PAPER-----



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Year 2 Semester I

REPEAT EXAMINATION

Port Management – LTPM2207

- This paper consists of SEVEN questions on TWO (02) pages.
- Answer FOUR questions including Question 01.
- Only non-programmable calculators are allowed.
- You may use appropriate graphs, diagrams, equation/s to prove or justify the answers.
- If you have any doubt as to the interpretation of the wording of a question, make your own decision, but clearly state it on the script.
- Write legibly.

Date: 2023.06.13

Pass mark: 50%

Time: 02 Hours

Question 01 (Compulsory)

What are the current facilities & status of the

- | | |
|------------------------|------------|
| a) Port of Colombo | (10 Marks) |
| b) Port of Galle | (5 Marks) |
| c) Port of Hambantota | (5 Marks) |
| d) Port of Trincomalee | (5 Marks) |

Question 02

- | | |
|--|------------|
| a) Describe Navigation Operation | (10 Marks) |
| b) Name & describe Port Administration Models? | (5 Marks) |
| c) Explain what a Sea Port on your own words? | (10 Marks) |

Question 03

- | | |
|--|------------|
| a) Name Port Customers & what do they expect from the port/terminal? | (10 Marks) |
| b) What are the fundamental observations concerning Ports? | (5 Marks) |
| c) List out Main Tariff Items of Sri Lanka Ports Authority Tariff? | (10 Marks) |

Question 04

- | | |
|---|------------|
| a) Name the Navigational Charges as per the SLPA Tariff? | (5 Marks) |
| b) Why measure Port Business Performance? | (5 Marks) |
| c) What is Port Marketing and list out marketing tools to promote the port? | (10 Marks) |

- d) Name port related Value-added Logistic services? (5 Marks)

Question 05

- a) What are the Functions of the SLPA Logistics Division? (10 Marks)
b) What is the primary function of a Sea Port? (5 Marks)
c) What is the difference between a Port & a Harbor? (10 Marks)

Question 06

- a) Why Port of Colombo went for an expansion and give reasons? (10 Marks)
b) What are the salient features of the project including Navigational? (10 Marks)
c) Name the two Private Container Terminals in the Port of Colombo? (2 Marks)
d) Name the three SLPA managed Container Terminals in the Port of Colombo? (3 Marks)

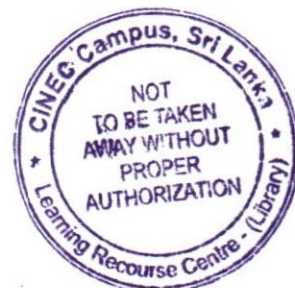
Question 07

- a) Name commercial ports in Sri Lanka? (5 Marks)
b) Name the two Port Management Companies that manage the Port of Hambantota? (4 Marks)
c) Explain SLPA Sri Lanka Ports Authority including its history, formation, objectives & duties? (16 Marks)

-----END OF THE QUESTION PAPER-----



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Year 2 Semester I

REPEAT EXAMINATION

Maritime Law – LTML2206

- This paper consists of SEVEN questions on TWO (02) pages.
- Answer FOUR questions including Question 01.
- Only non-programmable calculators are allowed.
- You may use appropriate graphs, diagrams, equation/s to prove or justify the answers.
- If you have any doubt as to the interpretation of the wording of a question, make your own decision, but clearly state it on the script.
- Write legibly.

Date: 2023.06.12

Pass mark: 50%

Time: 02 Hours

Question 01 - Compulsory

“Being an island nation, Sri Lanka is working towards converting the Colombo Port to a hub Port in Asia. The country should therefore take the lead in the international foray in maritime related affairs. By providing for a definite legal regime in the area of limitation of liability for maritime claims in its domestic laws, Sri Lanka’s status in the sphere of global maritime law will no doubt be further enhanced.”

In light of the above statement, discuss the importance of maritime law in Sri Lanka and its role in promoting maritime trade, ensuring maritime safety and security, and resolving maritime disputes.

(25 marks)

Question 02

Compare and contrast the Hamburg Rules and Hague-Visby Rules in maritime law. Analyze their approach towards limitations of liability, carrier's obligations, and the responsibilities of the parties involved in the contract of carriage.

(25 marks)

Question 03

Discuss the concept of marine insurance and the duties and responsibilities of the insurer and the insured. (25 marks)

Question 04

Define the concept of seaworthiness in maritime law and discuss the key factors that determine the seaworthiness of a vessel. Support your analysis with relevant case laws. (25 marks)

Question 05

- i. What is a contract of affreightment? (5 marks)
- ii. Explain the significance of a charter party agreement and a bill of lading in maritime trade and discuss the roles and responsibilities of the parties involved. (20 marks)

Question 06

Analyze the concepts of ship registration and ship nationality and evaluate the significance of ship registration in establishing ownership rights. Support your analysis with relevant case law. (25 marks.)

Question 07

Write short notes in following areas.

- a) Flag state
- b) Hague Visby Rules
- c) Marine environment
- d) Nationality of ships
- e) UNCLOS

(5x5 marks)

-----END OF THE QUESTION PAPER-----



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Year 2 Semester I

REPEAT EXAMINATION

Air Cargo and Passenger Transportation – LTAT2205

- This paper consists of SEVEN questions on FOUR (04) pages.
- Answer FOUR questions including Question 01.
- Only non-programmable calculators are allowed.
- You may use appropriate graphs, diagrams, equation/s to prove or justify the answers.
- If you have any doubt as to the interpretation of the wording of a question, make your own decision, but clearly state it on the script.
- Write legibly.

Date: 2023.06.09

Pass mark: 50%

Time: 02 Hours

Question 01 (Compulsory)

- (a) Aviation's global economic impact is estimated at \$2.7 trillion, equivalent to 3.6% of world gross domestic product (GDP). Its contribution includes direct, indirect, induced and tourism catalytic impacts. Briefly explain these impacts with examples. (12 Marks)
- (b) Explain general commodity rate, Specific commodity rate and Classification Commodity rate with examples. (08 Marks)
- (c) Bizwiz Company Pvt. Ltd. is going to ship some cargo from Shanghai to Jakarta, Indonesia. The shipment consists of 06 boxes, each weighing 17 kg, and each measuring 25 x 55 x 75 cm. Find the chargeable weight. (05 Marks)

Question 02

- (a) Compare All cargo carriers and Belly cargo carriers under the following categories:
- Cost of service
 - Dimensions and type of cargo
 - Flight schedules and network
- (15 Marks)

(b) Briefly explain the role of a freight forwarder. (05 Marks)

(c) Explain what is an airway bill. (05 Marks)

Question 03

(a) Explain each of the following with an example.

i. Hazard

ii. Consequence of a hazard

iii. Safety Risk

(10 Marks)

(b) SHELL Model is widely used in the air transport industry to understand the human contribution to safety and to support the human operational performance necessary to achieve the system's production goals. Explain with examples the relationship of each element in the SHELL Model in the context of an airline.

(15 Marks)

Question 04

(a) The six basic flight instruments in the cockpit are categorized into two as pitot-static instruments and gyroscopic instruments. Briefly explain 1(one) instrument from each category. (10 Marks)

(b) Explain the weight buildup of an aircraft with the aid of a diagram. (10 Marks)

(c) List down 5(five) fuel components of block fuel. (05 Marks)

Question 05

(a) Briefly explain the Chicago Convention. (07 Marks)

(b) There are different business models in the airline industry. What are these business models? Identify the unique characteristics of these business models with examples of airlines for each model. (12 Marks)

(c) Explain how codeshare agreements work with an example. (06 Marks)

Question 06

(a) Aeroflo airline is a major airline of France. The table depicts the passenger movements of the airline performed by the B747 aircraft of the airline with a seat

capacity of 250 seats. Airline operates two flights daily to Shanghai airport (PVG) in China originating from Paris Charles de Gaulle Airport (CDG) France.

Note: Consider a calendar month as 31 days.

Sector length	CDG-PVG (9300 Km)	
	CDG-PVG	PVG-CDG
Sector	Passengers	Passengers
APR	12500	12500
MAY	13500	13200
JUN	13800	12000
JUL	12000	13500
AUG	12900	13900

- i. What will be the ASK by Aeroflo airline in CDG-PVG for the month of **August** for **round trips**? (04 Marks)
 - ii. What will be the RPK by Aeroflo airline in CDG-PVG for the month of **August** for **round trips**? (04 Marks)
 - iii. What will be the passenger load factor by Aeroflo airline in CDG-PVG for the month of **August** for **round trips**? (02 Marks)
 - iv. Explain why a high load factor and high yield are not ideal indicators of an airline's success and profitability. (06 Marks)
- (b) Describe the advantages and disadvantages of adopting an open skies policy for air transportation in Sri Lanka. (09 Marks)

Question 07

- (a) Explain the air passenger rights applicable in the event of a flight delay, flight cancellation, denied boarding, delayed, lost or damaged baggage in the context of EC Regulation 261. (15 Marks)
- (b) Explain the change in civil aviation management that occurred when the state functions were transferred into public corporations or limited liability companies with the use of a diagram. (10 Marks)

-----END OF THE QUESTION PAPER-----



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Year 2 Semester I

REPEAT EXAMINATION

Intermediate Economics – LTIE2202

- This paper consists of SEVEN questions on THREE (03) pages.
- Answer FOUR questions including Question 01.
- Only non-programmable calculators are allowed.
- You may use appropriate graphs, diagrams, equation/s to prove or justify the answers.
- If you have any doubt as to the interpretation of the wording of a question, make your own decision, but clearly state it on the script.
- Write legibly.

Date: 2023.06.08

Pass mark: 50%

Time: 02 Hours

Question 01: (Compulsory)

- (a) Define the indifference curve, slope and properties of it (15 Marks)
- (b) What do you mean by consumers' equilibrium? Explain the conditions at equilibrium. (10 Marks)

Question 02

- (a) "The slope of the budget line is the negative of the ratio of the prices of two goods". Do you agree? Explain with example. (10 Marks)
- (b) There are two types of products named X and Y. The 20% increase in price of product X will decrease the quantity demanded of Product X by 10% while decrease the demand for Product Y by 10%. Explain the nature of goods and shows the relevant Price Consumption Curve. (15 Marks)

Question 03

- (a) Explain Producer's equilibrium (06 Marks)
- (b) What do you mean by "Production Expansion Path"? (06 Marks)

- (c) Explain the term "Economic region of production". (06 Marks)
 (d) Explain the behavior of traditional cost curves in Short run (07 Marks)

Question 04

- (a) Explain each component of gross domestic production in an open economy. (08 Marks)
 (b) Explain the concept of "Liquidity Preference" (07 Marks)
 (c) Drive the IS curve (05 Marks)
 (d) Drive the LM curve (05 Marks)

Question 05

- (a) You are given the following a set of information on money & goods market of a three sector economy,

$$\begin{aligned} C &= 120 + 0.5Y_d & T &= 40 \\ I &= 100 - 10i & G &= 50 \\ M_s &= 600 & (M/P)_d &= Y - 20i \\ P &= 2 \end{aligned}$$

Where C- consumption, Y- national income, Y_d - disposable income, i- interest rate, T- taxes, I- investment, G- government expenditure, M_s - money supply, $(M/p)_d$ - real money demand and P- Price levels.

- (i) Determine the equilibrium interest rate & income (08 Marks)
 (ii) Assume that G increases to 200. By how much will Y increase in short run equilibrium? (05 Marks)
 (iii) Calculate value for savings, investment, disposable income and consumption at equilibrium level mentioned in part (i). (12 Marks)

Question 06

You are given following game. The payoffs of game represent the profits of each firm. Explain game between two firms. (25 Marks)

		Firm 2			
		None		New product	
Firm 1	None	4	4	3	16
	New Product	6	3	2	2

Question 07

Write short notes on any Five (5) of the following

- (a) Indifference Curve.
- (b) Expansionary Fiscal policy
- (c) Liquidity preference
- (d) Open market operation
- (e) Multipliers
- (f) Dominant Strategy.

(25 Marks)

-----END OF THE QUESTION PAPER-----



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Course CODE: COM551



Year 2 Semester I
REPEAT EXAMINATION
Financial Management- LTFM2201

- This paper consists of SEVEN questions on EIGHT (08) pages.
- Answer FOUR (04) Questions including Question No: 01.
- Only non-programmable calculators are allowed.
- You may use appropriate graphs, diagrams, equation/s to prove or justify the answers.
- If you have any doubt as to the interpretation of the wording of a question, make your own decision, but clearly state it on the script.

Date: 2023.06.06

Pass mark: 50%

Time: 02 Hours

Question 01: (Compulsory)

ABC PLC is in the process of evaluating two capital expenditure projects for five years. However, only one project can be accepted. Following are the financial information related to these two projects.

(Rs. in millions)

	Project P	Project Q
Initial Investment	9,000,000	10,000,000
Project lifetime	5 Years	5 Years
Cash Inflow- Year 1	3,000,000	4,000,000
Year 2	2,500,000	2,000,000
Year 3	2,000,000	1,500,000
Year 4	3,200,000	4,500,000
Year 5	3,500,000	4,500,000
Discount rate per annum	15 % p. a	15% p. a
Average Annual Profits	5,000,000	3,500,000



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Required,

(a) Calculate the followings based on the above information for project P and Project

Q.

- (i). Payback Period (PB)
- (ii). Accounting rate of Return (ARR)
- (iii). Net Present Value (NPV)
- (iv). Profitability Index (PI)

(05 Marks x 4 = 20 Marks)

(b) What is the project that you recommend based on the above calculations to the management of the company? (05 Marks)

Question 02

- (a) Define the concept of financial management. (03 Marks)
- (b) Explain the main objective of financial management. (05 Marks)
- (c) Explain the main three financial management decisions with examples. (06 Marks)
- (d) Explain the role of a finance manager. (05 Marks)
- (e) Market efficiency refers to the degree to which market prices reflect all relevant information. Briefly explain the three types of market efficiency. (06 Marks)



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Question 03

(a) Explain the below terms.

- (i). Time preference for money
- (ii). Present value
- (iii). Perpetuity
- (iv). Simple interest
- (v). Compound interest

(02 x 5 = 10 Marks)

(b) What is time value of money? Explain the importance of time value of money with an example. (07Marks)

(c) Mr. John is expecting to invest Rs.30,000,000 today for 5 years in the below conditions.

Calculate the interest amount and the total amount that he will receive once the investment gets mature at the end of the 5th year under the below circumstances.

(All are independent circumstances)

- (i) Compounded annually at interest rate 12% per annum
- (ii) Compounded semi-annually at interest rate 12% per annum
- (iii) Compounded quarterly at interest rate 12% per annum
- (iv) Compounded monthly at interest rate 12% per annum (08 Marks)



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Question 04

- (a) Golden manufacturers is considering two mutually exclusive projects, A and B. The expected cash flows of the projects are as follows.

Year	Project A	Project B
0	(2,000,000)	(3,500,000)
1-5 year each year	600,000	900,000

Required,

- (i). Calculate Net Present Value (NPV), and Profitability Index of each project assuming cost of capital of 12%. (09 Marks)
 - (ii). Prepare a report by recommending a project to be selected. Justify your recommendations providing reasons. (10 Marks)
- (b) Discuss the advantages and disadvantages of capital budgeting techniques. (06 Marks)

Question 05

- (a) Explain the below terms related with international financial management.
- (i). Interest rate parity
 - (ii). Purchasing power parity
 - (iii). Fisher effects
 - (iv). International Financial Markets
 - (v). Exchange rate
- (02 x 5 = 10 Marks)
- (b) Internal and external hedging techniques can be used to mitigate the foreign exchange risks. Discuss with examples. (15 Marks)



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Question 06

- (a) List the factors that decide the cost of capital of a firm. (06 Marks)
- (b) Explain the differences between debt and equity. (03 Marks)
- (c) Define the term cost of capital and explain the importance of considering cost of capital when taking financing decisions. (08 Marks)
- (d) ABC company was recently formed to manufacture a new product. It has the following capital structure in market value terms.

Debentures	Rs. 7,000,000
Preferred stock	Rs. 3,000,000
Common stock (400,000)	Rs. 12,000,000

The company has a marginal tax rate of 40%. A study of publicly held companies in this line of business suggests that the required return on equity is about 18%. The company's debt is currently yielding 15%, and its preferred stock is yielding 10%. Compute the firm's Weighted Average Cost of Capital. (08 Marks)



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Question 07

- (a) Suppose you have the opportunity of investing your wealth either in security X or in security Y. The possible outcomes of two securities in different states of economy are given below.

Economic condition	Probability	Rate of Return (%)	
		Security X	Security Y
Depression	0.1	4	-2
Recession	0.3	6	5
Normal	0.25	10	-13
Boom	0.35	13	22

Based on the above information determine,

- (i). The expected rate of returns for Security X and Y separately. (06 Marks)
 - (ii). The Risk (variance and standard deviation) of Security X and Y separately. (08 Marks)
 - (iii). If investor expects to invest, 50% of his investment in security X and balance in security Y, calculate the portfolio return. (06 Marks)
- (b) Stock AB has an 8%, Rs.200 par value issue outstanding. The appropriate discount rate is 12%. What is the value of the preferred stock? (02 Marks)
- (c) You are thinking of buying X's preference share of Rs.200 par value that will pay a dividend of 10% perpetually. What price should you pay for the preference share if you are expecting a return of 11%? (03 Marks)

-----END OF THE QUESTION PAPER-----



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(n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833	1
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694	2
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579	3
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482	4
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402	5
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335	6
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279	7
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233	8
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194	9
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162	10
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135	11
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112	12
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093	13
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078	14
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065	15



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Formula sheet

1) Present Value of a single Cash flows

$$PV = FV (1+r)^{-n}$$

2) Future value of present cash flows

$$FV = PV (1+r)^n$$

3) Present value of an ordinary annuity

$$PV = \text{Cash Flow} * \left(\frac{1 - (1+r)^{-n}}{r} \right)$$

4) Future value of an ordinary annuity

$$FV = \text{Cash Flow} * \left(\frac{(1+r)^n - 1}{r} \right)$$

5) Expected Return

$$E(R) = \sum_{i=1}^n R_i P_i$$

6) Expected Risk of an individual asset

$$\sigma^2 = \sum_{i=1}^n [R_i - E(R)]^2 P_i$$

7) Expected Risk of a portfolio

$$\sigma_P^2 = W_1^2 \sigma_1^2 + W_2^2 \sigma_2^2 + 2W_1 W_2 Cov_{1,2}$$

8) Covariance between two assets

$$\sigma_{x,y} = \sum_{i=1}^n [R_x - E(R_x)][R_y - E(R_y)] P_i$$