# CINEC
## CAMPUS
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<u>PAST PAPERS</u>

| Faculty | Department / Section/Division |
|---|---|
| Not Applicable | Learning Resource Centre |

## Past Papers

Faculty of Management & social Sciences
Department of Management and Business Studies

# BMgt. (Hons) in Retail Marketing and Branding

# (Year 2 – Semester I)

# 2019 - 2022

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Faculty of Management and Social Sciences
Department of Management and Business Studies
BMgt (Hons) in Retail Marketing and Branding
Course CODE: BMgt 555

## Year 2 Semester I
## SEMESTER END EXAMINATION
## Business Law – BRMB 2302

- This paper consists of EIGHT (08) questions on FOUR (04) pages.
- Answer FIVE (05) 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:   2022.09.26                    Pass mark: 40%                    Time: 03 Hours

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## Question 01: (Compulsory)

General jurisprudence, as this philosophical inquiry about the nature of law is called, is **meant to be universal**. It assumes that law possesses certain features, and it possesses them by its very nature, or essence, as law, whenever and wherever it happens to exist. (The Nature of Law - Stanford Encyclopedia of Philosophy)

a) Name scholars who lived in the classical period.                    (01 Mark)

b) Explain how the law was identified during the Middle era?                    (05 Marks)

c) Explain the concept of pure theory of law.                    (05 Marks)

d) What is the concept of nature of law? Critically explain your own thoughts regarding the nature of law.                    (09 Marks)

## Question 02

While tort or delicta law in civil law jurisdictions largely trace their origin to Roman law, a distinctive body of law arose in the common law world derived from customary English tort law. In civil law jurisdictions based on civil codes, both contractual and tortious or delicta liability is typically outlined in a civil code based on Roman Law

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principles. In Scots and Roman Dutch law, on the other hand, the situation is like tort law in common law jurisdictions in that rules regarding civil liability are established primarily by precedent and theory rather than an exhaustive code; however, like other civil law jurisdictions, the underlying principles are drawn from Roman law.

a) How do you define the idea of the law of tort? (10 Marks)

b) what are your opinions about medical negligence in Sri Lanka? (05 Marks)

c) briefly explain the doctrine of **"res ipsa loquitur"** - 'the thing speaks for itself'

(05 Marks)

## Question 03

a) **"Donoghue v Stevenson"**. The "Paisley Snail" or "Snail in the Bottle" case was a landmark court decision in Scots delict law and English tort law by the House of Lords. It laid the foundation of the modern law of negligence in Common law jurisdictions worldwide, as well as in Scotland, establishing general principles of the duty of care. Critically examine the above case law with relating to the law of delicts. (10 Marks)

b) Explain the reasonable man's test in law of tort? (05 Marks)

c) What does the Bolitho test mean? (Explain your own idea) (05 Marks)

## Question 04

a) What is a higher purchase agreement (HP Agreement)? (05 Marks)

b) What are the obligations of the hirer under the Consumer Credit Act No.29 of 1982?

(09 Marks)

c) How does the Interpretation clause – section 31, define hirer, owner, and the higher purchase price? (06 Marks)

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## Question 05

a) A **cheque** is a document that orders a bank (or credit union) to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued.... write a full essay regarding the **different types of cheques** and the **process of crossing cheques**. (15 Marks)

b) What does a **negotiable instrument** mean? Explain your answer with examples.

(05 Marks)

## Question 06

Write short notes of any 5 topics given below.

a) Money order

b) Section 18 of Sales of Goods Ordinance (SOGO)

c) The Consumer Credit Act No.29 of 1982, Sri Lanka.

d) Agency by Estoppel

e) Duress in Law of contract.

f) General crossing

g) Computer Crimes recognized under the Computer Crime Act No.24 of 2007

h) Classification of goods under the Sales of Goods Ordinance (SOGO)

g) Special Crossing (5*04 Marks = 20 Marks)

## Question 07

"Under the sale of Goods Ordinance, the right of lien is a remedy available to the unpaid seller where the buyer has breached the contract".

   (i)     Explain under which circumstances the unpaid seller is entitled to exercise
           the right of lien. (10 Marks)

   (ii)    Explain under which circumstances the unpaid seller is not entitled to
           exercise this right (10 Marks)

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## Question 08

a) Critically examine the differences between conditions and warranties?   (05 Marks)

b) Briefly explain the Caveat emptor rule "Buyer should be aware"   (05 Marks)

c) Explain the **Buyers' remedies against the seller for breach of contract**   (10 Marks)

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

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### Year 2 Semester I

### END SEMESTER EXAMINATION

### BUSINESS ETHICS - BRMB 2301

- This paper consists of EIGHT (08) questions on THREE (03) pages.
- Answer FIVE (05) 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: 2022.09.23                  Pass mark: 40%                  Time: 03 Hours

## Question 01 (Compulsory)

Read the case given below and answer the questions with **proper justifications.**

Marian, a top graduate from Loyola in Humanities, was hired by a major corporation into a management position. Marian finished the corporation's management training program top in her group, and is performing above the norm in her position. She is really enjoying her work. As a black woman she feels isolated, as there are no other black women managers and few women in her area. One night at a company party she heard a conversation between two of her male co-workers and their supervisor. They were complaining to him about Marian's lack of qualifications and her unpleasant personality. They cursed affirmative action regulations for making the hiring of Marian necessary.

Marian is very upset and wants to quit.

a) Should Marian quit?                                           (03 Marks)

b) Are her co-workers correct in their evaluation?              (03 Marks)

c) Should Marian confront the co-workers?                       (03 Marks)

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d) Should Marian file a discrimination suit? (03 Marks)

e) Should Marian go to the supervisor? (03 Marks)

f) What else could Marian do? (05 Marks)

## Question 02

a) Define Business Ethics from your own words. (05 Marks)

b) Business Ethical issues can be identified under three levels. What are they?

(03 Marks)

c) What is an ethical dilemma? Give an example from business context. (05 Marks)

d) Everyone agrees that business managers understand finance and marketing. But is it necessary for them to study ethics? Explain your answer. (07 Marks)

## Question 03

When applied to business context, religious teaching about ethics and normative ethical theory from philosophy both tend to have the same goal, namely, how to decide what is the correct thing to do when faced with moral dilemmas in commerce."

Do you agree with this statement? Justify your answer. (20 Marks)

## Question 04

a) How ethical and moral principles can help a business firm to protect its employees against harassment? Discuss. (10 Marks)

b) "Ethical marketing needs to be practiced in the entire marketing mix" Do you agree with this statement? Discuss your status with examples. (10 Marks)

## Question 05

a) List four habits of strong ethical leader                                (04 Marks)

b) Outline and discuss the ethical decision making process.              (06 Marks)

c) "The more ethical employees perceive an organization's culture to be, the less likely they are to make unethical decisions." Do you agree with this statement? Justify your answer.                                (10 Marks)

## Question 06

a) What is the need for Social Responsibility of a business enterprise? Explain.

(10 Marks)

b) Describe the Carroll's model of social responsibility with the diagram. (10 Marks)

## Question 07

You are being asked to speak at your school's commerce day as a first-year student in the Retail Marketing and Branding degree program on the topic of "*The role of business ethics in a competitive business environment.*"

Write your speech you wish to deliver, emphasizing the importance of business ethics.

(20 Marks)

## Question 08

Select any four and write short notes                                (05 Marks*04 =20 Marks)

a) Ecological ethics
b) Creating Shared Value (CSV)
c) Ethical issues in Finance
d) Utilitarianism
e) Code of conduct

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

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## Year 2 Semester II
## End Semester Examination
PACKAGING AND LOGISTICS MANAGEMENT– BRMB 2307

- This paper consists of EIGHT (08) questions on FIVE (05) pages.
- Answer <u>FIVE (05)</u> 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: 2022.09.17          Pass mark: 40%          Time: 03 Hours

## Question 01 (Compulsory)

**Read the below case study and answer the questions.**

"**Organic Dairy**" company is a well-established manufacturer of dairy products and currently a **brand leader** in the butter market. It now wishes to establish a greater presence within the healthy food sector by increasing its portfolio of organic products. A key strategy is entry into the yoghurt market with a new range of organic yoghurts. The company has experience in this market through manufacture and supply of own label yoghurt products. This brief is particularly **aimed at providing mums with a choice of healthy snacks** for their children's lunchbox. The product range, under development, will initially include apple, strawberry, peach and raspberry variants in a creamy organic yoghurt base, using real fruit. Portion size will be between 80 and 100 ml and, unusually, multipacks will contain five portions (one per day). The target audience is 25–35-year-old women with young children aged 4-9. Products will be sold within the chill cabinet yoghurt section of the major multiples.

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a) What are the two major markets that **"Organic Dairy"** must focus on, in lounging
their new product? (05 Marks)

b) Discuss in detail, how important the packaging is for **"Organic Dairy"** company
as it's going to lounge a new product to the market based on;

- Brand Values
- Advertising
- Competitors (15 Marks)

## Question 02

**"Very Berry"** is a company which has initiated recently for the production and
distribution of mixed berry drinks. They have planned on distributing their drinks both
locally and internationally. However, the company still doesn't have a precise
knowledge about the packaging.

a) Advice **"Verry Berry"** company about the major three types of packaging that
they must use to distribute their products both locally and internationally.

(06 Marks)

b) Since the company is newly formulated, company believes the fact that
packaging is used only for the purpose of protecting the product. Explain the
company, key drivers of packaging. (08 Marks)

c) What exactly is the role of packaging? Explain (06 Marks)

## Question 03

**"Starbucks"** the coffee giant has plans to replace their disposable coffee cups
with <u>compostable ones</u> and is also aiming to provide a discount on customers' drinks if
they bring their own reusable mug.

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a) What do you think are the key drivers for Starbucks company to shift towards sustainable packaging? Explain at least three such drivers.  (06 Marks)

b) Explain how flexible packaging is sustainable and how important it is for sustainability?  (07 Marks)

c) With more companies moving towards sustainable packaging, what do you think are the trends in sustainable packaging?  (07 Marks)

## Question 04

a) Describe in detail, the function played by packaging in selling the product with real world examples.  (05 Marks)

b) Differentiate between **"Dispensing closures"** and **"Non dispensing closures"**  (05 Marks)

c) Convenient closures help eliminate "wrap rage". Explain this statement in your own words.  (06 Marks)

d) Explain in brief, why are the dispensing closures important?  (04 Marks)

## Question 05

"**Hungry Bunny**" is a renowned fast food company for it's delicious burgers which are offered in many flavors. However, due to the immense competition in the market, "**Hungry Bunny**" has now decided on targeting vegan market in offering burgers. They plan on marketing their newest addition to the menu and thus doubt about the necessity of doing marketing as their brand name is well established in the market.

a) Distinguish between "marketing" and "branding" to "**Hungry Bunny**" company.  (06 Marks)

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b) Since "Hungry Bunny" is a fast food company, they think that packaging doesn't play an important role in promoting their product to the market. Explain in detail, the impact of packaging on product promotion. (08 Marks)

c) Explain how packaging has become an integral part of the marketing mix.

(06 Marks)

## Question 06

Map and separately present the packaging and logistical factors in every stage of the grocery retail supply chain based on the following criteria. (20 Marks)

| Stage of the supply chain | Packaging Level |
|---|---|
| Manufacturer | Primary |
| Distribution center | Secondary |
| Retail outlet | Tertiary |

## Question 07

a) Kasuni has started a business of selling handcrafted materials and she is keen on selecting the best packaging material for her products. Explain Kasuni, the factors impacting the choice of best packaging material for her products. (08 Marks)

b) Name and explain three characteristics of an ideal packaging. (06 Marks)

c) Draw and illustrate, parts of a standard label. (06 Marks)

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## Question 08

Write short notes on below topics

a) Rigid Packages.

b) Grade label.

c) Modified Atmosphere and Vacuum Packaging.

d) Functions of labelling.

(05 Marks*4=20 Marks)

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

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Course CODE: BMgt 555

## Year 2 Semester I
## SEMESTER END EXAMINATION
## Entrepreneurship & Small Business Management – BRMB-2303

- This paper consists of EIGHT (08) questions on FOUR (04) pages.
- Answer <u>FIVE (05)</u> 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: 2022.09.12          Pass mark: 40%          Time: 03 Hours

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## Question 01: (Compulsory)

a) Discuss **Outline of Business Plan** with suitable examples related to Sri Lankan entrepreneurship and small businesses.                    (15 Marks)

b) What are the **different types of viabilities** that can be used to conduct an appraisal of a business plan related to Entrepreneurship & Small Business Management in Sri Lanka? Explain 05 of them?                    (05 Marks)

## Question 02

a) What is a **business plan**? Explain the concept by identifying who write the business plan, scope, and provide suitable examples.                    (05 Marks)

b) Make a **list of Information** that needs to develop a **business plan** for Sri Lankan entrepreneurs and small business owners.                    (05 Marks)

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c) Briefly discuss three **fundamental types of business plans**.           (10 Marks)

## Question 03

a) Discuss the **Pitching business concept** by providing suitable directions to write it.

(05 Marks)

b) Identify different criteria to impact when developing a **general profile of your customers** as an entrepreneur in Sri Lanka?           (05 Marks)

c) Explain **how to develop the business concepts** for Sri Lankan entrepreneurs and small business owners.           (10 Marks)

## Question 04

Idea generation is a creative process businesses use to generate new ideas, whether they're tangible or intangible. It involves gathering ideas, research, testing, editing or revising, and ultimately implementing the plan.

a) List down 10 **different business ideas for beginners** with suitable examples?

(10 Marks)

b) Discuss **internal sources and external sources** of new product idea development for Entrepreneurs and Small Business owners.           (10 Marks)

## Question 05

Strategic planning is a systematic process for developing an organization's direction. It also articulates the objectives and actions required to achieve that future vision and outlines metrics for measuring success.

a) Discuss 05 **Needs to scan the business environment** analysis in the SME sector?

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(05 Marks)

b) Explain how to build your business plan in a solid strategic way based on **internal and external environmental analysis** of the Sri Lankan SME sector? (15 Marks)

## Question 06

Self-assessment for entrepreneurship is a searching review of key questions that the potential entrepreneur must answer before beginning any business development process.

a) List down 04 importance of Self-assessment for entrepreneurs? (04 Marks)

b) Determine the concept of personnel development plan while understanding the development of both individual and enterprise? (06 Marks)

c) Explain the process of the personnel development plan with suitable relations to Sri Lankan Entrepreneurship and Small Businesses? (10 Marks)

## Question 07

a) Highlight the concept of entrepreneurial culture? (02 Marks)

b) Make a list of ten (10) Problems and challenges that are facing small and Medium Enterprises (SMEs) of Sri Lanka? (05 Marks)

c) Discuss different Entrepreneurial Culture characteristics related to Sri Lankan Small and Medium Enterprises (SME) sector? (06 Marks)

d) Write a short note about Women entrepreneurs in Sri Lanka. (07 Marks)

## Question 08

a) Explain different types of Entrepreneurs who can be identified in the Sri Lankan SME sector with suitable examples? (07 Marks)

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b) Make a list of ten (10) Needs for Entrepreneurship? (05 Marks)

c) **Are Entrepreneurs Born or Made?**

Develop your argument based on Characteristics/Qualities/Rewards/Risks, barriers, and other related factors that affect to become an entrepreneur.

(08 Marks)

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

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### Year 2 Semester I

### END SEMESTER EXAMINATION

### Microeconomics- BRMB 2305

- This paper consists of EIGHT (08) questions on FIVE (05) pages.
- Answer <u>FIVE (05)</u> questions including question 01.
- 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: 2022.09.14               Pass mark: 40%               Time: 03 Hours

## Question 01: (Compulsory)

Fill in the blanks with appropriate economics related terms.

a) "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses"

This definition was given by the great economist ————————.

b) ———————— , ———————— , ———————— , ———————— are the four factors of production.

c) The three basic economic problems are ———————— , ———————— , ————————.

d) To measure how the quantity demanded and/supplied changes relative to a change in price, we use the concept of ————————.

e) If an increase in the price of a substitute leads to ———————— quantity demanded, the cross price elasticity of demand is ————————.

f) If price falls and total revenue falls, demand must be ————————.

g) The functional relationship between inputs and output is known as ————————.

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h) Total cost is the sum of ——————— and ——————— .

i) Economics is a ——————— science.

j) The points on the production possibility frontier illustrates the ———————.

k) ——————— expresses the inverse relationship between price and quantity demanded.

l) In the case of ——————— elastic demand total revenue remain the same when price changes.

m) According the elasticity of income ——————— goods can be sub divided in to luxuries and necessaries.

(20 Marks)

## Question 02

a) Economics is Science of Choice" Discuss.                                    (05 Marks)

b) Differentiate between Microeconomics and Macroeconomics.                     (05 Marks)

c) What is PPF? What assumptions are made while drawing it? Why it is generally concave to the origin?                                                            (05 Marks)

d) What is opportunity cost? Why does it increase when more of a commodity is produced?

(05 Marks)

## Question 03

a) Explain why all combinations of goods shown on a production possibilities curve display production efficiency but only one combination displays allocative efficiency. (Use appropriate charts to explain your answer)                                    (10 Marks)

b) Briefly explain, why Microeconomic analysis is important for the policy makers of a country.

(10 marks)

## Question 04

a) A girl sells lemonade at a stand for Rs. 100 a cup. On a very hot day, the lemonade becomes even more popular, and the girl realizes she can raise her price a little and still sell all her lemonade. One afternoon, a diabetic boy comes along asking for lemonade with extra sugar because his blood sugar has fallen to dangerously low levels. The girl sees an opportunity and doubles the lemonade price. The boy doesn't have enough money, but she tells him she will give him a lemonade right away provided he promises to pay back her next day the full price. Having no choice, the boy agrees.

    i.    What can you conclude about the boy's price elasticity of demand for sweet lemonade at that particular moment?     (05 Marks)

    ii.    What would have happened to the quantity of lemonade demanded if the other children were faced with doubled lemonade price? Explain in terms of their price elasticity of demand for lemonade.     (05 Marks)

b) What can you say about the difference between price elasticity of demand and the slope of a straight line demand curve?     (05 Marks)

c) List down the determinants of price elasticity of supply     (05 Marks)

## Question 05

a) Explain the meaning of cross price elasticity of demand. Why it involves a shifting demand curve?     (05 Marks)

b) What can you conclude about the relationship of goods A and B in the following situations?

    i.    Sales of good A increase by 10% in response to a price decrease in good B of 15%.

    ii.    Sales of good B decrease by 10% in response to a price decrease in good A of 15%.

    iii.    Sales of good B remain unchanged in response to a price decrease in good A of 15%.           (06 Marks)

c) Suggest examples of pairs of goods that might correspond to goods A and B in parts (i), (ii) and (iii) of question b.           (06 Marks)

d) If the cross price elasticity between Coca –Cola and Pepsi is 0.7, how will the demand for Coca Cola change if the price of Pepsi increases by 5%? (Indicate whether the demand for Coca Cola will increase or decrease.)           (03 Marks)

## Question 06

a) Suppose that the market for milk can be represented by the following equations;

$$\text{Demand: } P = 12 - 0.5Q_d$$

$$\text{Supply: } P = 0.1Q_s$$

Where P is the price per gallon, and Q represents quantity of milk, represented in millions of gallons of milk consumed per day.

a) Calculate the equilibrium price and quantity of milk.           (05 Marks)

b) To help dairy farmers, the government sets a minimum price $ 2.50 per gallon of milk. What is the new quantity of milk sold in the marketplace?           (05 Marks)

c) Illustrate your answers to (a) and (b) on a graph. Using this graph, calculate how the consumer surplus and producer surplus change after the price supports are enacted. Also calculate any deadweight loss that results.           (10 Marks)

## Question 07

a) Explain the difference between normal goods and inferior goods?           (05 Marks)

b) What will happen to sales of a product whose income elasticity of demand equals to +0.6?

          (05 Marks)

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c) How could you use income elasticity of demand values to advise a company on how to produce a mix of goods and services that would reduce the risk often associated with only producing a very narrow range of products? (10 Marks)

## Question 08

(a) Distinguish between accounting cost and economic cost. (06 Marks)

(b) Give an example for implicit cost (02 Marks)

(c) Explain the following cost concepts

    i.    Average fixed cost (AFC)

    ii.   Average variable cost (AVC)

    iii.  Average total cost (ATC) (06 Marks)

(d) Give reasons for the U- shape of long run average cost curve. (06 Marks)

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

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Year 2 Semester I
SEMESTER END EXAMINATION
**Financial Management and Strategies – BRMB 2304**

- This paper consists of EIGHT(08) questions on SIX (06) pages.
- Answer FIVE(05) 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.
- Formula Sheet and PV tables have been attached with the paper.

Date:   2022.03.23                     Pass mark: 40%                     Time: 03 Hours

## Question 01: (Compulsory)

Follwing are the financial information related to the two mutually exclusive projects of LANTRA PLC received in the current month 2022.

Project A : Construction of Swimming Pool Complex

Project B :  Building a  Housing Scheme

( Rs in Millions )

|  | Project A | Project B |
|---|---|---|
| Initial Capital  Investment | 15,500,000 | 16,850,000 |
| Working              capital investement | 1,500,000 | 1,200,000 |
| Project life time | 15 Years | 20 Years |
| Cash Inflow- Year 1 | 2,450,000 | 4,500,000 |
| Year 2 | 4,600,000 | 5,750,000 |
| Year 3 | 5,475,000 | 3,420,000 |

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| | | |
|---|---|---|
| Year 4 | 6,725,000 | 3,600,000 |
| Year 5 | 3,455,000 | 4,500,000 |
| Year 6-15 | 200,000 per annum | - |
| Year 6-20 | | 500,000 per annum |
| Discount rate per annum | 10% | 12% |
| Average Annual Profits | 4,950,000 | 5,000,000 |

Required,

(a)  Calculate the followings based on the above information for project A and Project B.

(i)  Payback Period ( PB)

(ii)  Accounting rate of Return ( ARR)

(iii)  Net Present Value ( NPV)

(05 Marks x 3= 15 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) Explain the main objective financial management. How it differ form other objectives of a business? ( use examples) (06 Marks)

(b) What is the agency conflict?  Explain how it arise in organisations with an example.

(07 Marks)

(c) Briefly disucss the challenges  of financial management in post Covid 19 for business firms? (07 Marks)

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## Question 03

(a) What will $250,000 grow to be in 10 years if it is invested today in an account with an annual interest rate of 10% per annum on simple interest?

(b) If you wish to accumulate $500,000 in 5 years, how much must you deposit today in an account that pays an annual interest rate of 15%?

(c) What will $525,000 grow to be in 15 years if it is invested today in an account with an annual interest rate of 12% per annum on compound interest?

(d) How many years will it take for $136,000 to grow to be $468,000 if it is invested in an account with an annual interest rate of 8%?

(05 Marks x 4 = 20 Marks)

## Question 04

(a) At what annual interest rate must $150,000 be invested so that it will grow to be $800,000 in 8 years? ( on simple interest)

(b) If you wish to accumulate $400,000 in 5 years, how much must you deposit today in an account that pays a quoted annual interest rate of 13% with semi-annual compounding of interest?

(c) If you wish to invest today $800,000 for 10 years, how much you will accumulate in 10 years time on compouned annually pays an annual interest rate of 15%?

(d) Your company is considering two mutually exclusive projects, A and B. Project A involves an outlay of $250 million which will generate an expected cash inflow of $15 million per year for 25 years.

Project B calls for an outlay of $400 million which will produce an expected cash inflow of $35 million per year for 30 years.

The company's cost of capital is 16%.

Calculate the NPV of each project A and B. ( Hint : Use annaulised PV Tables)

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Propose on which project the company should be invested. Justify your proposal providing reasons.

(05 Marks x 4 = 20 Marks)

## Question 05

(a) Discuss five sources of finance available for a business with examples. (10 Marks)

(b) List down the advantages and limitation of each source that you have identified above. (10 Marks)

## Question 06

Briefly disucss the advanatages and limitation of the capital budgeting techniques such as pay back period , net present value , accounting rate of retun and internal rate of retun.

(20 Marks)

## Question 07

(a) Elobare the importance of financial management in new normal business scenario. ( Provide examples ) (10 Marks)

(b) Financial management is surroounded with three main financial management decsions. Discuss the three financial management decsions with the examples.

(10 Marks)

## Question 08

(a) Mr. Perera an investment which promises to pay $200 one year from now, $500 two years from now, $800 three years from now and $2000 four years from now. How much will be the future value of the cash flow streams at the end of year 4, given that the interest rate is 20% per annum?

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(b) What amount will accumulate if we deposit $15,000 at the end of each year for the next 10 years? Assume an interest of 16% compounded annually.

(c) Mr.Silva deposit $30,000 at the end of each year for the next 40 years from today in a approved pension fund Assume an interest of 10% compounded annually. What is the value accumulating in the pension fund at the end of40 years from today?

(d) Paul Expects $200,000 at the end of 5 year deposit. The deposit will be invested for 5 years at an interest rate of 18% per year compounded semiannually. How much Paul should invest today ?

(05 Marks x 4 = 20 Marks)

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

**CINEC**
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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

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

4) Future value of an ordinary annuity

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

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

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

9) Market Risk

$$\beta_i = \frac{Cov_{i,m}}{\sigma_m^2}$$

## Present Value and Future Value Tables

### Table A-1  Future Value Interest Factors for One Dollar Compounded at $k$ Percent for $n$ Periods: $FVIF_{k,n} = (1 + k)^n$

| Period | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | 11% | 12% | 13% | 14% | 15% | 16% | 20% | 24% | 25% | 30% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1.0100 | 1.0200 | 1.0300 | 1.0400 | 1.0500 | 1.0600 | 1.0700 | 1.0800 | 1.0900 | 1.1000 | 1.1100 | 1.1200 | 1.1300 | 1.1400 | 1.1500 | 1.1600 | 1.2000 | 1.2400 | 1.2500 | 1.3000 |
| 2 | 1.0201 | 1.0404 | 1.0609 | 1.0816 | 1.1025 | 1.1236 | 1.1449 | 1.1664 | 1.1881 | 1.2100 | 1.2321 | 1.2544 | 1.2769 | 1.2996 | 1.3225 | 1.3456 | 1.4400 | 1.5376 | 1.5625 | 1.6900 |
| 3 | 1.0303 | 1.0612 | 1.0927 | 1.1249 | 1.1576 | 1.1910 | 1.2250 | 1.2597 | 1.2950 | 1.3310 | 1.3676 | 1.4049 | 1.4429 | 1.4815 | 1.5209 | 1.5609 | 1.7280 | 1.9066 | 1.9531 | 2.1970 |
| 4 | 1.0406 | 1.0824 | 1.1255 | 1.1690 | 1.2155 | 1.2625 | 1.3108 | 1.3605 | 1.4116 | 1.4641 | 1.5181 | 1.5735 | 1.6305 | 1.6890 | 1.7490 | 1.8106 | 2.0736 | 2.3642 | 2.4414 | 2.8561 |
| 5 | 1.0510 | 1.1041 | 1.1593 | 1.2167 | 1.2763 | 1.3382 | 1.4026 | 1.4693 | 1.5386 | 1.6105 | 1.6851 | 1.7623 | 1.8424 | 1.9254 | 2.0114 | 2.1003 | 2.4883 | 2.9316 | 3.0518 | 3.7129 |
| 6 | 1.0615 | 1.1262 | 1.1941 | 1.2653 | 1.3401 | 1.4185 | 1.5007 | 1.5869 | 1.6771 | 1.7716 | 1.8704 | 1.9738 | 2.0820 | 2.1950 | 2.3131 | 2.4364 | 2.9860 | 3.6352 | 3.8147 | 4.8268 |
| 7 | 1.0721 | 1.1487 | 1.2299 | 1.3159 | 1.4071 | 1.5036 | 1.6058 | 1.7138 | 1.8280 | 1.9487 | 2.0762 | 2.2107 | 2.3526 | 2.5023 | 2.6600 | 2.8262 | 3.5832 | 4.5077 | 4.7684 | 6.2749 |
| 8 | 1.0829 | 1.1717 | 1.2668 | 1.3686 | 1.4775 | 1.5938 | 1.7182 | 1.8509 | 1.9926 | 2.1436 | 2.3045 | 2.4760 | 2.6584 | 2.8526 | 3.0590 | 3.2784 | 4.2998 | 5.5895 | 5.9605 | 8.1573 |
| 9 | 1.0937 | 1.1951 | 1.3048 | 1.4233 | 1.5513 | 1.6895 | 1.8385 | 1.9990 | 2.1719 | 2.3579 | 2.5580 | 2.7731 | 3.0040 | 3.2519 | 3.5179 | 3.8030 | 5.1598 | 6.9310 | 7.4506 | 10.604 |
| 10 | 1.1046 | 1.2190 | 1.3439 | 1.4802 | 1.6289 | 1.7908 | 1.9672 | 2.1589 | 2.3674 | 2.5937 | 2.8394 | 3.1058 | 3.3946 | 3.7072 | 4.0456 | 4.4114 | 6.1917 | 8.5944 | 9.3132 | 13.786 |
| 11 | 1.1157 | 1.2434 | 1.3842 | 1.5395 | 1.7103 | 1.8983 | 2.1049 | 2.3316 | 2.5804 | 2.8531 | 3.1518 | 3.4785 | 3.8359 | 4.2262 | 4.6524 | 5.1173 | 7.4301 | 10.657 | 11.642 | 17.922 |
| 12 | 1.1268 | 1.2682 | 1.4258 | 1.6010 | 1.7959 | 2.0122 | 2.2522 | 2.5182 | 2.8127 | 3.1384 | 3.4985 | 3.8960 | 4.3345 | 4.8179 | 5.3503 | 5.9360 | 8.9161 | 13.215 | 14.552 | 23.298 |
| 13 | 1.1381 | 1.2936 | 1.4685 | 1.6651 | 1.8856 | 2.1329 | 2.4098 | 2.7196 | 3.0658 | 3.4523 | 3.8833 | 4.3635 | 4.8980 | 5.4924 | 6.1528 | 6.8858 | 10.699 | 16.386 | 18.190 | 30.288 |
| 14 | 1.1495 | 1.3195 | 1.5126 | 1.7317 | 1.9799 | 2.2609 | 2.5785 | 2.9372 | 3.3417 | 3.7975 | 4.3104 | 4.8871 | 5.5348 | 6.2613 | 7.0757 | 7.9875 | 12.839 | 20.319 | 22.737 | 39.374 |
| 15 | 1.1610 | 1.3459 | 1.5580 | 1.8009 | 2.0789 | 2.3966 | 2.7590 | 3.1722 | 3.6425 | 4.1772 | 4.7846 | 5.4736 | 6.2543 | 7.1379 | 8.1371 | 9.2655 | 15.407 | 25.196 | 28.422 | 51.186 |
| 16 | 1.1726 | 1.3728 | 1.6047 | 1.8730 | 2.1829 | 2.5404 | 2.9522 | 3.4259 | 3.9703 | 4.5950 | 5.3109 | 6.1304 | 7.0673 | 8.1372 | 9.3576 | 10.748 | 18.488 | 31.243 | 35.527 | 66.542 |
| 17 | 1.1843 | 1.4002 | 1.6528 | 1.9479 | 2.2920 | 2.6928 | 3.1588 | 3.7000 | 4.3276 | 5.0545 | 5.8951 | 6.8660 | 7.9861 | 9.2765 | 10.761 | 12.468 | 22.186 | 38.741 | 44.409 | 86.504 |
| 18 | 1.1961 | 1.4282 | 1.7024 | 2.0258 | 2.4066 | 2.8543 | 3.3799 | 3.9960 | 4.7171 | 5.5599 | 6.5436 | 7.6900 | 9.0243 | 10.575 | 12.375 | 14.463 | 26.623 | 48.039 | 55.511 | 112.455 |
| 19 | 1.2081 | 1.4568 | 1.7535 | 2.1068 | 2.5270 | 3.0256 | 3.6165 | 4.3157 | 5.1417 | 6.1159 | 7.2633 | 8.6128 | 10.197 | 12.056 | 14.232 | 16.777 | 31.948 | 59.568 | 69.389 | 146.192 |
| 20 | 1.2202 | 1.4859 | 1.8061 | 2.1911 | 2.6533 | 3.2071 | 3.8697 | 4.6610 | 5.6044 | 6.7275 | 8.0623 | 9.6463 | 11.523 | 13.743 | 16.367 | 19.461 | 38.338 | 73.864 | 86.736 | 190.050 |
| 21 | 1.2324 | 1.5157 | 1.8603 | 2.2788 | 2.7860 | 3.3996 | 4.1406 | 5.0338 | 6.1088 | 7.4002 | 8.9492 | 10.804 | 13.021 | 15.668 | 18.822 | 22.574 | 46.005 | 91.592 | 108.420 | 247.065 |
| 22 | 1.2447 | 1.5460 | 1.9161 | 2.3699 | 2.9253 | 3.6035 | 4.4304 | 5.4365 | 6.6586 | 8.1403 | 9.9336 | 12.100 | 14.714 | 17.861 | 21.645 | 26.186 | 55.206 | 113.574 | 135.525 | 321.184 |
| 23 | 1.2572 | 1.5769 | 1.9736 | 2.4647 | 3.0715 | 3.8197 | 4.7405 | 5.8715 | 7.2579 | 8.9543 | 11.026 | 13.552 | 16.627 | 20.362 | 24.891 | 30.376 | 66.247 | 140.831 | 169.407 | 417.539 |
| 24 | 1.2697 | 1.6084 | 2.0328 | 2.5633 | 3.2251 | 4.0489 | 5.0724 | 6.3412 | 7.9111 | 9.8497 | 12.239 | 15.179 | 18.788 | 23.212 | 28.625 | 35.236 | 79.497 | 174.631 | 211.758 | 542.801 |
| 25 | 1.2824 | 1.6406 | 2.0938 | 2.6658 | 3.3864 | 4.2919 | 5.4274 | 6.8485 | 8.6231 | 10.835 | 13.585 | 17.000 | 21.231 | 26.462 | 32.919 | 40.874 | 95.396 | 216.542 | 264.698 | 705.641 |
| 30 | 1.3478 | 1.8114 | 2.4273 | 3.2434 | 4.3219 | 5.7435 | 7.6123 | 10.063 | 13.268 | 17.449 | 22.892 | 29.960 | 39.116 | 50.950 | 66.212 | 85.850 | 237.376 | 634.820 | 807.794 | * |
| 35 | 1.4166 | 1.9999 | 2.8139 | 3.9461 | 5.5160 | 7.6861 | 10.677 | 14.785 | 20.414 | 28.102 | 38.575 | 52.800 | 72.069 | 98.100 | 133.176 | 180.314 | 590.668 | * | * | * |
| 36 | 1.4308 | 2.0399 | 2.8983 | 4.1039 | 5.7918 | 8.1473 | 11.424 | 15.968 | 22.251 | 30.913 | 42.818 | 59.136 | 81.437 | 111.834 | 153.152 | 209.164 | 708.802 | * | * | * |
| 40 | 1.4889 | 2.2080 | 3.2620 | 4.8010 | 7.0400 | 10.286 | 14.974 | 21.725 | 31.409 | 45.259 | 65.001 | 93.051 | 132.782 | 188.884 | 267.864 | 378.721 | * | * | * | * |
| 50 | 1.6446 | 2.6916 | 4.3839 | 7.1067 | 11.467 | 18.420 | 29.457 | 46.902 | 74.358 | 117.391 | 184.565 | 289.002 | 450.736 | 700.233 | * | * | * | * | * | * |

### Table A-2  Future Value Interest Factors for a One-Dollar Annuity Compounded at $k$ Percent for $n$ Periods: $FVIFA_{k,n} = [(1 + k)^n - 1]/k$

| Period | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | 11% | 12% | 13% | 14% | 15% | 16% | 20% | 24% | 25% | 30% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1.0000 | 1.0200 | 1.0300 | 1.0400 | 1.0500 | 1.0600 | 1.0700 | 1.0800 | 1.0900 | 1.1000 | 1.1100 | 1.1200 | 1.1300 | 1.1400 | 1.1500 | 1.1600 | 1.2000 | 1.2400 | 1.2500 | 1.3000 |
| 2 | 2.0100 | 2.0200 | 2.0300 | 2.0400 | 2.0500 | 2.0600 | 2.0700 | 2.0800 | 2.0900 | 2.1000 | 2.1100 | 2.1200 | 2.1300 | 2.1400 | 2.1500 | 2.1600 | 2.2000 | 2.2400 | 2.2500 | 2.3000 |
| 3 | 3.0301 | 3.0604 | 3.0909 | 3.1216 | 3.1525 | 3.1836 | 3.2149 | 3.2464 | 3.2781 | 3.3100 | 3.3421 | 3.3744 | 3.4069 | 3.4396 | 3.4725 | 3.5056 | 3.6400 | 3.7776 | 3.8125 | 3.9900 |
| 4 | 4.0604 | 4.1216 | 4.1836 | 4.2465 | 4.3101 | 4.3746 | 4.4399 | 4.5061 | 4.5731 | 4.6410 | 4.7097 | 4.7793 | 4.8498 | 4.9211 | 4.9934 | 5.0665 | 5.3680 | 5.6842 | 5.7656 | 6.1870 |
| 5 | 5.1010 | 5.2040 | 5.3091 | 5.4163 | 5.5256 | 5.6371 | 5.7507 | 5.8666 | 5.9847 | 6.1051 | 6.2278 | 6.3528 | 6.4803 | 6.6101 | 6.7424 | 6.8771 | 7.4416 | 8.0484 | 8.2070 | 9.0431 |
| 6 | 6.1520 | 6.3081 | 6.4684 | 6.6330 | 6.8019 | 6.9753 | 7.1533 | 7.3359 | 7.5233 | 7.7156 | 7.9129 | 8.1152 | 8.3227 | 8.5355 | 8.7537 | 8.9775 | 9.9299 | 10.980 | 11.259 | 12.756 |
| 7 | 7.2135 | 7.4343 | 7.6625 | 7.8983 | 8.1420 | 8.3938 | 8.6540 | 8.9228 | 9.2004 | 9.4872 | 9.7833 | 10.089 | 10.405 | 10.730 | 11.067 | 11.414 | 12.916 | 14.615 | 15.073 | 17.583 |
| 8 | 8.2857 | 8.5830 | 8.8923 | 9.2142 | 9.5491 | 9.8975 | 10.260 | 10.637 | 11.028 | 11.436 | 11.859 | 12.300 | 12.757 | 13.233 | 13.727 | 14.240 | 16.499 | 19.123 | 19.842 | 23.858 |
| 9 | 9.3685 | 9.7546 | 10.159 | 10.583 | 11.027 | 11.491 | 11.978 | 12.488 | 13.021 | 13.579 | 14.164 | 14.776 | 15.416 | 16.085 | 16.786 | 17.519 | 20.799 | 24.712 | 25.802 | 32.015 |
| 10 | 10.462 | 10.950 | 11.464 | 12.006 | 12.578 | 13.181 | 13.816 | 14.487 | 15.193 | 15.937 | 16.722 | 17.549 | 18.420 | 19.337 | 20.304 | 21.321 | 25.959 | 31.643 | 33.253 | 42.619 |
| 11 | 11.567 | 12.169 | 12.808 | 13.486 | 14.207 | 14.972 | 15.784 | 16.645 | 17.560 | 18.531 | 19.561 | 20.655 | 21.814 | 23.045 | 24.349 | 25.733 | 32.150 | 40.238 | 42.566 | 56.405 |
| 12 | 12.683 | 13.412 | 14.192 | 15.026 | 15.917 | 16.870 | 17.888 | 18.977 | 20.141 | 21.384 | 22.713 | 24.133 | 25.650 | 27.271 | 29.002 | 30.850 | 39.581 | 50.895 | 54.208 | 74.327 |
| 13 | 13.809 | 14.680 | 15.618 | 16.627 | 17.713 | 18.882 | 20.141 | 21.495 | 22.953 | 24.523 | 26.212 | 28.029 | 29.985 | 32.089 | 34.352 | 36.786 | 48.497 | 64.110 | 68.760 | 97.625 |
| 14 | 14.947 | 15.974 | 17.086 | 18.292 | 19.599 | 21.015 | 22.550 | 24.215 | 26.019 | 27.975 | 30.095 | 32.393 | 34.883 | 37.581 | 40.505 | 43.672 | 59.196 | 80.496 | 86.949 | 127.913 |
| 15 | 16.097 | 17.293 | 18.599 | 20.024 | 21.579 | 23.276 | 25.129 | 27.152 | 29.361 | 31.772 | 34.405 | 37.280 | 40.417 | 43.842 | 47.580 | 51.660 | 72.035 | 100.815 | 109.687 | 167.286 |
| 16 | 17.258 | 18.639 | 20.157 | 21.825 | 23.657 | 25.673 | 27.888 | 30.324 | 33.003 | 35.950 | 39.190 | 42.753 | 46.672 | 50.980 | 55.717 | 60.925 | 87.442 | 126.011 | 138.109 | 218.472 |
| 17 | 18.430 | 20.012 | 21.762 | 23.698 | 25.840 | 28.213 | 30.840 | 33.750 | 36.974 | 40.545 | 44.501 | 48.884 | 53.739 | 59.118 | 65.075 | 71.673 | 105.931 | 157.253 | 173.636 | 285.014 |
| 18 | 19.615 | 21.412 | 23.414 | 25.645 | 28.132 | 30.906 | 33.999 | 37.450 | 41.301 | 45.599 | 50.396 | 55.750 | 61.725 | 68.394 | 75.836 | 84.141 | 128.117 | 195.994 | 218.045 | 371.518 |
| 19 | 20.811 | 22.841 | 25.117 | 27.671 | 30.539 | 33.760 | 37.379 | 41.446 | 46.018 | 51.159 | 56.939 | 63.440 | 70.749 | 78.969 | 88.212 | 98.603 | 154.740 | 244.033 | 273.556 | 483.973 |
| 20 | 22.019 | 24.297 | 26.870 | 29.778 | 33.066 | 36.786 | 40.995 | 45.762 | 51.160 | 57.275 | 64.203 | 72.052 | 80.947 | 91.025 | 102.444 | 115.380 | 186.688 | 303.601 | 342.945 | 630.165 |
| 21 | 23.239 | 25.783 | 28.676 | 31.969 | 35.719 | 39.993 | 44.865 | 50.423 | 56.765 | 64.002 | 72.265 | 81.699 | 92.470 | 104.768 | 118.810 | 134.841 | 225.026 | 377.465 | 429.681 | 820.215 |
| 22 | 24.472 | 27.299 | 30.537 | 34.248 | 38.505 | 43.392 | 49.006 | 55.457 | 62.873 | 71.403 | 81.214 | 92.503 | 105.491 | 120.436 | 137.632 | 157.415 | 271.031 | 469.056 | 538.101 | * |
| 23 | 25.716 | 28.845 | 32.453 | 36.618 | 41.430 | 46.996 | 53.436 | 60.893 | 69.532 | 79.543 | 91.148 | 104.603 | 120.205 | 138.297 | 159.276 | 183.601 | 326.237 | 582.630 | 673.626 | * |
| 24 | 26.973 | 30.422 | 34.426 | 39.083 | 44.502 | 50.816 | 58.177 | 66.765 | 76.790 | 88.497 | 102.174 | 118.155 | 136.831 | 158.659 | 184.168 | 213.978 | 392.484 | 723.461 | 843.033 | * |
| 25 | 28.243 | 32.030 | 36.459 | 41.646 | 47.727 | 54.865 | 63.249 | 73.106 | 84.701 | 98.347 | 114.413 | 133.334 | 155.620 | 181.871 | 212.793 | 249.214 | 471.981 | 898.092 | * | * |
| 30 | 34.785 | 40.568 | 47.575 | 56.085 | 66.439 | 79.058 | 94.461 | 113.283 | 136.308 | 164.494 | 199.021 | 241.333 | 293.199 | 356.787 | 434.745 | 530.312 | * | * | * | * |
| 35 | 41.660 | 49.994 | 60.462 | 73.652 | 90.320 | 111.435 | 138.237 | 172.317 | 215.711 | 271.024 | 341.590 | 431.663 | 546.681 | 693.573 | 881.170 | * | * | * | * | * |
| 36 | 43.077 | 51.994 | 63.276 | 77.598 | 95.836 | 119.121 | 148.913 | 187.102 | 236.125 | 299.127 | 380.164 | 484.463 | 618.749 | 791.673 | * | * | * | * | * | * |
| 40 | 48.886 | 60.402 | 75.401 | 95.026 | 120.800 | 154.762 | 199.635 | 259.057 | 337.882 | 442.593 | 581.826 | 767.091 | * | * | * | * | * | * | * | * |
| 50 | 64.463 | 84.579 | 112.797 | 152.667 | 209.348 | 290.336 | 406.529 | 573.770 | 815.084 | * | * | * | * | * | * | * | * | * | * | * |

## Present Value and Future Value Tables

### Table A-3 Present Value Interest Factors for One Dollar Discounted at $k$ Percent for $n$ Periods: $PVIF_{k,n} = 1/(1+k)^n$

| Period | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | 11% | 12% | 13% | 14% | 15% | 16% | 20% | 24% | 25% | 30% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 0.8850 | 0.8772 | 0.8696 | 0.8621 | 0.8333 | 0.8065 | 0.8000 | 0.7692 |
| 2 | 0.9803 | 0.9612 | 0.9426 | 0.9246 | 0.9070 | 0.8900 | 0.8734 | 0.8573 | 0.8417 | 0.8264 | 0.8116 | 0.7972 | 0.7831 | 0.7695 | 0.7561 | 0.7432 | 0.6944 | 0.6504 | 0.6400 | 0.5917 |
| 3 | 0.9706 | 0.9423 | 0.9151 | 0.8890 | 0.8638 | 0.8396 | 0.8163 | 0.7938 | 0.7722 | 0.7513 | 0.7312 | 0.7118 | 0.6931 | 0.6750 | 0.6575 | 0.6407 | 0.5787 | 0.5245 | 0.5120 | 0.4552 |
| 4 | 0.9610 | 0.9238 | 0.8885 | 0.8548 | 0.8227 | 0.7921 | 0.7629 | 0.7350 | 0.7084 | 0.6830 | 0.6587 | 0.6355 | 0.6133 | 0.5921 | 0.5718 | 0.5523 | 0.4823 | 0.4230 | 0.4096 | 0.3501 |
| 5 | 0.9515 | 0.9057 | 0.8626 | 0.8219 | 0.7835 | 0.7473 | 0.7130 | 0.6806 | 0.6499 | 0.6209 | 0.5935 | 0.5674 | 0.5428 | 0.5194 | 0.4972 | 0.4761 | 0.4019 | 0.3411 | 0.3277 | 0.2693 |
| 6 | 0.9420 | 0.8880 | 0.8375 | 0.7903 | 0.7462 | 0.7050 | 0.6663 | 0.6302 | 0.5963 | 0.5645 | 0.5346 | 0.5066 | 0.4803 | 0.4556 | 0.4323 | 0.4104 | 0.3349 | 0.2751 | 0.2621 | 0.2072 |
| 7 | 0.9327 | 0.8706 | 0.8131 | 0.7599 | 0.7107 | 0.6651 | 0.6227 | 0.5835 | 0.5470 | 0.5132 | 0.4817 | 0.4523 | 0.4251 | 0.3996 | 0.3759 | 0.3538 | 0.2791 | 0.2218 | 0.2097 | 0.1594 |
| 8 | 0.9235 | 0.8535 | 0.7894 | 0.7307 | 0.6768 | 0.6274 | 0.5820 | 0.5403 | 0.5019 | 0.4665 | 0.4339 | 0.4039 | 0.3762 | 0.3506 | 0.3269 | 0.3050 | 0.2326 | 0.1789 | 0.1678 | 0.1226 |
| 9 | 0.9143 | 0.8368 | 0.7664 | 0.7026 | 0.6446 | 0.5919 | 0.5439 | 0.5002 | 0.4604 | 0.4241 | 0.3909 | 0.3606 | 0.3329 | 0.3075 | 0.2843 | 0.2630 | 0.1938 | 0.1443 | 0.1342 | 0.0943 |
| 10 | 0.9053 | 0.8203 | 0.7441 | 0.6756 | 0.6139 | 0.5584 | 0.5083 | 0.4632 | 0.4224 | 0.3855 | 0.3522 | 0.3220 | 0.2946 | 0.2697 | 0.2472 | 0.2267 | 0.1615 | 0.1164 | 0.1074 | 0.0725 |
| 11 | 0.8963 | 0.8043 | 0.7224 | 0.6496 | 0.5847 | 0.5268 | 0.4751 | 0.4289 | 0.3875 | 0.3505 | 0.3173 | 0.2875 | 0.2607 | 0.2366 | 0.2149 | 0.1954 | 0.1346 | 0.0938 | 0.0859 | 0.0558 |
| 12 | 0.8874 | 0.7885 | 0.7014 | 0.6246 | 0.5568 | 0.4970 | 0.4440 | 0.3971 | 0.3555 | 0.3186 | 0.2858 | 0.2567 | 0.2307 | 0.2076 | 0.1869 | 0.1685 | 0.1122 | 0.0757 | 0.0687 | 0.0429 |
| 13 | 0.8787 | 0.7730 | 0.6810 | 0.6006 | 0.5303 | 0.4688 | 0.4150 | 0.3677 | 0.3262 | 0.2897 | 0.2575 | 0.2292 | 0.2042 | 0.1821 | 0.1625 | 0.1452 | 0.0935 | 0.0610 | 0.0550 | 0.0330 |
| 14 | 0.8700 | 0.7579 | 0.6611 | 0.5775 | 0.5051 | 0.4423 | 0.3878 | 0.3405 | 0.2992 | 0.2633 | 0.2320 | 0.2046 | 0.1807 | 0.1597 | 0.1413 | 0.1252 | 0.0779 | 0.0492 | 0.0440 | 0.0254 |
| 15 | 0.8613 | 0.7430 | 0.6419 | 0.5553 | 0.4810 | 0.4173 | 0.3624 | 0.3152 | 0.2745 | 0.2394 | 0.2090 | 0.1827 | 0.1599 | 0.1401 | 0.1229 | 0.1079 | 0.0649 | 0.0397 | 0.0352 | 0.0195 |
| 16 | 0.8528 | 0.7284 | 0.6232 | 0.5339 | 0.4581 | 0.3936 | 0.3387 | 0.2919 | 0.2519 | 0.2176 | 0.1883 | 0.1631 | 0.1415 | 0.1229 | 0.1069 | 0.0930 | 0.0541 | 0.0320 | 0.0281 | 0.0150 |
| 17 | 0.8444 | 0.7142 | 0.6050 | 0.5134 | 0.4363 | 0.3714 | 0.3166 | 0.2703 | 0.2311 | 0.1978 | 0.1696 | 0.1456 | 0.1252 | 0.1078 | 0.0929 | 0.0802 | 0.0451 | 0.0258 | 0.0225 | 0.0116 |
| 18 | 0.8360 | 0.7002 | 0.5874 | 0.4936 | 0.4155 | 0.3503 | 0.2959 | 0.2502 | 0.2120 | 0.1799 | 0.1528 | 0.1300 | 0.1108 | 0.0946 | 0.0808 | 0.0691 | 0.0376 | 0.0208 | 0.0180 | 0.0089 |
| 19 | 0.8277 | 0.6864 | 0.5703 | 0.4746 | 0.3957 | 0.3305 | 0.2765 | 0.2317 | 0.1945 | 0.1635 | 0.1377 | 0.1161 | 0.0981 | 0.0829 | 0.0703 | 0.0596 | 0.0313 | 0.0168 | 0.0144 | 0.0068 |
| 20 | 0.8195 | 0.6730 | 0.5537 | 0.4564 | 0.3769 | 0.3118 | 0.2584 | 0.2145 | 0.1784 | 0.1486 | 0.1240 | 0.1037 | 0.0868 | 0.0728 | 0.0611 | 0.0514 | 0.0261 | 0.0135 | 0.0115 | 0.0053 |
| 21 | 0.8114 | 0.6598 | 0.5375 | 0.4388 | 0.3589 | 0.2942 | 0.2415 | 0.1987 | 0.1637 | 0.1351 | 0.1117 | 0.0926 | 0.0768 | 0.0638 | 0.0531 | 0.0443 | 0.0217 | 0.0109 | 0.0092 | 0.0040 |
| 22 | 0.8034 | 0.6468 | 0.5219 | 0.4220 | 0.3418 | 0.2775 | 0.2257 | 0.1839 | 0.1502 | 0.1228 | 0.1007 | 0.0826 | 0.0680 | 0.0560 | 0.0462 | 0.0382 | 0.0181 | 0.0088 | 0.0074 | 0.0031 |
| 23 | 0.7954 | 0.6342 | 0.5067 | 0.4057 | 0.3256 | 0.2618 | 0.2109 | 0.1703 | 0.1378 | 0.1117 | 0.0907 | 0.0738 | 0.0601 | 0.0491 | 0.0402 | 0.0329 | 0.0151 | 0.0071 | 0.0059 | 0.0024 |
| 24 | 0.7876 | 0.6217 | 0.4919 | 0.3901 | 0.3101 | 0.2470 | 0.1971 | 0.1577 | 0.1264 | 0.1015 | 0.0817 | 0.0659 | 0.0532 | 0.0431 | 0.0349 | 0.0284 | 0.0126 | 0.0057 | 0.0047 | 0.0018 |
| 25 | 0.7798 | 0.6095 | 0.4776 | 0.3751 | 0.2953 | 0.2330 | 0.1842 | 0.1460 | 0.1160 | 0.0923 | 0.0736 | 0.0588 | 0.0471 | 0.0378 | 0.0304 | 0.0245 | 0.0105 | 0.0046 | 0.0038 | 0.0014 |
| 30 | 0.7419 | 0.5521 | 0.4120 | 0.3083 | 0.2314 | 0.1741 | 0.1314 | 0.0994 | 0.0754 | 0.0573 | 0.0437 | 0.0334 | 0.0256 | 0.0196 | 0.0151 | 0.0116 | 0.0042 | 0.0016 | 0.0012 | * |
| 35 | 0.7059 | 0.5000 | 0.3554 | 0.2534 | 0.1813 | 0.1301 | 0.0937 | 0.0676 | 0.0490 | 0.0356 | 0.0259 | 0.0189 | 0.0139 | 0.0102 | 0.0075 | 0.0055 | 0.0017 | 0.0005 | * | * |
| 36 | 0.6989 | 0.4902 | 0.3450 | 0.2437 | 0.1727 | 0.1227 | 0.0875 | 0.0626 | 0.0449 | 0.0323 | 0.0234 | 0.0169 | 0.0123 | 0.0089 | 0.0065 | 0.0048 | 0.0014 | * | * | * |
| 40 | 0.6717 | 0.4529 | 0.3066 | 0.2083 | 0.1420 | 0.0972 | 0.0668 | 0.0460 | 0.0318 | 0.0221 | 0.0154 | 0.0107 | 0.0075 | 0.0053 | 0.0037 | 0.0026 | 0.0007 | * | * | * |
| 50 | 0.6080 | 0.3715 | 0.2281 | 0.1407 | 0.0872 | 0.0543 | 0.0339 | 0.0213 | 0.0134 | 0.0085 | 0.0054 | 0.0035 | 0.0022 | 0.0014 | 0.0009 | 0.0006 | * | * | * | * |

### Table A-4 Present Value Interest Factors for a One-Dollar Annuity Discounted at $k$ Percent for $n$ Periods: $PVIFA = [1 - 1/(1+k)^n]/k$

| Period | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | 11% | 12% | 13% | 14% | 15% | 16% | 20% | 24% | 25% | 30% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 0.8850 | 0.8772 | 0.8696 | 0.8621 | 0.8333 | 0.8065 | 0.8000 | 0.7692 |
| 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 | 1.6681 | 1.6467 | 1.6257 | 1.6052 | 1.5278 | 1.4568 | 1.4400 | 1.3609 |
| 3 | 2.9410 | 2.8839 | 2.8286 | 2.7751 | 2.7232 | 2.6730 | 2.6243 | 2.5771 | 2.5313 | 2.4869 | 2.4437 | 2.4018 | 2.3612 | 2.3216 | 2.2832 | 2.2459 | 2.1065 | 1.9813 | 1.9520 | 1.8161 |
| 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 | 2.9745 | 2.9137 | 2.8550 | 2.7982 | 2.5887 | 2.4043 | 2.3616 | 2.1662 |
| 5 | 4.8534 | 4.7135 | 4.5797 | 4.4518 | 4.3295 | 4.2124 | 4.1002 | 3.9927 | 3.8897 | 3.7908 | 3.6959 | 3.6048 | 3.5172 | 3.4331 | 3.3522 | 3.2743 | 2.9906 | 2.7454 | 2.6893 | 2.4356 |
| 6 | 5.7955 | 5.6014 | 5.4172 | 5.2421 | 5.0757 | 4.9173 | 4.7665 | 4.6229 | 4.4859 | 4.3553 | 4.2305 | 4.1114 | 3.9975 | 3.8887 | 3.7845 | 3.6847 | 3.3255 | 3.0205 | 2.9514 | 2.6427 |
| 7 | 6.7282 | 6.4720 | 6.2303 | 6.0021 | 5.7864 | 5.5824 | 5.3893 | 5.2064 | 5.0330 | 4.8684 | 4.7122 | 4.5638 | 4.4226 | 4.2883 | 4.1604 | 4.0386 | 3.6046 | 3.2423 | 3.1611 | 2.8021 |
| 8 | 7.6517 | 7.3255 | 7.0197 | 6.7327 | 6.4632 | 6.2098 | 5.9713 | 5.7466 | 5.5348 | 5.3349 | 5.1461 | 4.9676 | 4.7988 | 4.6389 | 4.4873 | 4.3436 | 3.8372 | 3.4212 | 3.3289 | 2.9247 |
| 9 | 8.5660 | 8.1622 | 7.7861 | 7.4353 | 7.1078 | 6.8017 | 6.5152 | 6.2469 | 5.9952 | 5.7590 | 5.5370 | 5.3282 | 5.1317 | 4.9464 | 4.7716 | 4.6065 | 4.0310 | 3.5655 | 3.4631 | 3.0190 |
| 10 | 9.4713 | 8.9826 | 8.5302 | 8.1109 | 7.7217 | 7.3601 | 7.0236 | 6.7101 | 6.4177 | 6.1446 | 5.8892 | 5.6502 | 5.4262 | 5.2161 | 5.0188 | 4.8332 | 4.1925 | 3.6819 | 3.5705 | 3.0915 |
| 11 | 10.368 | 9.7868 | 9.2526 | 8.7605 | 8.3064 | 7.8869 | 7.4987 | 7.1390 | 6.8052 | 6.4951 | 6.2065 | 5.9377 | 5.6869 | 5.4527 | 5.2337 | 5.0286 | 4.3271 | 3.7757 | 3.6564 | 3.1473 |
| 12 | 11.255 | 10.575 | 9.9540 | 9.3851 | 8.8633 | 8.3838 | 7.9427 | 7.5361 | 7.1607 | 6.8137 | 6.4924 | 6.1944 | 5.9176 | 5.6603 | 5.4206 | 5.1971 | 4.4392 | 3.8514 | 3.7251 | 3.1903 |
| 13 | 12.134 | 11.348 | 10.635 | 9.9856 | 9.3936 | 8.8527 | 8.3577 | 7.9038 | 7.4869 | 7.1034 | 6.7499 | 6.4235 | 6.1218 | 5.8424 | 5.5831 | 5.3423 | 4.5327 | 3.9124 | 3.7801 | 3.2233 |
| 14 | 13.004 | 12.106 | 11.296 | 10.563 | 9.8986 | 9.2950 | 8.7455 | 8.2442 | 7.7862 | 7.3667 | 6.9819 | 6.6282 | 6.3025 | 6.0021 | 5.7245 | 5.4675 | 4.6106 | 3.9616 | 3.8241 | 3.2487 |
| 15 | 13.865 | 12.849 | 11.938 | 11.118 | 10.380 | 9.7122 | 9.1079 | 8.5595 | 8.0607 | 7.6061 | 7.1909 | 6.8109 | 6.4624 | 6.1422 | 5.8474 | 5.5755 | 4.6755 | 4.0013 | 3.8593 | 3.2682 |
| 16 | 14.718 | 13.578 | 12.561 | 11.652 | 10.838 | 10.106 | 9.4466 | 8.8514 | 8.3126 | 7.8237 | 7.3792 | 6.9740 | 6.6039 | 6.2651 | 5.9542 | 5.6685 | 4.7296 | 4.0333 | 3.8874 | 3.2832 |
| 17 | 15.562 | 14.292 | 13.166 | 12.166 | 11.274 | 10.477 | 9.7632 | 9.1216 | 8.5436 | 8.0216 | 7.5488 | 7.1196 | 6.7291 | 6.3729 | 6.0472 | 5.7487 | 4.7746 | 4.0591 | 3.9099 | 3.2948 |
| 18 | 16.398 | 14.992 | 13.754 | 12.659 | 11.690 | 10.828 | 10.059 | 9.3719 | 8.7556 | 8.2014 | 7.7016 | 7.2497 | 6.8399 | 6.4674 | 6.1280 | 5.8178 | 4.8122 | 4.0799 | 3.9279 | 3.3037 |
| 19 | 17.226 | 15.678 | 14.324 | 13.134 | 12.085 | 11.158 | 10.336 | 9.6036 | 8.9501 | 8.3649 | 7.8393 | 7.3658 | 6.9380 | 6.5504 | 6.1982 | 5.8775 | 4.8435 | 4.0967 | 3.9424 | 3.3105 |
| 20 | 18.046 | 16.351 | 14.877 | 13.590 | 12.462 | 11.470 | 10.594 | 9.8181 | 9.1285 | 8.5136 | 7.9633 | 7.4694 | 7.0248 | 6.6231 | 6.2593 | 5.9288 | 4.8696 | 4.1103 | 3.9539 | 3.3158 |
| 21 | 18.857 | 17.011 | 15.415 | 14.029 | 12.821 | 11.764 | 10.836 | 10.017 | 9.2922 | 8.6487 | 8.0751 | 7.5620 | 7.1016 | 6.6870 | 6.3125 | 5.9731 | 4.8913 | 4.1212 | 3.9631 | 3.3198 |
| 22 | 19.660 | 17.658 | 15.937 | 14.451 | 13.163 | 12.042 | 11.061 | 10.201 | 9.4424 | 8.7715 | 8.1757 | 7.6446 | 7.1695 | 6.7429 | 6.3587 | 6.0113 | 4.9094 | 4.1300 | 3.9705 | 3.3230 |
| 23 | 20.456 | 18.292 | 16.444 | 14.857 | 13.489 | 12.303 | 11.272 | 10.371 | 9.5802 | 8.8832 | 8.2664 | 7.7184 | 7.2297 | 6.7921 | 6.3988 | 6.0442 | 4.9245 | 4.1371 | 3.9764 | 3.3254 |
| 24 | 21.243 | 18.914 | 16.936 | 15.247 | 13.799 | 12.550 | 11.469 | 10.529 | 9.7066 | 8.9847 | 8.3481 | 7.7843 | 7.2829 | 6.8351 | 6.4338 | 6.0726 | 4.9371 | 4.1428 | 3.9811 | 3.3272 |
| 25 | 22.023 | 19.523 | 17.413 | 15.622 | 14.094 | 12.783 | 11.654 | 10.675 | 9.8226 | 9.0770 | 8.4217 | 7.8431 | 7.3300 | 6.8729 | 6.4641 | 6.0971 | 4.9476 | 4.1474 | 3.9849 | 3.3286 |
| 30 | 25.808 | 22.396 | 19.600 | 17.292 | 15.372 | 13.765 | 12.409 | 11.258 | 10.274 | 9.4269 | 8.6938 | 8.0552 | 7.4957 | 7.0027 | 6.5660 | 6.1772 | 4.9789 | 4.1601 | 3.9950 | 3.3321 |
| 35 | 29.409 | 24.999 | 21.487 | 18.665 | 16.374 | 14.498 | 12.948 | 11.655 | 10.567 | 9.6442 | 8.8552 | 8.1755 | 7.5856 | 7.0700 | 6.6166 | 6.2153 | 4.9915 | 4.1644 | 3.9984 | 3.3330 |
| 36 | 30.108 | 25.489 | 21.832 | 18.908 | 16.547 | 14.621 | 13.035 | 11.717 | 10.612 | 9.6765 | 8.8786 | 8.1924 | 7.5979 | 7.0790 | 6.6231 | 6.2201 | 4.9929 | 4.1649 | 3.9987 | 3.3331 |
| 40 | 32.835 | 27.355 | 23.115 | 19.793 | 17.159 | 15.046 | 13.332 | 11.925 | 10.757 | 9.7791 | 8.9511 | 8.2438 | 7.6344 | 7.1050 | 6.6418 | 6.2335 | 4.9966 | 4.1659 | 3.9995 | 3.3332 |
| 50 | 39.196 | 31.424 | 25.730 | 21.482 | 18.256 | 15.762 | 13.801 | 12.233 | 10.962 | 9.9148 | 9.0417 | 8.3045 | 7.6752 | 7.1327 | 6.6605 | 6.2463 | 4.9995 | 4.1666 | 3.9999 | 3.3333 |

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## Year 2 Semester I
## SEMESTER END EXAMINATION

### Business Ethics - BRMB 2301

- This paper consists of EIGHT questions on FIVE (05) pages.
- Answer FIVE questions only 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.

Date: 2022.03.18              Pass mark: 40%              Time: 03 Hours

## Question 01: (Compulsory)

Assume you are a trainee accountant in your second year of training within a specific limited practice. A senior trainee has been on sick leave, and you are due to go on study leave for complete BBA degree. You have been told by your manager that, before you go on leave, you must complete some complicated reconciliation work. The deadline suggested appears unrealistic, given the complexity of the work. You feel that you are not sufficiently experienced to complete the work alone. You would need additional supervision to complete it to the required standard, and your manager appears unable to offer the necessary support. If you try to complete the work within the proposed timeframe but fail to meet the expected quality, you could face consequences on your return from study leave. You feel slightly frightened by your manager, and also feel pressure to do what you can for the practice in what are challenging times.

a) Define business ethics using your own words.                (05 Marks)

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b) Describe what an ethical dilemma is and explain your ethical dilemma in this situation. (10 Marks)

c) What is your solution to this ethical dilemma? (05 Marks)

## Question 02

a) Explain the Four-part model of corporate social responsibility. (10 Marks)

b) Giving examples Explain the differences between Corporate Social Responsibility (CSR) and Creating Shared Value (CSV) (10 Marks)

## Question 03

a) What does ethical marketing mean? (05 Marks)

b) "Ethical marketing decisions and efforts should meet and suit the needs of customers, suppliers, and business partners. Unethical behavior such as price wars, selective advertising, and deceptive marketing can negatively impact a company's relationships" Do you agree with this statement? Justify your answer. (15 Marks)

## Question 04

a) "When applied to business, religious teaching about ethics and normative ethical theory from philosophy both tend to have the same goal, namely, how to decide what is the correct thing to do when faced with moral dilemmas in commerce." Do you agree with this statement? Justify your answer. (10 Marks)

b) What are the two main differences between religious teaching and normative ethical theory? Explain. (10 Marks)

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## Question 05

"All businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and distribution of environmentally friendly technologies." Elaborate this statement by emphasizing current environmental issues of Sri Lanka and vitality of ecological ethics.                    (20 Marks)

## Question 06

In 2013, computer expert and former CIA systems administrator, Edward Snowden released confidential government documents to the media about the existence of government investigation programs. According to many legal experts, and the U.S. government, his actions violated the Espionage Act of 1917, which identified the leak of state secrets as an act of disloyalty. Yet even though he broke the law, Snowden argued that he had a moral obligation to act. He gave a justification for his "whistleblowing" by stating that he had a duty "to inform the public as to that which is done in their name and that which is done against them." According to Snowden, the government's violation of privacy had to be exposed regardless of legality.

a) Evaluate Snowden's action considering utilitarianism and Kant's theory.

(10 Marks)

b) For Kant's theory of 'categorical imperative' give rise to three key principles that test whether an action to be considered as ethical or not. What are they? Explain                    (10 Marks)

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## Question 07

"Multinational companies are often confronted with moral dilemmas because in international business, complexity rises from the combining of two or more national spaces, with its specific restrictions and values, without avoiding the international environment with its own standards."

Discuss this statement emphasizing the importance of ethics in the international business                                                                                     (20 Marks)

## Question 08

Read the below given case regarding producing toys. Which was discussed in the classroom.

You are the product manager of a confectionery company that includes small plastic toys with its chocolate sweets. Having met a potential Thai manufacturer of these toys at a trade fair in Europe, you now visit the company in the north-eastern part of Thailand to finalize a two-year supply contract. Arriving there and talking to the sales manager, you are able to arrange a deal that supplies you with the toys at a third of the cost currently charged by your Portuguese supplier, but with equivalent quality and supply arrangements.

In order to check the reliability of the manufacturing process you ask the manager to show you around the place. You are surprised to find out that there is no real workshop on the premises. Rather, the production process is organized such that at 6am, about 30 men line up at the company's gate, load large boxes with toy components on their little carts or motor-scooters and take the material to their homes. Your prospective supplier then takes you to one of these places where you see a large family, sitting in a garage-like barn assembling the toys. Not only are the mother and father doing the job, but also the couple's six children, aged 5 to

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14, who are working busily—and from what you see, very cheerfully—together with the parents, while the grandmother is looking after the food in an adjacent room. In the evening, at around 8pm, the day's work is done, the assembled toys are stored back in the boxes and taken to the workshop of the company, where the men receive their payment for the finished goods.

At the end of the week, the toys are shipped to the customers in Europe. As you have never come across such a pattern of manufacturing, your Thai partner explains to you that this is a very common and well-established practice in this part of the country, and one that guarantees a good level of quality.

Satisfied, you tell the Thai manager that you will conclude the paperwork once you get back home, and you leave the company offices happy in the knowledge of the cost savings you are going to make, and quietly confident that it will result in a healthy bonus for you at the end of the year. On your way back, while buying some souvenirs for your five- and seven-year-old nieces at the airport, you suddenly start wondering if you would like to see them growing up the same way as the child workers that you have just employed to make your company's toys.

Evaluate the situation given in the case study based on the ethical theories you have learnt in the class. (20 Marks)

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

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### Year 2 Semester I
### SEMESTER END EXAMINATION
### Business Law – BRMB 2302

- This paper consists of EIGHT(08) questions on FOUR (04) pages.
- Answer FIVE(05) 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:   2022.03.14                Pass mark: 40%                Time: 03 Hours

## Question 01: (Compulsory)

Both in a personal capacity and for business-related transactions, people do enter into contracts regularly with the intention of creating legal obligations. There are certain conditions that need to be fulfilled in a contract that could be legally enforced. Generally, contracts can be either verbal or in writing.

(a)   What are the essential characteristics of a contract that facilitates it to be enforced by Law?                                                     (05 Marks)

(b)   Explain what a 'Verbal Contract' is with examples                   (05 Marks)

(c)   Can a person below the age of 18 years enter into a contract?       (05 Marks)

(d)   What is an 'Exemption Clause'?                                       (05 Marks)

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## Question 02

(a)     In your opinion what is the reasoning and necessity in the creation of an Agency?

(05 Marks)

(b)     Elaborate on the Duties of the Agent towards safeguarding the interests of the Principal

(05 Marks)

(c )    Explain the situation of 'Un-disclosed Principal'          (05 Marks)

(d)     What are the similarities and differences between Law of Contract and Law of Agency?

(05 Marks)

## Question 03

(a) Why was it necessary to introduce of EPF Act and ETF Act, whereby a large number of people employed in the private sector are benefited?          (10 Marks)

(b) Under what specific circumstances can a person who has contributed to the EPF, could withdraw his EPF money before he reaches retirement?          (10 Marks)

## Question 04

Mr Swarnapala, is the owner of Wishmitha Jewelers. One day, a customer entered his shop who looked like Ms Malini Fonseka. The customer, Mrs Walisundera pretended to be Ms Malini Fonseka and bought a diamond ring and gave a cheque for payment. Mr Swarnapala informed her that he does not accept cheques. However, Mrs Walisundera showed him a pass to the Wijaya Cinemas and a membership card of the Association of

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Film stars as proof of her identity. Afterward, Mr Swarnapala accepted the cheque and gave the ring. The following day, the cheque bounced. Advice Mr Swarnapala (20 Marks)

## Question 05

"In its essence, the right of self-determination means that individuals should be in control of their destinies and should be able to live out their identities, whether within the boundaries of existing states or through independence."

Explain the evolution of the concept of Self Determination                    (20 Marks)

## Question 06

(a) Montevideo Convention on Rights and Duties of States 1933 illustrates the characteristics of a state

(i) What are the four main characteristics of a state                    (04 Marks)

(ii) Write short notes on all four characteristics                    (16 Marks)

## Question 07

Sri Lanka is a democratic, socialist republic and a unitary state.

Identify the three branches of government and write a short note on one.     (20 Marks)

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## Question 08

Write short notes on any <u>four</u> of the following topics

(a) Unascertained Goods

(b) Partnerships

(c) The role of a Principal in Law of Agency

(d) Common Law

(e) Public Law

(f) Private Law

Include at least one legal case wherever applicable          (05 Marks * 4 = 20 Marks)

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

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Year 2 Semester I
SEMESTER END EXAMINATION
**Microeconomics – BRMB 2305**

- This paper consists of EIGHT(08) questions on SEVEN (07) pages.
- Answer FIVE(05) 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: 2022.03.13          Pass mark: 40%          Time: 03 Hours

## Question 01 (Compulsory)

a) According to Marshall, Economics is a science of Material welfare of man. Critically examine this. How it is different from Robbin's definition?          (05 Marks)

b) Are economic models detailed or simplified versions of reality? Could economists build perfect economic models? Why?          (03 Marks)

c) Using a production possibility curve, explain.          (04 Marks)

    i.   Opportunity cost concept

    ii.   Problem of scarcity

    iii.   Economic recession

    iv.   Economic growth

d) State whether the following statements are true or false, and illustrate your answer using appropriate diagrams and/or equations/or examples.

    i.   An indifference curve shows the different combinations of two goods with which a consumer can get a same level of satisfaction.          (03 Marks)

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   ii.   Relationship between quantity of demand and consumers' money income must always be positive.    (03 Marks)

e) Classify the following topics as relating to microeconomics or macroeconomics.

   i.   Determination of price of wheat.

   ii.   The effect of government policies on unemployment rate of the country.

   iii.   How is national income determined?

   iv.   A firm's decision about how many workers to hire    (02 Marks)

## Question 02

a) Microeconomics is a microscopic study of the economy. Explain.    (05 Marks)

b) Distinguish between Microeconomics and Macroeconomics. Show how the two are interdependent.    (05 Marks)

c) Explain why all combinations of goods shown on a production possibilities curve display production efficiency but only one combination displays allocative efficiency. Use appropriate graphs.    (05 Marks)

d) What is opportunity cost? why does it increase when more of a commodity is produced?    (05 Marks)

## Question 03

a) Suppose a market consists of three consumers, A, B, and C whose inverse demand functions given below.

   (A): $P = 35 - 0.5Q_A$

   (B): $P = 50 - 0.25Q_B$

   (C): $P = 40 - 2.00 Q_c$

I. Find out the market demand function for the commodity    (05 Marks)

II. If the market supply function is given below by Qs= 40+3.5P, determine

the equilibrium price and quantity.    (04 Marks)

b) A survey shows that most people prefer Bens car to Wagon R. If this is true, why

do more people buy Wagon R than Bens.    (02 Marks)

c) Given the following market demand function for the commodity X

Qdx = f (Px, Py, Pz, I, T, A)

Where,

Px = Price of the commodity X

Py = Price of a substitute commodity Y

Pz= Price of a complementary product Z

I = Level of per capita income

T= Taste and consumer preference

A = Advertising expenditure by a firm producing X

How will the market demand for commodity X will change?    (05 Marks)

   i.    If price of the commodity X rises,

   ii.   If price of the substitute good Y rises,

   iii.  If price of complementary product Z falls,

   iv.   If per capita income (I) rises

   v.    If advertising expenditure increases by the firm

d) Following are four graphs and four market scenarios, each of which would cause

either a movement along the supply curve for Pepsi or a shift of the supply curve.

Match each scenario with the appropriate graph.    (04 Marks)

   i.    A decrease in the supply of Coke

   ii.   A drop in the average household income in the United States from $52,000

         to $50,000

   iii.  An improvement in soft drink bottling technology

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iv. An increase in the prices of sugar and high-fructose corn syrup
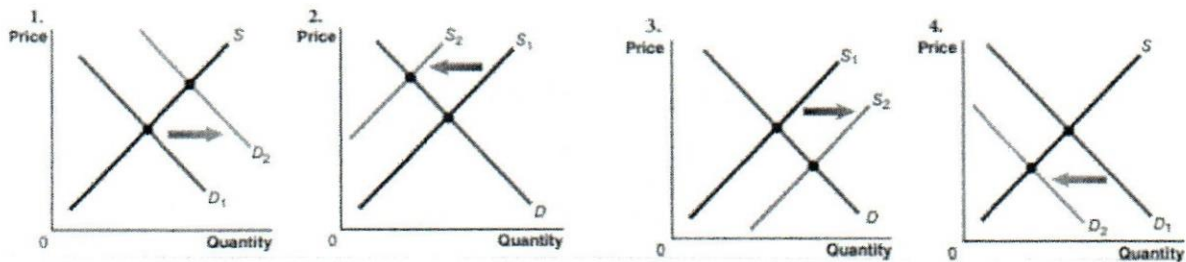


## Question 04

Demand and Supply for Gas during a week is given below.

Table 4:1 – Demand and Supply for Gas

| Gas Price 1Kg | Demand per week (Kg) | Supply per week (Kg) |
|---|---|---|
| 80 | 500 | 100 |
| 100 | 400 | 200 |

a) Derive the Demand and Supply Equations                (04 Marks)

b) Find the equilibrium price and quantity                (02 Marks)

c) Find out the consumer and producer surplus                (04 Marks)

d) If the government limit the prices of Gas (1Kg) to Rs.80. as the maximum Gas price in the market. Calculate the new consumer surplus and producer surplus.                (08 Marks)

e) Calculate the dead weight loss or the loss of total welfare with the new price limit.                (02 Marks)

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## Question 05

a) If the price of coffee rises from Rs. 4.50 per hundred grams to Rs. 5 per hundred grams and as a result the consumer's demand of tea increases from 60 hundred grams to 70 hundred grams, then calculate the cross elasticity of demand of tea for coffee. (03 Marks)

b) Consider the market for rice.

    i.   Is the demand for rice relatively elastic or relatively inelastic with respect to the price? Explain why. (03 Marks)

    ii.  Is the demand for rice relatively elastic or relatively inelastic with respect to income? Explain why. (03 Marks)

    iii. Is the supply of rice relatively elastic or relatively inelastic with respect to the price? Explain why. (03 Marks)

c) What will happen to sales of a product whose income elasticity of demand, YED = +0.6? (03 Marks)

d) How could you use income elasticity of demand (YED) values to advise a company on how to produce a mix of goods and services that would reduce the risk often associated with only producing a very narrow range of products? (05 M arks)

## Question 06

a) On what grounds Marshall's cardinal utility analysis has been criticized?

(04 Marks)

b) You are given the following marginal utilities of goods X and Y obtained by a consumer. Given that price of X=Rs. 5, price of Y=Rs.2 and income=Rs. 22

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Table 6:1 – Marginal Utilities of Goods "X" and "Y"

| Number of units consumed of a commodity | MUx (Utils) | MUy (Utils) |
|---|---|---|
| 1 | 30 | 20 |
| 2 | 25 | 18 |
| 3 | 20 | 16 |
| 4 | 15 | 14 |
| 5 | 10 | 12 |
| 6 | 5 | 10 |
| 7 | 1 | 8 |

Find out the optimal combination of goods. (06 Marks)

c) Derive the demand curve for a commodity from Marshall's cardinal utility analysis. Explain in terms of cardinal utility theory why demand curve for a commodity slope downward. (06 Marks)

d) Explain the law of diminishing marginal utility? Use appropriate graphs for your answer. (04 Marks)

## Question 07

a) Explain why consumer's indifference curves,

   i. have negative slope

   ii. do not intersect

   iii. are convex to the origin (06 Marks)

b) Given below is the short run total cost function

$TC = 200 + 10Q - 5Q^2 + 2Q^3$

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Determine

i. The total fixed cost

ii. Total variable cost function

iii. Average variable cost function

iv. Marginal cost function

v. Calculate total cost, average total cost, average variable cost and marginal cost when the firm produces 10 units of output.     (12 Marks)

c) What would be the shape of the long run average cost curve when constant returns to scale occur?                                               (02 Marks)

## Question 08

Select **any four** and write short notes.                    (05 Marks *4=20 Marks)

a) Positive and Normative economics

b) Exceptions to the law of demand.

c) Change in supply vs. Change in Quantity supplied

d) Determinants of price elasticity of supply

e) Principle of diminishing marginal rate of substitution (MRS)

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

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Year 2 Semester I
SEMESTER END EXAMINATION
Entrepreneurship & Small Business Management – BRMB-2303

- This paper consists of EIGHT (08) questions on FOUR (04) pages.
- Answer FIVE (05) 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: 2022.03.10          Pass mark: 40%          Time: 03 Hours

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## Question 01 (Compulsory)

a. What is entrepreneurship and why do people become entrepreneurs?          (03 Marks)

b. Using different models, identify what are the characteristics of entrepreneurs          (06 Marks)

c. In your opinion, explain why entrepreneurship is important for an economy          (05 Marks)

d. Stress is one of the main downfalls of being an entrepreneur. What causes the stress to an entrepreneur and what are the strategies to overcome them?          (06 Marks)

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## Question 2

Corporate entrepreneurship and social entrepreneurship are two different diversions of traditional entrepreneurship.

a. "Even though the corporate entrepreneur is an employee, s/he would be different from a traditional manager and also he is not an entrepreneur".  Explain  (10 Marks)

b. "The social enterprises are not pure charities and yet not totally profit-oriented". Analyze the statement                                                        (10 Marks)

## Question 3

a. "Culture is a system of shared and/ or learned values and norms". Explain                                                                            (06 Marks)

b. Describe the key determinants of the culture                          (14 Marks)

## Question 4

**Entrepreneurship and MSMEs are also very important contributors to the Sri Lankan economy.**

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a. Describe Hofstede's dimensions of the culture of the Sri Lankan context and explain how they would promote entrepreneurship? (10 Marks)

b. What are the main obstacles faced by Sri Lankan SMEs and what should be done to overcome them? (10 Marks)

## Question 5

**Entrepreneurship is opportunity-driven. Hence, opportunity recognition is the most important element for the success of entrepreneurship**

a. What is an opportunity and what are the ways to identify the opportunity?

(10 Marks)

a. "Creativity is a result of a process" Analyze. (10 Marks)

## Question 6

a. What is a business model and its importance for a startup? (08 Marks)

b. What are the different forms of feasibility studies carried out by startups? (12 Marks)

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## Question 7

**Financing the venture is the most crucial issue for many startups**

a. Compare and contrast the advantages and disadvantages of debt financing and
equity financing. (10 Marks)

b. "Technology has enabled the financing easier for startups" Analyze. (10 Marks)

## Question 8

**All startups face many special challenges in all their major operational areas such as
marketing, HR and Operation.**

a. What are the creative ways startups could use digital marketing for their marketing
operation? (10 Marks)

b. What are the key challenges faced by startups in their recruitment strategy?
(10 Marks)

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

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### Year 2 Semester I
### SEMESTER END EXAMINATION
### Microeconomics -BRMB 2305

- This paper consists of EIGHT questions on FIVE (05) pages.
- Answer FIVE (05) 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:   2020.09.17                Pass mark: 40 %                Time: 03 Hours

## Question 01 (Compulsory)

(a) "Microeconomics theory is a microscopic study of the economy", Do you agree with this statement? Justify your answer.                (05 Marks)

(b) Distinguish between Microeconomics and Macroeconomics and show how the two are interdependent.                (05 Marks)

(c) What is opportunity cost? How does it affect social choice?                (05 Marks)

(d) What is meant by economic efficiency? How can you illustrate economic efficiency using production possibility curve?                (05 Marks)

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## Question 02

(a) List down determinants of demand. (05 Marks)

(b) Demand for product X during a week is given below. Derive the Demand
Equation. (05 Marks)

| Price (Rs) | Quantity Demanded |
|---|---|
| 12 | 10 |
| 10 | 20 |
| 8 | 30 |
| 6 | 40 |
| 4 | 50 |
| 2 | 60 |

(c) Given the market demand function for the commodity X

$Qd_x = f(Px, Py, Pz, I, T, A)$

Where,
*Px = Price of the commodity X*
*Py = Price of a substitute commodity Y*
*Pz = Price of a complementary product Z*
*I = Level of per capita income*
*T = Taste and consumer preference*
*A = Advertising expenditure by a firm producing X*

How will the market demand for commodity X will change? (10 Marks)

   i) If price of the commodity X rises,

   ii) If price of the substitute good Y rises,

   iii) If price of complementary product Z falls,

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iv) If per capita income (I) rises

v) If advertising expenditure increases by the firm

## Question 03

(a) Why does the supply curve generally slope upward to the right?     (05 Marks)

(b) Distinguish between "movement along a supply curve" and "shift in supply curve". What factors cause such changes?     (05 Marks)

(c) Suppose that in a year the exercise duty on cigarettes is doubled and as a result the total revenue from the duty decreases. What conclusions about price elasticity of demand for cigarettes would you draw?     (05 Marks)

(d) The price elasticity of supply of a commodity X is 2, what quantity of the commodity will the seller supply at a price of Rs. 5 per unit, if he supplies 80 units of it at Rs.4 per unit.     (05 Marks)

## Question 04

(a) State and explain the law of diminishing marginal utility? How is law of demand related to it?     (05 Marks)

(b) Explain the relationship between total utility and marginal utility (explain by drawing TU and MU curves).     (10 Marks)

(c) Distinguish between cardinal utility and ordinal utility. Which is more realistic?

(05 Marks)

## Question 05

(a) What are indifference curves? (01 Mark)

(b) List down the properties of indifference curves (04 Marks)

(c) "At any given point along an indifference curve, the MRS is the slope of the indifference curve at that point". Explain this statement (05 Marks)

(d) What is mean by diminishing Marginal Rate of Substitution? (05 Marks)

(e) What are the reasons for diminishing Marginal Rate of Substitution? (05 Marks)

## Question 06

(a) Explain the following;

   i.   Total product

   ii.  Marginal product

   iii. Average product (06 Marks)

(b) "Although $MP_L$ is increasing in stage one of short run production, it is not the rational production stage" Comment on the statement. (06 Marks)

(c) Assume that the short run total production function as follows.

$$Q = 6L^2 - 0.4L^3$$

   i.   Determine $MP_L$ and $AP_L$ functions.

   ii.  At what level of labour inputs total production will be maximized.

(08 Marks)

## Question 07

(a) What is mean by Marginal Rate of Technical Substitution (MRTS)       (05 Marks)

(b) Distinguish between short run production function and long run production

function       (05 Marks)

(c) You are given the following production function;

$Q = L^a K^b$

     i.    If (a + b) >1, what would the isoquant map look like?       (05 Marks)

    ii.    If (a+ b) = 1, what does this production function represent increasing,

        decreasing or constant returns to scale?       (05 Marks)

## Question 08

(a) Distinguish between accounting cost and economic cost.       (06 Marks)

(b) Give an example for implicit cost       (02 Marks)

(c) Explain the following cost concepts

    i.    Average fixed cost (AFC)

    ii.    Average variable cost (AVC)

    iii.    Average total cost (ATC)       (06 Marks)

(d) Give reasons for the U- shape of long run average cost curve.       (06 Marks)

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

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### Year 2 Semester I
### SEMESTER END EXAMINATION
### Financial Management & Strategies – BRMB-2304

- This paper consists of EIGHT (08) questions on TEN (10) pages.
- Answer <u>FIVE (05)</u> 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: 2020.09.15               Pass mark: 40%               Time: 03 Hours

## Question 01 (Compulsory)

Following are the financial information related to the two mutually exclusive projects of TIMEX Construction received in the current month 2020.

Project A : Construction of Housing Complex

Project B :  Building a Cricket Stadium

( Rs in Millions )

|                    | Project A | Project B |
|--------------------|-----------|-----------|
| Initial Investment | 4,500,000 | 4,850,000 |
| Project life time  | 5 Years   | 5 Years   |
| Cash Inflow- Year 1 | 1,450,000 | 1,650,000 |

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|  |  |  |
|---|---|---|
| Year 2 | 1,600,000 | 1.955,000 |
| Year 3 | 2,875,000 | 1,825,000 |
| Year 4 | 2,625,000 | 2,655,000 |
| Year 5 | 3,455,000 | 2,345,000 |
|  |  |  |
| Discount rate per annum | 10% | 15% |
| Average Annual Profits | 3,950,000 | 2,650,000 |

Required,

(a) Calculate the followings based on the above information for project A and Project B.

(i) Payback Period ( PB)

(ii) Accounting rate of Return ( ARR)

(iii) Net Present Value ( NPV)

(iv) Profitability Index (PI)

(04 Marks for each x 4 = 16 Marks)

(b) What is the project that you recommend based on the above calculations to the management of the company? (04 Marks)

## Question 02

(a) Discuss main three decisions of Financial Management. (06 Marks)

(b) What is the agency conflict? Explain how it arise in organizations with an example

(05 Marks)

(c) Briefly disucss the importance of financial management for business firms in competitive enviornamnt.? (09 Marks)

## Question 03

(a) "The importance of the concept of time value of money is influenced on consumers today than in any other time period, in Sri Lanka". Do you agree with the statement? Argue on that. (04 Marks)

(b) Mr. Tendy is expecting to buy a car. There are two options of which he can make the payment

Option 1: Paying total sum today, worth RS 2,500,000

Option 2: Paying RS 60,000 per month for 5 years.

If Interest rate is 12% and is compounded monthly, clearly indicate which option is better for Mr. Tendy in terms of paying for the car. (08 Marks)

(c) Mr. Perra took a mortgage loan to finance the purchase of his house for RS 5,000,000 to be repaid in ten semiannual installments. The annual nominal interest rate is 10% which is compounded semiannually.

(i) Compute the semiannual installment. (04 Marks)

(ii) Calculate the interest and the principle payments at the end of firstyear (at the end of the payment of 02nd installment) (04 Marks)

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## Question 04

Your company is considering two mutually exclusive projects, X and Y. Project X involves an outlay of 120 million which will generate an expected cash inflow of 35 million per year for 6 years.

Project B calls for an outlay of 85 million which will produce an expected cash inflow of 15 million per year for 5 years.

The company's cost of capital is 13%.

Calculate the Net Present Value (NPV) of each project X and Y.

Propose on which project the company should be invested. Justify your proposal

providing reasons. (20 Marks)

## Question 05

(a) Discuss the three types of foreign exchange risks with examples. (06 Marks)

(b) What is the difference between buying rate and selling rate of foreign exchange.

(05 Marks)

(c) Discuss the internal and external hedging techniques to mitigate the foreign exchange

risks for a business. (09 Marks)

## Question 06

(a) What is the meaning of Weighted Average cost of Capital (WACC) . (04 Marks)

(b) Calculate the WACC and interpret your answer. Assume tax rate is 35 %.

(16 Marks)

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| Capital Components | Market value (Rs.Mn) | Cost |
|---|---|---|
| Stated Capital | 1500 | Ke = 15 % |
| Preference share Capital | 700 | K p= 12% |
| Long Term Loans | 400 | K d = 18% |
| Debentures | 300 | K d =15% |

## Question 07

(a) What is the different types of risks faced by a business. (05 Marks)

(b) The following estimates are available for possible Economic conditions in the near future, their respective probabilities and the rate of returns for stock A and B.

| Economic condition | Probability | Rate of Return (%) | |
|---|---|---|---|
| | | Asset A | Asset B |
| Growth | 0.3 | 13 | 17 |
| Stagnation | 0.5 | 10 | 12 |
| Recession | 0.2 | -8 | 6 |

Based on the above information determine,

(i)   The expected rate of returns for Asset A and B separately

(ii)  The variance and the Standard deviation of Asset A and B separately

(15 Marks)

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## Question 08

(a) Discuss the main components of working capital management.          (10 Marks)

(b) Explain the main methods of valuing a business.          (10 Marks)

*--------End of the Question Paper---------*

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**Present Value Table**

Present value of 1 i.e. $(1 + r)^{-n}$

Where     r = discount rate
           n = number of periods until payment

*Discount rate (r)*

| Periods (n) | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 0·990 | 0·980 | 0·971 | 0·962 | 0·952 | 0·943 | 0·935 | 0·926 | 0·917 | 0·909 | 1 |
| 2 | 0·980 | 0·961 | 0·943 | 0·925 | 0·907 | 0·890 | 0·873 | 0·857 | 0·842 | 0·826 | 2 |
| 3 | 0·971 | 0·942 | 0·915 | 0·889 | 0·864 | 0·840 | 0·816 | 0·794 | 0·772 | 0·751 | 3 |
| 4 | 0·961 | 0·924 | 0·888 | 0·855 | 0·823 | 0·792 | 0·763 | 0·735 | 0·708 | 0·683 | 4 |
| 5 | 0·951 | 0·906 | 0·863 | 0·822 | 0·784 | 0·747 | 0·713 | 0·681 | 0·650 | 0·621 | 5 |
| 6 | 0·942 | 0·888 | 0·837 | 0·790 | 0·746 | 0·705 | 0·666 | 0·630 | 0·596 | 0·564 | 6 |
| 7 | 0·933 | 0·871 | 0·813 | 0·760 | 0·711 | 0·665 | 0·623 | 0·583 | 0·547 | 0·513 | 7 |
| 8 | 0·923 | 0·853 | 0·789 | 0·731 | 0·677 | 0·627 | 0·582 | 0·540 | 0·502 | 0·467 | 8 |
| 9 | 0·914 | 0·837 | 0·766 | 0·703 | 0·645 | 0·592 | 0·544 | 0·500 | 0·460 | 0·424 | 9 |

| (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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**Annuity Table**

Present value of an annuity of 1 i.e. $\dfrac{1-(1+r)^{-n}}{r}$

Where    $r$ = discount rate
         $n$ = number of periods

*Discount rate (r)*

| Periods (n) | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 0·990 | 0·980 | 0·971 | 0·962 | 0·952 | 0·943 | 0·935 | 0·926 | 0·917 | 0·909 | 1 |
| 2 | 1·970 | 1·942 | 1·913 | 1·886 | 1·859 | 1·833 | 1·808 | 1·783 | 1·759 | 1·736 | 2 |
| 3 | 2·941 | 2·884 | 2·829 | 2·775 | 2·723 | 2·673 | 2·624 | 2·577 | 2·531 | 2·487 | 3 |
| 4 | 3·902 | 3·808 | 3·717 | 3·630 | 3·546 | 3·465 | 3·387 | 3·312 | 3·240 | 3·170 | 4 |
| 5 | 4·853 | 4·713 | 4·580 | 4·452 | 4·329 | 4·212 | 4·100 | 3·993 | 3·890 | 3·791 | 5 |
| 6 | 5·795 | 5·601 | 5·417 | 5·242 | 5·076 | 4·917 | 4·767 | 4·623 | 4·486 | 4·355 | 6 |
| 7 | 6·728 | 6·472 | 6·230 | 6·002 | 5·786 | 5·582 | 5·389 | 5·206 | 5·033 | 4·868 | 7 |
| 8 | 7·652 | 7·325 | 7·020 | 6·733 | 6·463 | 6·210 | 5·971 | 5·747 | 5·535 | 5·335 | 8 |
| 9 | 8·566 | 8·162 | 7·786 | 7·435 | 7·108 | 6·802 | 6·515 | 6·247 | 5·995 | 5·759 | 9 |
| 10 | 9·471 | 8·983 | 8·530 | 8·111 | 7·722 | 7·360 | 7·024 | 6·710 | 6·418 | 6·145 | 10 |
| 11 | 10·37 | 9·787 | 9·253 | 8·760 | 8·306 | 7·887 | 7·499 | 7·139 | 6·805 | 6·495 | 11 |
| 12 | 11·26 | 10·58 | 9·954 | 9·385 | 8·863 | 8·384 | 7·943 | 7·536 | 7·161 | 6·814 | 12 |
| 13 | 12·13 | 11·35 | 10·63 | 9·986 | 9·394 | 8·853 | 8·358 | 7·904 | 7·487 | 7·103 | 13 |
| 14 | 13·00 | 12·11 | 11·30 | 10·56 | 9·899 | 9·295 | 8·745 | 8·244 | 7·786 | 7·367 | 14 |
| 15 | 13·87 | 12·85 | 11·94 | 11·12 | 10·38 | 9·712 | 9·108 | 8·559 | 8·061 | 7·606 | 15 |

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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 | 1·713 | 1·690 | 1·668 | 1·647 | 1·626 | 1·605 | 1·585 | 1·566 | 1·547 | 1·528 | 2 |
| 3 | 2·444 | 2·402 | 2·361 | 2·322 | 2·283 | 2·246 | 2·210 | 2·174 | 2·140 | 2·106 | 3 |
| 4 | 3·102 | 3·037 | 2·974 | 2·914 | 2·855 | 2·798 | 2·743 | 2·690 | 2·639 | 2·589 | 4 |
| 5 | 3·696 | 3·605 | 3·517 | 3·433 | 3·352 | 3·274 | 3·199 | 3·127 | 3·058 | 2·991 | 5 |
| 6 | 4·231 | 4·111 | 3·998 | 3·889 | 3·784 | 3·685 | 3·589 | 3·498 | 3·410 | 3·326 | 6 |
| 7 | 4·712 | 4·564 | 4·423 | 4·288 | 4·160 | 4·039 | 3·922 | 3·812 | 3·706 | 3·605 | 7 |
| 8 | 5·146 | 4·968 | 4·799 | 4·639 | 4·487 | 4·344 | 4·207 | 4·078 | 3·954 | 3·837 | 8 |
| 9 | 5·537 | 5·328 | 5·132 | 4·946 | 4·772 | 4·607 | 4·451 | 4·303 | 4·163 | 4·031 | 9 |
| 10 | 5·889 | 5·650 | 5·426 | 5·216 | 5·019 | 4·833 | 4·659 | 4·494 | 4·339 | 4·192 | 10 |
| 11 | 6·207 | 5·938 | 5·687 | 5·453 | 5·234 | 5·029 | 4·836 | 4·656 | 4·486 | 4·327 | 11 |
| 12 | 6·492 | 6·194 | 5·918 | 5·660 | 5·421 | 5·197 | 4·988 | 4·793 | 4·611 | 4·439 | 12 |
| 13 | 6·750 | 6·424 | 6·122 | 5·842 | 5·583 | 5·342 | 5·118 | 4·910 | 4·715 | 4·533 | 13 |
| 14 | 6·982 | 6·628 | 6·302 | 6·002 | 5·724 | 5·468 | 5·229 | 5·008 | 4·802 | 4·611 | 14 |
| 15 | 7·191 | 6·811 | 6·462 | 6·142 | 5·847 | 5·575 | 5·324 | 5·092 | 4·876 | 4·675 | 15 |

## 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

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

4) Future value of an ordinary annuity

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

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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

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

9) Market Risk

$$\beta_i = \frac{Cov_{i,m}}{\sigma_m^2}$$

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### Year 2 Semester I
### SEMESTER END EXAMINATION
### Business Law -BRMB 2302

- This paper consists of EIGHT questions on SEVEN (07) pages.
- Answer FIVE (05) 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: 2020.09.10          Pass mark: 40 %          Time: 03 Hours

## Question 01: (Compulsory)

01. Akila has been employed at ABC company as a trainee technical officer since 1st of November 1997 for a basic salary of Rs.20,000 with travel allowance of Rs.5,000 and other commission. Within three years, he was promoted to Executive – technical on 20th October 2000 with a salary increment of Rs.5,000. On 01st of December 2002 Akila meets with an accident and suffers from memory loss and stops reporting to work. ABC Company sends the employee termination letter since Akila has stopped reporting to work permanently without any notice or cause.

After 05 years, as a result of continuous medical treatment, Akila rejoins ABC Company as a Technical Cordinator for a salary of Rs.35,000, and is further promoted to Executive – Technical on 01st of January 2010 with a salary increment

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of Rs.10,000. However due to continuous family problems and financial difficulties Akila resigns from his job to pursue foreign employment on 01st of December 2011.

(a) Define what a gratuity payment is and how gratuity is calculated.     (02 Marks)

(b) Discuss whether Akila can claim for gratuity upon termination of employment in December 2002 and December 2011. If so, calculate his gratuity.     (06 Marks)

(c) Define what EPF and ETF is.     (04 Marks)

(d) Calculate the amount of EPF and ETF relevant to Akila for the months of :
   i.   December 1997
   ii.  January 2001
   iii. June 2008
   iv.  March 2010     (08 Marks)

In your answers you should include the formulas for calculating Gratuity, EPF and ETF ad well as rates of contribution by the employee and employer and state the law/legislation relevant to each of these payments.

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## Question 02:

(a) What are the objectives of labour law? (04 Marks)

(b) According to Industrial Disputes Act No. 43 of 1950;

    a. Define a "workman" and an "employer" (02 Marks)

    b. Define what an "industrial dispute" is (02 Marks)

    c. State 4 types of dispute resolution mechanisms (02 Marks)

(c) What is probationary employment? (02 Marks)

(d) Differentiate between fixed term contract employees and seasonal employees?

(04 Marks)

(e) Differentiate between permanent employees and casual employees (04 Marks)

## Question 03 :

(a) Shani is a 16 year old girl employed under her family business. She has been told by her Uncle to work overtime and overnight on certain days to cover the unfinished workload. Is this legal under Employment of women, young persons

and children act no. 32 of 1984. Discuss. (06 Marks)

(b) Maneesha is employed as an accounts assistant at ABC company since 2018 January. She has not informed the management about her pregnancy fearing her employment will be terminated. Therefore at the time of the birth, management has refused to allow her to take 84 days of leave which is supposed to be given. What can Maneesha do as a remedy? (07 Marks)

(c) Kaushi faced major problems in the birth of her fourth child. As a result of the complications, the infant died at the time of the operation. ABC Company has told Kaushi to report to work within 14 days. Is this legal under Maternity Benefits Ordinance No. 32 of 1939? (07 Marks)

## Question 04

(a) Maneesha, Kaushi and other women at ABC Company have formed a trade union in December 2019, however has failed to register the trade union with the Department of Labour. What powers and authority does this trade union have to bring any action or negotiation against ABC? (05 Marks)

(b) Vimukthi has been employed as an administration coordinator since December 2019 and when his initial probation of 06 months ended, he was further notified

that his probation will be continued for another 06 months. Does Vimukthi have any remedy for the above action? (05 Marks)

(c) Kamal injures his hand during the operation of a saw mill machine at ABC factory premises. He claims the injury occurred due to unavailability of safety gloves. How can he claim for this loss? (05 Marks)

(d) Kamal also claims that in ABC factory premises, the heat in the factory premises is unbearable and there is no clean drinking water supplied at the factory. What action can he take against ABC? (05 Marks)

## Question 05

(a) Differentiate between a private limited company and a public limited company

(04 Marks)

(b) What is the procedure to set up a sole proprietorship in Sri Lanka? (04 Marks)

(c) State 04 characteristics of a Partnership (04 Marks)

(d) What is branding and why is branding important? (04 Marks)

(e) Why do companies need intellectual property laws and what are the rights governed under intellectual property laws? (04 Marks)

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## Question 06

Write short notes on the following:

(a) Offer and Acceptance (10 Marks)

(b) Intellectual Property Rights (including patent, trademark, industrial design and copyright) definition, enforcement, length of protection and renewability

(10 Marks)

## Question 07

(a) What is an Agency? (02 Marks)

(b) What is Actual Authority? (04 Marks)

(c) What is Apparent Authority? (04 Marks)

(d) What is Necessary Authority? (04 Marks)

(e) State 04 duties of an Agent (02 Marks)

(f) State 04 duties of a Principal (02 Marks)

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(g) State 04 ways by which an agency can be terminated          (02 Marks)

## Question 08

(a) What is a contract of sale of goods?          (02 Marks)

(b) Differentiate between existing goods and future goods          (04 Marks)

(c) Differentiate between Conditions and Warranties          (04 Marks)

(d) State and explain 04 implied conditions from Sale of Goods Ordinance No. 11 of
1986.          (04 Marks)

(e) Explain the "Nemo Dat Rule"          (02 Marks)

(f) Briefly explain 04 exceptions to the Nemo Dat Rule          (04 Marks)

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

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Year 2 Semester I
SEMESTER END EXAMINATION
Business Ethics -BRMB 2301

- This paper consists of EIGHT questions on FIVE (05) pages.
- Answer FIVE (05) 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:   2020.09.08          Pass mark: 40 %          Time: 03 Hours

## Question 01 (Compulsory)

Jenna, a good friend of yours who studies at the same university, has been complaining about some time to you that she never has any money. She decides that she needs to go out and find a job, and after searching for a while is offered a job as a waitress in the student bar at your university. She gladly accepts and begins working three nights a week. You are pleased too, not only because it means that Jenna will have more money, but also because it means you will continue to see her regularly — after all, you are a regular customer at the bar! Jenna enjoys the extra income that the job brings. She also seems to enjoy the work. You are rather pleased with developments since you notice that whenever you go up to the bar, Jenna always serves you first regardless of how many people are waiting.

After a short while though, it becomes noticeable that Jenna is not enjoying the job quite as much as she did. Whenever you see her, she always seems to have a new story of how

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the bar manager has mistreated her. She tells you how she has been getting the worst shifts, always getting chosen to do the least-popular jobs (like cleaning the washrooms) and being constantly scolded for minor mistakes that seem to go faultless for the rest of the staff. This goes on for a short while and then one day, when you are in the bar having a drink with some of your other friends, Jenna does something that you are not quite sure how to react to. When you go up to pay for a round of four drinks for you and your other friends, she individually only charges you for one drink. Whilst you are slightly uncomfortable with this, you certainly do not want to lose the opportunity to save some money, or even worse, to get your friend into any kind of trouble by refusing. And when you tell your friends about it, they think it is very funny and congratulate you for the cheap round of drinks! Jenna continues to undercharge you whenever it is your turn to go to the bar. This goes on for several visits. You are happy to get the cheap rounds at the bar, but you are not 100% comfortable with what is going on. You decide to at least say something to Jenna when no one else is around. However, when you do end up raising the matter, she just laughs it off and says, 'Yeah, it is great isn't it? They will never notice, and you get a cheap night out. Besides, it is only what this place deserves after the way I have been treated.

(a) Who is wrong in this situation—Jenna for undercharging you, you for accepting it, both of you, or neither of you? (05 Marks)
(b) Faced by this situation, how would you handle it? Do nothing, or ask Jenna to stop undercharging you? (05 Marks)
(c) If you take the latter option for part (b) above (ask Jenna to stop undercharging you), what would you do if she refused? (05 Marks)

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(d) Does the fact that Jenna feels upset at the treatment she receives from her boss
forgive her behaviour?                                                    (05 Marks)

## Question 02

In 2013, computer expert and former CIA systems administrator, Edward Snowden
released confidential government documents to the media about the existence of
government investigation programs. According to many legal experts, and the U.S.
government, his actions violated the Espionage Act of 1917, which identified the leak of
state secrets as an act of disloyalty. Yet even though he broke the law, Snowden argued
that he had a moral obligation to act. He gave a justification for his "whistleblowing" by
stating that he had a duty "to inform the public as to that which is done in their name
and that which is done against them." According to Snowden, the government's violation
of privacy had to be exposed regardless of legality.

(a) Describe the utilitarianism and deontological philosophies          (05 Marks)

(b) Evaluate Snowden's action in light of utilitarianism and deontological
philosophies                                                            (15 Marks)

## Question 03

"Environmental ethics believe that humans are a part of society as well as other living
creatures, which includes plants and animals. Therefore, it is essential that every human
being respected and honor this and use morals and ethics when dealing with these
creatures." Elaborate this statement by emphasizing the value of ecological ethics for Sri
Lanka.                                                                   (20 Marks)

## Question 04

Chithra is a training graduate teacher of an international school for upper grades, was warned about her excessive absenteeism several times, both verbally and in writing. The written warning included notice that "further violations will result in disciplinary actions," including suspension or discharge.

A short time after the written warning was issued, Chithra called work to say she was not going to be in because her babysitter had called in sick and she had to stay home and care for her young child. Chithra's supervisor senior teachers in-charge, Mrs. Bopearachchi, told her that she had already exceeded the allowed number of absences and warned that if she did not report to work, she could be suspended. When Chithra did not report for her shift, Mrs. Bopearachchi suspended her for fifteen days.

In a subsequent hearing, Chithra argued that it was not her fault that the babysitter had canceled and protested that she had no other choice but to stay home. Mrs. Bopearachchi pointed out that Chithra had not made a good faith effort to find an alternate babysitter, nor had she tried to swap shifts with a co-worker. Furthermore, Mrs. Bopearachchi, said that the lack of a babysitter was not a justifiable excuse for being absent.

| | |
|---|---|
| (a) Was the suspension fair? | (05 Marks) |
| (b) Did Mrs. Bopearachchi, act responsibly? | (05 Marks) |
| (c) Should Chithra be fired? or Should the babysitter be fired? | (05 Marks) |
| (d) Should working fathers take turns staying home? | (05 Marks) |

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## Question 05

(a) Describe the Carroll's model of social responsibility with the diagram.   (10 Marks)

(b) Discuss why creating shared value concept (CSV) is widely accepted by the corporations around the globe than corporate social responsibility     (10 Marks)

## Question 06

(a) "Ethical marketing needs to be practiced in the entire marketing mix" Do you agree with this statement? Discuss your status with examples.     (10 Marks)

(b) Discuss ethical issues in marketing and how to overcome them.     (10 Marks)

## Question 07

(a) Discuss the ethical issues and problems that arise in an organization's dealings with its suppliers and competitors.     (20 Marks)

## Question 08

(a) Discuss ethical issues in finance.     (08 Marks)

(b) Explain the purpose of conducting an ethical audit.     (04 Marks)

(c) What do you think will be the major new ethical issues and problems that businesses will have to face over the next decade?     (08 Marks)

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

# Colombo International Nautical and Engineering College

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## Year 2 Semesters I

## REPEAT EXAMINATION

## Financial Management and Strategies BRMB 2304

- This paper consists of EIGHT questions on Thirteen (13) pages.
- Answer Any <u>Five</u> Questions <u>including Question 01</u>
- 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: 2019.12.02          Pass mark: 40%          Time: 03 Hours

## Question 01 (COMPULSORY)

Company TY owns a number of motor vehicle retail showrooms in its home country, Country Y (The currency of the country is Y$). It has grown rapidly in recent years, largely by acquiring land and building new showrooms.

The directors of TY are currently considering a number of possible new sites for further expansion. One or more of these sites may be developed up to a maximum overall capital budget of Y$ 100 million. One of the sites being considered is located in a neighbouring country, Country J (Currency of that country is J$). If selected, this would be the first showroom to be opened in a foreign country.

Four possible sites have been identified and the data are given below

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Table 1.01

| Project (Local Projects) | Initial Investment | net cash inflow at the end of each year for a 10-year period | Project net present value (NPV) | payback period (Without discounting) | Profitability index |
|---|---|---|---|---|---|
| | Y$ Million | Y$ Million | Y$ Million | Years | |
| A | 50 | 12 | 25.35 | To be calculated | To be calculated |
| B | 100 | 20 | 25.58 | To be calculated | To be calculated |
| C | 75 | 15 | 19.18 | To be calculated | To be calculated |
| Foreign Project (To be started in Country J) | Initial Investment (J$ Million) | net cash inflow at the end of each year for a 10-year period (J$ Million) | Project net present value (NPV) | payback period (Without discounting) | Profitability index |
| D | 80 | 20 | To be calculated | 4 Years | To be calculated |

Note that projects A, B and C are located in TY's home country, Country Y and project D is located in neighbouring Country J.

Additional data,

- Local projects are discounted based on the rate of 9.5%
- The risk-free interest rate is 2% in Country Y and 4% in Country J.
- The spot rate is currently Y$/J$ 2.2900 (that is, Y$ 1 = J$ 2.2900)
- Each project has a 10-year term

A separate decision has yet to be made about how best to finance the selected project or projects.

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Required,

(i) Calculate the payback period and Profitability indexes for all three local projects

(04 Marks)

(ii) An appropriate J$ based discount rate to use in calculating the Net Present Value (NPV) of project D                                                                (04 Marks)

(iii) Calculate project D's NPV stated in terms of Y$. (Hint: use any option you prefer)

(08 Marks)

(iv) Profitability index for Project D                                    (02 Marks)

(v) Advise the directors of LB on: The project or combination of projects which is expected to maximize shareholder wealth (Hint : There is a capital rationing situation)                                                             (02 Marks)

## Question 02

Modern enterprise Ltd is considering the purchase of a new computer system for its research and development division, which would cost USD 3 million. The operation and maintenance costs (excluding depreciation) are expected to be 0.7 million per annum. It is estimated that the useful life of the system would be 6 years, at the end of which the disposal value is expected to be zero.

The tangible benefits expected from the system in the form of reduction in design and draftsmanship costs would be USD 1.2 million per annum. The disposal of used drawing office equipment and furniture initially is anticipated to net USD 0.9 million. The effective tax rate is 35 per cent. The average cost of capital (Discount rate) of the company 12 percent.

After appropriate analysis of cash flows (Net Present Value) advise the company of the financial viability of the proposal.                                    (20 Marks)

## Question 03

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(a) There is an inseparable relationship between financial management and other functions of an organization such as production, marketing, Human Resource Management etc.". Explain this statement                                    (08 Marks)

(b) "Aligning the interests between owners and the managers will lead to minimize the principal agent problem". Clearly explain the short term and the long-term strategies to be taken to minimize the principal agent problem          (06 Marks)

(c) Financial statements are prepared to provide different information for users. What are the different types of information that users can obtain by assessing these statements                                                                        (06 Marks)

## Question 04

(a) "The importance of the concept of time value of money is influenced on consumers today than in any other time period, in Sri Lanka". Do you agree with the statement? Argue on that.                                                   (04 Marks)

(b) Ms. Nimsha is expecting to buy a car. There are two options of which she can make the payment

Option 1: Paying total sum today, worth RS 2,500,000

Option 2: Paying RS 60,000 per month for 5 years.

If Interest rate is 12% and is compounded monthly, clearly indicate which option is better for Ms. Nimsha in terms of paying for the car.                (04 Marks)

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(c) Ms. Gishana took a mortgage loan to finance the purchase of her house for RS 5,000,000 to be repaid in ten semiannual installments. The annual nominal interest rate is 10% which is compounded semiannually.

(i) Compute the semiannual installment                                    (02 Marks)

(ii) Calculate the interest and the principle payments at the end of first year (at the end of the payment of 02nd installment)                  (02 Marks)

(d) Mr. Sameera is expecting to invest RS 100,000 in his bank account today. Calculate how long will it take to increase his initial investment up to RS 500,000 under an annual interest of 10%                                    (04 Marks)

(e) Mr. Pathum invested RS 50,000 today for her new project on floral decorations. If the annual cash flow at the end of each year due to this project is RS 10,000 spread for an indefinite period of time, calculate the Net Present value of the project (Assume the discount rate as 10%)                      (04 Marks)

## Question 05

(a) Mr. Madhawa has purchased 100 shares from dialog PLC as at 01st of January 2018 at Rs 11 per share. As at 30th April 2018 he sold his shares for RS 1500. During the holding period, the company paid RS 250 as total amount of dividends.

(i) Calculate the total gain as a percentage                              (1.5 Marks)

(ii) Calculate the annualized return as a percentage                      (1.5 Marks)

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(b) The returns of stocks X and Y under different Economic conditions are as follows.

Table 5.01

| Economic condition | Probability | Returns of X (%) | Returns of Y (%) |
|---|---|---|---|
| Growth | 0.5 | 20 | 22 |
| Normal | 0.3 | 15 | 15 |
| Recession | 0.2 | 10 | 05 |

(i) Calculate the expected return and the standard deviation of each stock

(04 Marks)

(ii) If you are to select one stock for investment, what would you choose? Justify your answer

(03 Marks)

(c) suppose an investor has a portfolio of two common stocks A and B in equal proportions with the following risk and return characteristics

- Expected return of A ($ER_A$) = 18%
- Expected return of B ($ER_B$) = 28%
- Standard Deviation of A ($STD_A$) = 15%
- Standard Deviation of A ($STD_B$) = 20%
- Returns of these stocks have a negative correlation of -0.2

(i) Calculate the expected return of the portfolio (05 Marks)

(ii) Calculate the expected risk (Standard Deviation) of the Portfolio (05 Marks)

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## Question 06

(a) Clearly explain four factors affecting on a company's capital structure with appropriate examples                                                                    (04 Marks)

(b) A newly established company has determined its capital structure as follows.

Table 6.01

| Common shares (10,000 shares) | RS 1,000,000 |
|---|---|
| Preference shares | RS 500,000 |
| Debentures at 12% interest | RS 1,200,000 |

- The annual dividend per common share is expected to be RS 8 per share and there will be a 5% growth rate of dividend. The market price per share is RS 120.
- The market price of a preference share is RS 50. Company is expecting to pay a RS 5 dividend per share.
- Tax rate is expected to be 25%.

Required,

Calculate the Weighted average cost of capital of the company          (10 Marks)

(c) The Financial Manager of Demo (PLC), engaged in manufacturing spare parts has found following information on its fixed costs, variable costs and sales revenue.

Table 6.02

| Sales revenue | RS 800,000 |
|---|---|
| **Variable** Operating expenses | RS 400,000 |
| **Fixed** operating expenses | RS 200,000 |
| Earnings before Interest and Tax (EBIT) | ............... |

Required,

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Calculate the operating leverage of the company if the sales revenue will be reduced by 10% due to the reduction of demand for spare parts. (Assume variable costs are also changing with the change of sales revenue)     (03 Marks)

(d) Clearly explain on how operating leverage will be influencing on the decisions taken by the financial manager.     (03 Marks)

## Question 07

(a) Rumal (Pvt) ltd is a company engaged in advertising and marketing in Sri Lanka. They are planning to construct a new advertising firm in Rajagiriya. The cost of the new project is expected to be RS 10 million. The financial manager plans for acquiring funds for the new project as follows.

Plan 01 – collect the total funds through Equity. (The expected number of shares to be issued is 40,000)

Plan 02 – Collect the RS 5 Million through Equity (The expected number of shares to be issued is 20,000) and collect remaining through debt with an interest rate of 8%.

The tax rate of the company is 35%. The expected earnings before interest and tax of the company is RS one million per annum through this project and the existing branches of company are smoothly running their operations.

(i)    Calculate the earnings per share under each plan.     (04 Marks)
(ii)   Calculate the indifferent point of EBIT     (04 Marks)
(iii)  By using an appropriate graph, indicate which plan is the best for acquiring funds for LT (Pvt) ltd to run the project.     (06 Marks)

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(b) Huawei (Pvt) Ltd is a smart phone manufacturer in China. The budgeted sales of smart phones (Huawei Y5 Lite brand) for the first four months in the next year (2020) are given as follows.

Table 7.01

|  | January | February | March | April |
|---|---|---|---|---|
| Sales (smart phones) | 15 | 20 | 25 | 30 |

Other relevant data:

- The selling price of a smart phone is Yuan 503
- To produce one smart phone, 0.5 kilo grams of metal are required.
- The target month end finished smart phones inventory is 25% of budgeted next month sales
- End Finished smart phones inventory for December 2019 is expected as 08 units

Required: Prepare the following budgets for the first 3 months of the next year

(i) Sales revenue budget                                                    (03 Marks)

(ii) Production Budget (in Units)                                          (03 Marks)

# Question 08

(a) Clearly explain the similarities and differences between short term and long term financial securities                                                    (05 Marks)

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(b) Clearly explain the following terms with appropriate examples

    (i)    Portfolio Diversification

    (ii)   Corporate Governance

    (iii)  Financial Institutions

    (iv)  Geometric mean return

    (v)   Time value of Money                (03 Marks for each)

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

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**Present Value Table**

Present value of 1 i.e. $(1 + r)^{-n}$

Where     r  = discount rate
          n = number of periods until payment

*Discount rate (r)*

| Periods (n) | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 0·990 | 0·980 | 0·971 | 0·962 | 0·952 | 0·943 | 0·935 | 0·926 | 0·917 | 0·909 | 1 |
| 2 | 0·980 | 0·961 | 0·943 | 0·925 | 0·907 | 0·890 | 0·873 | 0·857 | 0·842 | 0·826 | 2 |
| 3 | 0·971 | 0·942 | 0·915 | 0·889 | 0·864 | 0·840 | 0·816 | 0·794 | 0·772 | 0·751 | 3 |
| 4 | 0·961 | 0·924 | 0·888 | 0·855 | 0·823 | 0·792 | 0·763 | 0·735 | 0·708 | 0·683 | 4 |
| 5 | 0·951 | 0·906 | 0·863 | 0·822 | 0·784 | 0·747 | 0·713 | 0·681 | 0·650 | 0·621 | 5 |
| 6 | 0·942 | 0·888 | 0·837 | 0·790 | 0·746 | 0·705 | 0·666 | 0·630 | 0·596 | 0·564 | 6 |
| 7 | 0·933 | 0·871 | 0·813 | 0·760 | 0·711 | 0·665 | 0·623 | 0·583 | 0·547 | 0·513 | 7 |
| 8 | 0·923 | 0·853 | 0·789 | 0·731 | 0·677 | 0·627 | 0·582 | 0·540 | 0·502 | 0·467 | 8 |
| 9 | 0·914 | 0·837 | 0·766 | 0·703 | 0·645 | 0·592 | 0·544 | 0·500 | 0·460 | 0·424 | 9 |
| 10 | 0·905 | 0·820 | 0·744 | 0·676 | 0·614 | 0·558 | 0·508 | 0·463 | 0·422 | 0·386 | 10 |
| 11 | 0·896 | 0·804 | 0·722 | 0·650 | 0·585 | 0·527 | 0·475 | 0·429 | 0·388 | 0·350 | 11 |
| 12 | 0·887 | 0·788 | 0·701 | 0·625 | 0·557 | 0·497 | 0·444 | 0·397 | 0·356 | 0·319 | 12 |
| 13 | 0·879 | 0·773 | 0·681 | 0·601 | 0·530 | 0·469 | 0·415 | 0·368 | 0·326 | 0·290 | 13 |
| 14 | 0·870 | 0·758 | 0·661 | 0·577 | 0·505 | 0·442 | 0·388 | 0·340 | 0·299 | 0·263 | 14 |
| 15 | 0·861 | 0·743 | 0·642 | 0·555 | 0·481 | 0·417 | 0·362 | 0·315 | 0·275 | 0·239 | 15 |

| (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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**Annuity Table**

Present value of an annuity of 1 i.e. $\dfrac{1-(1+r)^{-n}}{r}$

Where   $r$ = discount rate
      $n$ = number of periods

*Discount rate (r)*

| Periods (n) | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 0·990 | 0·980 | 0·971 | 0·962 | 0·952 | 0·943 | 0·935 | 0·926 | 0·917 | 0·909 | 1 |
| 2 | 1·970 | 1·942 | 1·913 | 1·886 | 1·859 | 1·833 | 1·808 | 1·783 | 1·759 | 1·736 | 2 |
| 3 | 2·941 | 2·884 | 2·829 | 2·775 | 2·723 | 2·673 | 2·624 | 2·577 | 2·531 | 2·487 | 3 |
| 4 | 3·902 | 3·808 | 3·717 | 3·630 | 3·546 | 3·465 | 3·387 | 3·312 | 3·240 | 3·170 | 4 |
| 5 | 4·853 | 4·713 | 4·580 | 4·452 | 4·329 | 4·212 | 4·100 | 3·993 | 3·890 | 3·791 | 5 |
| 6 | 5·795 | 5·601 | 5·417 | 5·242 | 5·076 | 4·917 | 4·767 | 4·623 | 4·486 | 4·355 | 6 |
| 7 | 6·728 | 6·472 | 6·230 | 6·002 | 5·786 | 5·582 | 5·389 | 5·206 | 5·033 | 4·868 | 7 |
| 8 | 7·652 | 7·325 | 7·020 | 6·733 | 6·463 | 6·210 | 5·971 | 5·747 | 5·535 | 5·335 | 8 |
| 9 | 8·566 | 8·162 | 7·786 | 7·435 | 7·108 | 6·802 | 6·515 | 6·247 | 5·995 | 5·759 | 9 |
| 10 | 9·471 | 8·983 | 8·530 | 8·111 | 7·722 | 7·360 | 7·024 | 6·710 | 6·418 | 6·145 | 10 |
| 11 | 10·37 | 9·787 | 9·253 | 8·760 | 8·306 | 7·887 | 7·499 | 7·139 | 6·805 | 6·495 | 11 |
| 12 | 11·26 | 10·58 | 9·954 | 9·385 | 8·863 | 8·384 | 7·943 | 7·536 | 7·161 | 6·814 | 12 |
| 13 | 12·13 | 11·35 | 10·63 | 9·986 | 9·394 | 8·853 | 8·358 | 7·904 | 7·487 | 7·103 | 13 |
| 14 | 13·00 | 12·11 | 11·30 | 10·56 | 9·899 | 9·295 | 8·745 | 8·244 | 7·786 | 7·367 | 14 |
| 15 | 13·87 | 12·85 | 11·94 | 11·12 | 10·38 | 9·712 | 9·108 | 8·559 | 8·061 | 7·606 | 15 |

| (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 | 1·713 | 1·690 | 1·668 | 1·647 | 1·626 | 1·605 | 1·585 | 1·566 | 1·547 | 1·528 | 2 |
| 3 | 2·444 | 2·402 | 2·361 | 2·322 | 2·283 | 2·246 | 2·210 | 2·174 | 2·140 | 2·106 | 3 |
| 4 | 3·102 | 3·037 | 2·974 | 2·914 | 2·855 | 2·798 | 2·743 | 2·690 | 2·639 | 2·589 | 4 |
| 5 | 3·696 | 3·605 | 3·517 | 3·433 | 3·352 | 3·274 | 3·199 | 3·127 | 3·058 | 2·991 | 5 |
| 6 | 4·231 | 4·111 | 3·998 | 3·889 | 3·784 | 3·685 | 3·589 | 3·498 | 3·410 | 3·326 | 6 |
| 7 | 4·712 | 4·564 | 4·423 | 4·288 | 4·160 | 4·039 | 3·922 | 3·812 | 3·706 | 3·605 | 7 |
| 8 | 5·146 | 4·968 | 4·799 | 4·639 | 4·487 | 4·344 | 4·207 | 4·078 | 3·954 | 3·837 | 8 |
| 9 | 5·537 | 5·328 | 5·132 | 4·946 | 4·772 | 4·607 | 4·451 | 4·303 | 4·163 | 4·031 | 9 |
| 10 | 5·889 | 5·650 | 5·426 | 5·216 | 5·019 | 4·833 | 4·659 | 4·494 | 4·339 | 4·192 | 10 |
| 11 | 6·207 | 5·938 | 5·687 | 5·453 | 5·234 | 5·029 | 4·836 | 4·656 | 4·486 | 4·327 | 11 |
| 12 | 6·492 | 6·194 | 5·918 | 5·660 | 5·421 | 5·197 | 4·988 | 4·793 | 4·611 | 4·439 | 12 |
| 13 | 6·750 | 6·424 | 6·122 | 5·842 | 5·583 | 5·342 | 5·118 | 4·910 | 4·715 | 4·533 | 13 |
| 14 | 6·982 | 6·628 | 6·302 | 6·002 | 5·724 | 5·468 | 5·229 | 5·008 | 4·802 | 4·611 | 14 |
| 15 | 7·191 | 6·811 | 6·462 | 6·142 | 5·847 | 5·575 | 5·324 | 5·092 | 4·876 | 4·675 | 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

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

4) Future value of an ordinary annuity

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

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

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

9) Market Risk

$$\beta_i = \frac{Cov_{i,m}}{\sigma_m^2}$$

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### Year 1 Semester I
### Repeat Examination
### ACCOUNTING FOR MANAGERS BRMB 1306

- This paper consists of eight questions on Eleven (11) pages.
- Answer any Five questions including <u>Question 01</u>
- 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: 2019.12.04          Pass mark: 40%          Time: 02 Hours

---

## Question 01: (Compulsory)

USE THE GIVEN FORMAT TO ANSWER THE QUESTION

Laughs (PLC) is a famous company engaged in retail trade business listed in Colombo Stock Exchange, Sri Lanka. Following trial balance has been given as at 31st March 2019.

Trail balance as at 31.03.2019

| Description | Debit (RS 000') | Credit (RS 000') |
|---|---|---|
| **Property plant and Equipment at cost as at 01.04.2018** | | |
| Land | 30,000 | |
| Buildings | 20,000 | |
| Motor vehicles | 15,500 | |
| **Property Plant and Equipment - Accumulated Depreciation as at 01.04.2018** | | |
| Buildings | | 12,000 |
| Motor Vehicles | | 7,440 |

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| | | |
|---|---|---|
| Purchases | 41,850 | |
| Fixed Investments | 22,600 | |
| Inventory as at 01st of April 2018 | 9,750 | |
| Cash and Cash Equivalents | 19,190 | |
| Administrative expenses | 9,100 | |
| Distribution expenses | 9,850 | |
| Paid Tax expenses | 1,100 | |
| Sales | | 83,000 |
| Bank Overdraft | | 2,500 |
| Allowance for Doubtful debt as at 01st of April 2018 | | 170 |
| Stated Capital (RS. 10 each) | | 45,000 |
| Retained Earnings as at 01st of April 2018 | | 5000 |
| Other reserves as at 01st of April 2018 | | 7,880 |
| Bank loan at 10% Interest | | 12,000 |
| Salaries and wages | 2200 | |
| Auditors remuneration | 610 | |
| Trade receivables and payables | 3,110 | 9870 |
| | 184,860 | 184,860 |

Following are the adjustments, should be made in the financial statements for 2018/ 2019 financial year.

(i) Value of Inventory as at 31st March 2019 is RS 20,500 (RS 000')

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(ii) Following items are accrued as at 31st March 2019 (RS 000')

- Auditors remuneration RS 130

- Distribution expenses RS 85

- Operating Income is RS 510

(iii) Bad debt should be 8% from the debtors and allowance for doubtful debt for the year 2018/2019 should be 3% from the remaining debtors

(iv) Buildings depreciation should be 5% from the cost and motor vehicles should be 8% from the cost for 2018/2019 years.

(v) The Land has been revalued as at 01st of January 2019 to RS 35, 000 (RS 000')

(vi) Corporate tax rate imposed by Inland Revenue Department (IRD) for the year 2018 / 2019 is 25 % per annum.

**Required:**

(a) Prepare Income statement for the financial year 2018/2019          (10 Marks)

(b) Prepare the balance sheet as at 31st March 2019.          (10 Marks)

*Note:* Candidates should follow LKAS 01 / IFRS 01 / IAS 01 for the "Preparation & Presentation of Financial Statements"

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## Question No. 02

Following information are extracted form the Financial statements of AgStar (PLC) for the financial years 2019 and 2018

Table 2.01

| Information | 2019 | 2018 |
|---|---|---|
| Sales revenue | 2,097,048,737 | 3,099,884,219 |
| Cost of goods sold | 1,578,243,940 | 2,670,188,161 |
| Operating Income | 101,892,924 | 45,852,070 |
| Selling and Distribution expenses | 107,661,381 | 64,791,195 |
| Administrative expenses | 222,453,551 | 156,338,373 |
| Other Operating expenses | 10,043,000 | 77,790,527 |
| Financial Income | 81,436,575 | 3,141,875 |
| Financial expenses | 83,352,820 | 35,718,374 |
| Tax expenses | 67,377,383 | 44,826,637 |
| Total Noncurrent assets | 883,712,281 | 857,974,442 |
| Total Current assets | 3,628,166,550 | 3,463,832,509 |
| Total Non-Current liabilities | 77,200,366 | 30,866,279 |
| Total Current Liabilities | 2,062,752,701 | 2,103,207,563 |
| Stated capital | 1,204,093,678 | 1,204,093,678 |
| Revaluation Reserve | 172,224,464 | 166,427,570 |
| Retained earnings including this year profit | 995,607,622 | 817,211,861 |

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(a) Calculate all the following financial ratios for the financial years 2019 and 2018.

   (i)     Gross Profit Margin

   (ii)    Operating Profit Margin

   (iii)   Net Profit Margin

   (iv)    Return on Assets

   (v)     Return on Equity

   (vi)    Debt to Equity Ratio

   (vii)   Debt to total Assets ratio                                       (14 Marks)

(b) Comment on the financial performance of the company in 2019            (06 Marks)

## Question 03

(a) The main objective of the concept of Accounting is to "Provide Information to the decision makers". Clearly explain the different types of internal and external stake holders with their requirement of referring accounting information of a business organization                                                              (10 Marks)

(b) Briefly discuss about the concept of emerging accounting trends in 2019 with appropriate examples                                               (05 Marks)

(c) Clearly explain the characteristics of accounting information            (05 Marks)

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## Question 04

Orix marketing (Pvt) Ltd is a newly started marketing and advertising related business organization in Sri Lanka. Following information have been extracted for the month of January 2019.

As at 01$^{st}$ of January 2019, the value of total assets is RS 500,000. The value of Equity is RS 300,000.

02$^{nd}$ Jan – Company provided an advertising campaign worth RS 35,000 for a private educational institute and collected cash on the same day.

03$^{rd}$ Jan – Another marketing related service was provided for a Retail trade business worth RS 25,000. The customer paid money at the end of February.

04$^{4h}$ Jan – Purchased RS 50,000 office equipment on cash

05$^{th}$ Jan – paid electricity expenses worth RS 4,500

06$^{th}$ Jan – Paid Insurance expenses worth RS 6,700

09$^{th}$ Jan – the owner of the company has taken RS 15,000 for his personnel use

10$^{th}$ Jan – Installed RS 35,000 worth CCTV camera system to mitigate the risk of frauds

12$^{th}$ Jan – Received Interest Income for the fixed deposit is RS 3750

21$^{st}$ Jan – paid salaries worth RS 30,000 to the existing workers

22$^{nd}$ Jan – paid interest expenses worth RS 12500 for the loans taken to upgrade the organization

Required,

(a) Put the transactions in to basic Accounting Equation. And briefly explain the reasons to change the equity value at the end of the month

(15 Marks)

(b) Prepare the statement of Financial Position as at 31$^{st}$ of January 2019

(05 Marks)

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## Question 05

(a) Classify the costs based on the "Calculation of profits" by Cleary indicating appropriate examples (08 Marks)

(b) Following are the costs at two activity levels, given for ABC (PLC) manufacturing company.

Table 5.01

| Units | Total costs |
|-------|-------------|
| 4000  | 45,000      |
| 7000  | 54,000      |

Compute the total cost for activity level of 6000 units if the fixed cost is RS 12000

(05 Marks)

(c) Following costs are incurred by a factory for the production of garments. Categorize the costs based on Direct costs, Factory overheads, Administrative expenses and Marketing expenses

   (i)     Costs of raw clothing
   (ii)    Payments given for the clothier
   (iii)   Garments designer charges
   (iv)    Wages paid for the supervisors
   (v)     Factory maintenance costs
   (vi)    Advertising expenditure of finished garments in the show rooms
   (vii)   Salaries and wages paid to the sales workers in the show rooms
   (viii)  Water and electricity expenses in the show rooms          (07 Marks)

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## Question No: 06

LEE ANN is a famous restaurant in Sri Lanka, is opened 24 hours per day and serves breakfast, lunch and dinner. Following information are given on revenue and costs.

Table 3.01

|  | RS. |
|---|---|
| Sales Revenue | 2,000,000 |
| Variable costs | |
|     Direct material | 600,000 |
|     Direct labour | 600,000 |
|     Factory Overhead | 160,000 |
|     Other variable costs | 240,000 |
| Fixed costs | 200,000 |

a) You are required to compute,

    (i)    C/S ratio

    (ii)    Breakeven point in sales

(05 Marks)

b) A proposal has been made to increase the fixed costs by RS 20,000. Sales and variable costs remain unchanged. Compute the new breakeven point.

(05 Marks)

c) The restaurant is also considering another proposal of modernizing its existing plant for the purpose of increasing the sales by 10%. This will need additional fixed costs of RS 50,000 with the expectation of showing the same amount variable costs. If this proposal is undertaken, compute, (Note: Ignore the scenario in part b)

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(i)    C/S Ratio

(ii)   The breakeven point

(iii)  The profit for the restaurant                                    (10 Marks)

## Question 07

(a) "Activity Based Costing (ABC)" will be an important method of allocating overhead costs for a cost object, due to the diversity of product lines". Clearly explain how ABC will be different from other Traditional Costing methods          (05 Marks)

(b) Lanka Milk Products PLC manufactures and sells Ambewela set yoghurts and Laskpray milk powder. The following information are provided in relation to the production of two products yoghurts and milk powder, for the month of August 2019

Table 6.01

| Indirect costs (Overheads) | Value in LKR | Name of the Cost Driver | Number of cost drivers for milk powder section | Number of cost drivers for yoghurt section |
|---|---|---|---|---|
| Quality control costs | 105,000 | Inspections | 15,000 | 8,000 |
| Process set up costs | 125,000 | Set ups | 3500 | 800 |
| Maintenance | 110,000 | Break downs | 4500 | 1500 |

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| Customer order processing cost | 80,000 | No. of Customers | 7500 | 12500 |
|---|---|---|---|---|
| Electricity expenses | 220,000 | Kilo Watt Hours | 2100 | 880 |

Table 6.02

|  | Milk powder | Yoghurts |
|---|---|---|
| Direct Material cost per unit | 70 | 10 |
| Direct Labour cost per unit | 65 | 10 |
| Other Direct Expenses per unit | 35 | 05 |
| Number of products | 8000 | 15,000 |

**Additional Information**

– The company policy is to add a 20% profit margin for a packet of milk powder and a 5% profit margin for a cup of yoghurt, on the total cost of a product to determine the selling price.

**Required,**

Determine the selling price of each product under **Activity Based costing** system

(15 Marks)

**Question No. 08**

00002

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The RH PLC is a single product company that uses standard costing system to control its costs. The standard and actual costs data for the most recent month to produce one unit of product is given below:

Table 4.01

|  | Standard cost | Actual cost |
|---|---|---|
| **Direct Material** |  |  |
| Standard: 4Kg at RS 7.20Kg | RS 28.80 |  |
| Actual: 4.4Kgs at RS 6.70 per Kg |  | RS 29.48 |
| **Direct Labour** |  |  |
| Standard: 1.6 hours at RS 9.00 per hour | RS 14.4 |  |
| Actual: 1.4 Hours at RS 9.70 per hour |  | RS 13.58 |
| **Variable Manufacturing Overheads** |  |  |
| Standard: 1.6 Hours at RS 3.60 per Hour | RS 5.76 |  |
| Actual: 1.4 Hours at RS 4.30 Per Hour |  | RS 6.02 |
| Total Cost Per Unit | RS 48.96 | RS 49.08 |

During the most recent month, 4,800 units of products were actually produced.

**Required:**

(a) Compute direct materials price and quantity variances. (05 Marks)
(b) Compute direct labor rate and efficiency variances. (05 Marks)
(c) Compute variable manufacturing overhead expenditure and efficiency variances. (05 Marks)
(d) Briefly explain the importance standard costing and variance analysis for an organization (05 Marks)

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

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**Use the following format for Question 01 (Attach this to the answer booklet)**

**Index Number:** ........................

..................................... Company

Income Statement

For the year ended 31st March 2019

|  | Notes | RS. | RS. |
|---|---|---|---|
| Sales |  |  |  |
| Cost of Goods Sold |  |  |  |
| Gross Profit |  |  |  |
| Other operating income |  |  |  |
|  |  |  |  |
| Distribution expenses |  |  |  |
| Administrative expenses |  |  |  |
| Other operating expenses |  |  |  |
| Operating Profit |  |  |  |
| Financial Expenses |  |  |  |
| Profit before tax |  |  |  |
| Income tax |  |  |  |
| **Profit for the year** |  |  |  |
| **Other Comprehensive Income** |  |  |  |
| Total Comprehensive Income |  |  |  |

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.................................... Company

## Statement of Financial Position

### As at 31st March 2019

| Assets | Notes | RS. | RS. |
|---|---|---|---|
| Non-Current Assets | | | |
| Property plant and equipment | | | |
| | | | |
| Current Assets | | | |
| | | | |
| Total Assets | | | |
| | | | |
| Equity and Liabilities | | | |
| Equity | | | |

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| Noncurrent Liabilities | | | |
|---|---|---|---|
| Current liabilities | | | |
| Total Equity and Liabilities | | | |

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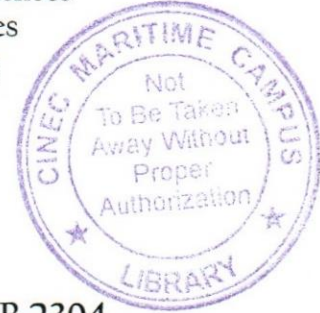
## Year 2 Semesters I

## SEMESTER END EXAMINATION

## Financial Management and Strategies BRMB 2304

- This paper consists of EIGHT questions on Twelve (12) pages.
- Answer Any Five 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.
- Present Value Table, Annuity Table and Formula Sheet are attached with the question paper

Date: 2019.09.11          Pass mark: 40%          Time: 03 Hours

---

## Question 01 (COMPULSORY)

Company LB owns a number of motor vehicle retail showrooms in its home country, Country H (The currency of the country is H$). It has grown rapidly in recent years, largely by acquiring land and building new showrooms.

The directors of LB are currently considering a number of possible new sites for further expansion. One or more of these sites may be developed up to a maximum overall capital budget of H$ 100 million. One of the sites being considered is located in a neighboring country, Country J (Currency of that country is J$). If selected, this would be the first showroom to be opened in a foreign country.

Four possible sites have been identified and the data are given below

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Table 1.01

| Project (Local Projects) | Initial Investment | net cash inflow at the end of each year for a 10-year period | Project net present value (NPV) | payback period (Without discounting) | Profitability index |
|---|---|---|---|---|---|
| | H$ Million | H$ Million | H$ Million | Years | |
| A | 50 | 12 | 25.35 | To be calculated | To be calculated |
| B | 100 | 20 | 25.58 | To be calculated | To be calculated |
| C | 75 | 15 | 19.18 | To be calculated | To be calculated |
| | | | | | |
| Foreign Project (To be started in Country J) | Initial Investment (J$ Million) | net cash inflow at the end of each year for a 10-year period (J$ Million) | Project net present value (NPV) | payback period (Without discounting) | Profitability index |
| D | 80 | 20 | To be calculated | 4 Years | To be calculated |

Note that projects A, B and C are located in LB's home country, Country H and project D is located in neighbouring Country J.

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Additional data,

- Local projects are discounted based on the rate of 9.5%

- The risk-free interest rate is 2% in Country H and 4% in Country J.

- The spot rate is currently H\$/J\$ 2.2900 (that is, H\$ 1 = J\$ 2.2900)

- Each project has a 10-year term

A separate decision has yet to be made about how best to finance the selected project or projects.

Required,

(a) Calculate the payback period and Profitability indexes for all three local projects

(04 Marks)

(b) An appropriate J\$ based discount rate to use in calculating the Net Present Value (NPV) of project D (04 Marks)

(c) Calculate project D's NPV stated in terms of H\$. (Hint: use any option you prefer) (08 Marks)

(d) Profitability index for Project D (02 Marks)

(e) Advise the directors of LB on: The project or combination of projects which is expected to maximize shareholder wealth (Hint : There is a capital rationing situation) (02 Marks)

## Question 02

E is a company engaged in manufacturing of Fast-moving consumer goods is now considering buying a new machine. Here is the additional information related to the project.

- The machine costs \$800.

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- Over the next eight years (the life of the machine) the machine will generate annual sales of $1,000.

- The annual cost of the goods sold (COGS) is $400 per year and other costs such as selling, general, and administrative expenses (SG&A) are $300 per year.

- Depreciation on the machine is straight-line over 8 years (that is, $100 per year).

- At the end of eight years, the machine's salvage value (or terminal value) is zero.

- The firm's tax rate is 40%.

- The firm's discount rate for projects of this kind is 15%.

(a) Should the firm buy the machine? Calculate Net Present value and provide your decision.                                                              (20 Marks)

## Question 03

(a) "A **financial intermediary** is an entity that acts as the middleman between two parties in a **financial** transaction". clearly explain the importance of the facilitation of financial intermediaries with appropriate examples      (05 Marks)

(b) "Aligning the interests between owners and the managers will lead to minimize the principal agent problem". Clearly explain the short term and the long-term strategies to be taken to minimize the principal agent problem      (05 Marks)

(c) Clearly explain the determinants of dividend decision to be taken by a financial manager in an organization      (05 Marks)

(d) Clearly explain the relationship between Investment decisions and Financing decisions as main two financial management decisions      (05 Marks)

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## Question 04

(a) "The importance of the concept of time value of money is influenced on consumers today than in any other time period, in Sri Lanka". Do you agree with the statement? Argue on that. (04 Marks)

(b) Mr. Balan is expecting to buy a car. There are two options of which he can make the payment

Option 1: Paying total sum today, worth RS 2,500,000

Option 2: Paying RS 60,000 per month for 5 years.

If Interest rate is 12% and is compounded monthly, clearly indicate which option is better for Mr. Balan in terms of paying for the car. (04 Marks)

(c) Mr. Ranmal took a mortgage loan to finance the purchase of his house for RS 5,000,000 to be repaid in ten semiannual installments. The annual nominal interest rate is 10% which is compounded semiannually.

   (i) Compute the semiannual installment (02 Marks)

   (ii) Calculate the interest and the principle payments at the end of first year (at the end of the payment of 02$^{nd}$ installment) (02 Marks)

(d) Mr. Donald is expecting to invest RS 100,000 in his bank account today. Calculate how long will it take to increase his initial investment up to RS 500,000 under an annual interest of 10% (04 Marks)

(e) Ms. Udani invested RS 50,000 today for her new project on floral decorations. If the annual cash flow at the end of each year due to this project is RS 10,000 spread for an indefinite period of time, calculate the Net Present value of the project (Assume the discount rate as 10%) (04 Marks)

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## Question 05

(a) Mr. Madhawa has purchased 100 shares from dialog PLC as at 01$^{st}$ of January 2018 at Rs 11 per share. As at 30$^{th}$ April 2018 he sold his shares for RS 1500. During the holding period, the company paid RS 250 as total amount of dividends.

(i)  Calculate the total gain as a percentage                    (1.5 Marks)

(ii) Calculate the annualized return as a percentage            (1.5 Marks)

(b) The returns of stocks X and Y under different Economic conditions are as follows.

Table 5.01

| Economic condition | Probability | Returns of X (%) | Returns of Y (%) |
|---|---|---|---|
| Growth | 0.5 | 20 | 22 |
| Normal | 0.3 | 15 | 15 |
| Recession | 0.2 | 10 | 05 |

(i)  Calculate the expected return and the standard deviation of each stock

(04 Marks)

(ii)  If you are to select one stock for investment, what would you choose? Justify your answer                    (03 Marks)

(c) suppose an investor has a portfolio of two common stocks A and B in equal proportions with the following risk and return characteristics

-  Expected return of A (ER$_A$) = 18%

-  Expected return of B (ER$_B$) = 28%

-  Standard Deviation of A ( STD$_A$) = 15%

-  Standard Deviation of A ( STD$_B$) = 20%

-  Returns of these stocks have a negative correlation of -0.2

(i) Calculate the expected return of the portfolio             (05 Marks)

(ii) Calculate the expected risk (Standard Deviation) of the Portfolio     (05 Marks)

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## Question 06

(a) Clearly explain four factors affecting on a company's capital structure with appropriate examples (04 Marks)

(b) A newly established company has determined its capital structure as follows.

Table 6.01

| Common shares (10,000 shares) | RS 1,000,000 |
|---|---|
| Preference shares | RS 500,000 |
| Debentures at 12% interest | RS 1,200,000 |

- The annual dividend per common share is expected to be RS 8 per share and there will be a 5% growth rate of dividend. The market price per share is RS 120.
- The market price of a preference share is RS 50. Company is expecting to pay a RS 5 dividend per share.
- Tax rate is expected to be 25%.

Required,

Calculate the Weighted average cost of capital of the company (10 Marks)

(c) The Financial Manager of Demo (PLC), engaged in manufacturing spare parts has found following information on its fixed costs, variable costs and sales revenue.

Table 6.02

| Sales revenue | RS 800,000 |
|---|---|
| **Variable** Operating expenses | RS 400,000 |
| **Fixed** operating expenses | RS 200,000 |
| Earnings before Interest and Tax (EBIT) | .............. |

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Required,

Calculate the operating leverage of the company if the sales revenue will be reduced by 10% due to the reduction of demand for spare parts. (Assume variable costs are also changing with the change of sales revenue)    (03 Marks)

(d) Clearly explain on how operating leverage will be influencing on the decisions taken by the financial manager.    (03 Marks)

## Question 07

(a) LT (Pvt) ltd is a company engaged in Logistics operations in Sri Lanka. They are planning to construct a new plant in Belihuloya in Rathnapura District. The cost of the new project is expected to be RS 500 million. The financial manager plans for acquiring funds for the new project as follows.

Plan 01 – collect the total funds through Equity. (The expected number of shares to be issued is 50 million)

Plan 02 – Collect the RS 200 Million through Equity (The expected number of shares to be issued is 20 million) and collect remaining through debt with an interest rate of 8%.

The tax rate of the company is 35%. The expected earnings before interest and tax of the company is RS 50 million through this project and the existing branches of company are smoothly running their operations.

(i)    Calculate the earnings per share under each plan.    (04 Marks)

(ii)   Calculate the indifferent point of EBIT    (04 Marks)

(iii)  By using an appropriate graph, indicate which plan is the best for acquiring funds for LT (Pvt) ltd to run the project.    (06 Marks)

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(b) ASB (Pvt) Ltd is a fashionable clothing retailer in Sri Lanka. The budgeted sales of Kids T- Shirts for the first four months in the next year (2020) are given as follows.

Table 7.01

|  | January | February | March | April |
|---|---|---|---|---|
| Sales (T – Shirts) | 3000 | 4000 | 5000 | 6000 |

Other relevant data:

- The selling price of a T - shirt is RS 1250

- To produce one T- Shirt, 1.5 Meters of clothing are required.

- The target month end finished products inventory is 25% of budgeted next month sales

- End Finished products inventory for December 2019 is expected as 1500 T - shirts

  Required: Prepare the following budgets for the first 3 months of the next year

  (i)  Sales revenue budget                                          (03 Marks)

  (ii) Production Budget (Units)                                      (03 Marks)

## Question 08

(a) Clearly explain what advantages do the mutual funds offer compared to a company stocks                                          (05 Marks)

(b) Clearly explain the following terms with appropriate examples

   (i)    Financial Derivatives

   (ii)   Systematic and unsystematic risk of investments

   (iii)  Primary vs. Secondary financial markets

   (iv)   Internal rate of return

   (v)    Geometric mean return                    (03 Marks * 5 = 15 Marks)

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

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**Present Value Table**

Present value of 1 i.e. $(1 + r)^{-n}$

Where      r = discount rate
           n = number of periods until payment

*Discount rate (r)*

| Periods (n) | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 0·990 | 0·980 | 0·971 | 0·962 | 0·952 | 0·943 | 0·935 | 0·926 | 0·917 | 0·909 | 1 |
| 2 | 0·980 | 0·961 | 0·943 | 0·925 | 0·907 | 0·890 | 0·873 | 0·857 | 0·842 | 0·826 | 2 |
| 3 | 0·971 | 0·942 | 0·915 | 0·889 | 0·864 | 0·840 | 0·816 | 0·794 | 0·772 | 0·751 | 3 |
| 4 | 0·961 | 0·924 | 0·888 | 0·855 | 0·823 | 0·792 | 0·763 | 0·735 | 0·708 | 0·683 | 4 |
| 5 | 0·951 | 0·906 | 0·863 | 0·822 | 0·784 | 0·747 | 0·713 | 0·681 | 0·650 | 0·621 | 5 |
| 6 | 0·942 | 0·888 | 0·837 | 0·790 | 0·746 | 0·705 | 0·666 | 0·630 | 0·596 | 0·564 | 6 |
| 7 | 0·933 | 0·871 | 0·813 | 0·760 | 0·711 | 0·665 | 0·623 | 0·583 | 0·547 | 0·513 | 7 |
| 8 | 0·923 | 0·853 | 0·789 | 0·731 | 0·677 | 0·627 | 0·582 | 0·540 | 0·502 | 0·467 | 8 |
| 9 | 0·914 | 0·837 | 0·766 | 0·703 | 0·645 | 0·592 | 0·544 | 0·500 | 0·460 | 0·424 | 9 |
| 10 | 0·905 | 0·820 | 0·744 | 0·676 | 0·614 | 0·558 | 0·508 | 0·463 | 0·422 | 0·386 | 10 |
| 11 | 0·896 | 0·804 | 0·722 | 0·650 | 0·585 | 0·527 | 0·475 | 0·429 | 0·388 | 0·350 | 11 |
| 12 | 0·887 | 0·788 | 0·701 | 0·625 | 0·557 | 0·497 | 0·444 | 0·397 | 0·356 | 0·319 | 12 |
| 13 | 0·879 | 0·773 | 0·681 | 0·601 | 0·530 | 0·469 | 0·415 | 0·368 | 0·326 | 0·290 | 13 |
| 14 | 0·870 | 0·758 | 0·661 | 0·577 | 0·505 | 0·442 | 0·388 | 0·340 | 0·299 | 0·263 | 14 |
| 15 | 0·861 | 0·743 | 0·642 | 0·555 | 0·481 | 0·417 | 0·362 | 0·315 | 0·275 | 0·239 | 15 |

| (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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**Annuity Table**

Present value of an annuity of 1 i.e. $\dfrac{1 - (1 + r)^{-n}}{r}$

Where    r = discount rate
         n = number of periods

Discount rate (r)

| Periods (n) | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 0·990 | 0·980 | 0·971 | 0·962 | 0·952 | 0·943 | 0·935 | 0·926 | 0·917 | 0·909 | 1 |
| 2 | 1·970 | 1·942 | 1·913 | 1·886 | 1·859 | 1·833 | 1·808 | 1·783 | 1·759 | 1·736 | 2 |
| 3 | 2·941 | 2·884 | 2·829 | 2·775 | 2·723 | 2·673 | 2·624 | 2·577 | 2·531 | 2·487 | 3 |
| 4 | 3·902 | 3·808 | 3·717 | 3·630 | 3·546 | 3·465 | 3·387 | 3·312 | 3·240 | 3·170 | 4 |
| 5 | 4·853 | 4·713 | 4·580 | 4·452 | 4·329 | 4·212 | 4·100 | 3·993 | 3·890 | 3·791 | 5 |
| 6 | 5·795 | 5·601 | 5·417 | 5·242 | 5·076 | 4·917 | 4·767 | 4·623 | 4·486 | 4·355 | 6 |
| 7 | 6·728 | 6·472 | 6·230 | 6·002 | 5·786 | 5·582 | 5·389 | 5·206 | 5·033 | 4·868 | 7 |
| 8 | 7·652 | 7·325 | 7·020 | 6·733 | 6·463 | 6·210 | 5·971 | 5·747 | 5·535 | 5·335 | 8 |
| 9 | 8·566 | 8·162 | 7·786 | 7·435 | 7·108 | 6·802 | 6·515 | 6·247 | 5·995 | 5·759 | 9 |
| 10 | 9·471 | 8·983 | 8·530 | 8·111 | 7·722 | 7·360 | 7·024 | 6·710 | 6·418 | 6·145 | 10 |
| 11 | 10·37 | 9·787 | 9·253 | 8·760 | 8·306 | 7·887 | 7·499 | 7·139 | 6·805 | 6·495 | 11 |
| 12 | 11·26 | 10·58 | 9·954 | 9·385 | 8·863 | 8·384 | 7·943 | 7·536 | 7·161 | 6·814 | 12 |
| 13 | 12·13 | 11·35 | 10·63 | 9·986 | 9·394 | 8·853 | 8·358 | 7·904 | 7·487 | 7·103 | 13 |
| 14 | 13·00 | 12·11 | 11·30 | 10·56 | 9·899 | 9·295 | 8·745 | 8·244 | 7·786 | 7·367 | 14 |
| 15 | 13·87 | 12·85 | 11·94 | 11·12 | 10·38 | 9·712 | 9·108 | 8·559 | 8·061 | 7·606 | 15 |

| (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 | 1·713 | 1·690 | 1·668 | 1·647 | 1·626 | 1·605 | 1·585 | 1·566 | 1·547 | 1·528 | 2 |
| 3 | 2·444 | 2·402 | 2·361 | 2·322 | 2·283 | 2·246 | 2·210 | 2·174 | 2·140 | 2·106 | 3 |
| 4 | 3·102 | 3·037 | 2·974 | 2·914 | 2·855 | 2·798 | 2·743 | 2·690 | 2·639 | 2·589 | 4 |
| 5 | 3·696 | 3·605 | 3·517 | 3·433 | 3·352 | 3·274 | 3·199 | 3·127 | 3·058 | 2·991 | 5 |
| 6 | 4·231 | 4·111 | 3·998 | 3·889 | 3·784 | 3·685 | 3·589 | 3·498 | 3·410 | 3·326 | 6 |
| 7 | 4·712 | 4·564 | 4·423 | 4·288 | 4·160 | 4·039 | 3·922 | 3·812 | 3·706 | 3·605 | 7 |
| 8 | 5·146 | 4·968 | 4·799 | 4·639 | 4·487 | 4·344 | 4·207 | 4·078 | 3·954 | 3·837 | 8 |
| 9 | 5·537 | 5·328 | 5·132 | 4·946 | 4·772 | 4·607 | 4·451 | 4·303 | 4·163 | 4·031 | 9 |
| 10 | 5·889 | 5·650 | 5·426 | 5·216 | 5·019 | 4·833 | 4·659 | 4·494 | 4·339 | 4·192 | 10 |
| 11 | 6·207 | 5·938 | 5·687 | 5·453 | 5·234 | 5·029 | 4·836 | 4·656 | 4·486 | 4·327 | 11 |
| 12 | 6·492 | 6·194 | 5·918 | 5·660 | 5·421 | 5·197 | 4·988 | 4·793 | 4·611 | 4·439 | 12 |
| 13 | 6·750 | 6·424 | 6·122 | 5·842 | 5·583 | 5·342 | 5·118 | 4·910 | 4·715 | 4·533 | 13 |
| 14 | 6·982 | 6·628 | 6·302 | 6·002 | 5·724 | 5·468 | 5·229 | 5·008 | 4·802 | 4·611 | 14 |
| 15 | 7·191 | 6·811 | 6·462 | 6·142 | 5·847 | 5·575 | 5·324 | 5·092 | 4·876 | 4·675 | 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

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

4) Future value of an ordinary annuity

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

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

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

9) Market Risk

$$\beta_i = \frac{Cov_{i,m}}{\sigma_m^2}$$

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## Year 2 Semester I
## SEMESTER END EXAMINATION
## Micro Economics – BRMB 2305

- This paper consists of EIGHT (08) questions on FOUR (04) pages.
- Answer <u>FIVE (05)</u> questions including question 01.
- 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: 2019.09.05          Pass mark: 40%          Time: 03 Hours

## Question 01: (Compulsory)

a) What are the basics economic problems faced by an economy? (03 Marks)

b) Discuss the ways these economics problems solved by different economics systems. (Provide Examples) (04 Marks)

c) What are the different types of opportunity cost? (provide examples) (04 Marks)

d) What are the determinants of demand and supply for a product or service (provide examples)? (04 Marks)

e) Why are the main two reasons demand curve is downward sloping? (Use diagrams) (05 Marks)

## Question 02

a) Distinguish between Microeconomics and Macroeconomics using examples. (04 Marks)

b) Explain the relationship between scarcity, choice and opportunity cost. (06 Marks) (Use diagrams and examples for explanations)

c) Suppose a student studying for his end-semester examinations has limited time of three hours. He has three lessons of Economics and six lessons of Management to study. Draw a Production Possibility Curve (PPC) to represent the above situation (Assume constant opportunity cost) (03 Marks)

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d) Find the opportunity cost of studying an Economic lesson by using the PPC drawn in above. (02 Marks)

e) Briefly discuss the difference between positive and normative economics. (Provide examples) (05 Marks)

## Question 03

a) Briefly explain the main four (04) determinants of demand. (06 Marks)

b) Explain income and substitution effect in relation to a fall in price of a normal good. (04 Marks)

c) Comment on the practical importance of price elasticity of demand for firm's pricing decision. (04 Marks)

d) The market demand and supply of a commodity of a hypothetical economy are described by the following equations;

$$Qd = 100 - 10P$$
$$Qs = -20 + 20P$$

Calculate;

    i.    Equilibrium price

    ii.   Equilibrium quantity (06 Marks)

## Question 04

Briefly discuss the characteristics of the below market structures with examples.

a) Perfect competition

b) Monopoly

c) Monopolistic Competition

d) Oligopoly (05 Marks*4 = 20 Marks)

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## Question 05

a) "Perfect competition is only a theoretical market structure, which is not available in practice." Evaluate the validity of the above statement.                (10 Marks)

b) Explain the nature of the demand curve faced by firms in each market structure based on the market power.                (10 Marks)

## Question 06

a) Explain the equilibrium of a monopoly firm using an appropriate diagram and show that the monopoly firm can earn supernormal profit in both short run and long run.
                (10 Marks)

b) Elaborate the difference between price elasticity, income elasticity and cross elasticity of demand.                (05 Marks)

c) What are the determinants of price elasticity of supply?                (05 Marks)

## Question 07

a) Discuss the different types of methods for government intervention in markets.
                (08 Marks)

b) Explain how government intervene in markets by using price ceiling and price floors. (Use Diagrams)                (07 Marks)

c) What are the possible consequences of price ceiling and price floors?        (05 Marks)

## Question 08

a) How to distinguish short run and long run in economics?                (05 Marks)

b) Discuss the concepts of economies and diseconomies of scale by using a diagram.
                (05 Marks)

c) Discuss the shape of short run and long run cost curves by using a diagram.

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(05 Marks)

d) Explain the difference between the followings.

    i.    Average Cost

    ii.   Marginal Cost

    iii.  Average Fixed Cost                (05 Marks)

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

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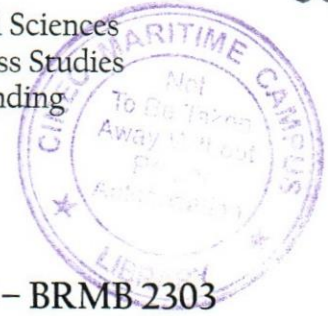BMgt (Hons.) in Retail Marketing and Branding
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## Year 2 Semester I
## SEMESTER END EXAMINATION
### Entrepreneurship and Small Business Management – BRMB 2303

- This paper consists of EIGHT questions on THREE (03) pages.
- Answer <u>FIVE</u> questions including question 01.
- 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: 2019.08.31          Pass mark: 40%          Time: 03 Hours

## Question 01: (Compulsory)

a) Define the term Entrepreneurship using your own words with examples.

(06 Marks)

b) "Intrapreneurship has become a key aspect of corporate strategy at global companies."
Do you agree with above statement? Justify your answer with examples.

(07 Marks)

c) Elaborate on the important role of Entrepreneurship in economic growth.

(07 Marks)

## Question 02

a) Elaborate on the key characteristics of successful entrepreneurs. Draw learnings from successful Sri Lankan entrepreneurs.

(10 Marks)

a) "Entrepreneurship has both pros & cons." Support above statement with suitable examples.                                        (10 Marks)

## Question 03

a) "Entrepreneurial Culture is a key element in nurturing new businesses. However, Sri Lanka is a very challenging place to become an Entrepreneur"

Support above statement with real world examples.          (10 Marks)

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b) Suggest how Entrepreneurship can be developed in Sri Lanka to support future growth. (10 Marks)

## Question 04

a) Ethics are the cornerstones of a successful & sustainable business. Elaborate on how a corporate in Sri Lankan apparel sector can incorporate an Ethical Framework into its operation (10 Marks)

a) What entails the social responsibility of a business? Explain using real world examples. (10 Marks)

## Question 05

a) Creative Process is the starting point of any entrepreneurial adventure.

Write a brief report on the above subject with examples. (10 Marks)

a) Product or Service feasibility is one aspect of three main components in a business feasibility study.
Gayesha is working on starting an online perfume store in Sri Lanka with imported products. Explain how Gayesha should assess product feasibility for her new business. (10 Marks)

## Question 06

a) Ramith wants to start a Mocktail Bar as a new business to promote non-alcoholic drinks. He is testing his business model for any weaknesses. Explain how Ramith can use value proposition testing & Rapid Prototyping to assess his business model success. (10 Marks)

b) Ramith is further developing his business plan for the Mocktail Bar business. Explain how reality, value, & competitive tests can be used to assess how strong Ramith's business plan is. (10 Marks)

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## Question 07

a)  What is a unique selling proposition?                              (05 Marks)

b)  Identify & explain one type of business ownership.                 (05 Marks)

c)  Who is a soloist?                                                  (05 Marks)

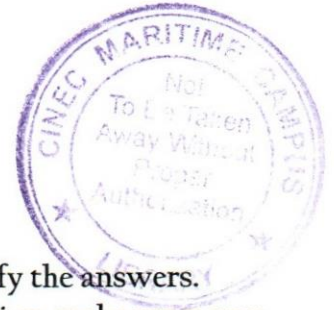d)  What is meant by idea incubation?                                  (05 Marks)

## Question 08

a)  Explain the importance of competitor analysis & how a business can gather competitor intelligence with real world examples.

(10 Marks)

b)  Elaborate on the role of social media marketing in selling products & services in the era of internet of things.

(10 Marks)

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

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## Year 2 Semester I
## SEMESTER END EXAMINATION
### Business Law – BRMB 2302

- This paper consists of EIGHT (08) questions on +THREE (03) pages.
- Answer <u>FIVE (05)</u> questions including question 01.
- 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: 2019.08.29          Pass mark: 40%          Time: 03 Hours

## Question 01: (Compulsory)

(a) Laknath wished to purchase a Honda, Grace motor car and he visited Supipi Motors who have been in the vehicle trading business for over thirty years and a well-known business entity in Sri Lanka. He met Sudath, the Manager of Supipi Motors and informed him about buying a Honda, Grace from the company. Laknath informed Sudath the particular purpose for which the car is required by him. Laknath purchased the car and after 6 months the gear box had a major defect and needed to be replaced. Sudath informed Laknath that the replacement of the gear box was not included under the warranty. Discuss the course of action available for Laknath under section 15 (1) of the Sales of Goods Ordinance          (10 Marks)

(b) Asoka who was involved in exporting rice from Sri Lanka to Iran, ordered from Kavinda who was involved with wholesale rice business. Asoka ordered 5 tons of samba rice of a particular quality where Asoka had given a sample of the required type of rice to Kavinda. Though in several instances Asoka tried to check the bulk rice in order to assess whether it corresponds with his sample, he was not given an opportunity to inspect the bulk rice. However, after sending the rice to Iran the whole consignment had been rejected due to poor quality of the rice which does not corresponds with the sample. Asoka had already paid Kavinda and when informed about the situation to Kavinda he refused to return the money already paid by

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Asoka. Asoka wishes to take legal action against Kavinda to recover the cost of rice.

Advice Asoka quoting the relevant section under the Sales of Goods Ordinance

(10 Marks)

## Question 02

(a) Explain in brief the factors that would determine the Sovereignty of a State?

(10 Marks)

(b) In you view, what would be the benefits of a State being recognized as a Sovereign State? (05 Marks)

(c) Write a brief note on Sources of Public International Law? (05 Marks)

## Question 03

(a) What do you understand by Law of Partnership? (05 Marks)

(b) Daya who is a sole proprietor involved in vehicle spare parts business at Panchikawatte, wishes to expand his business further. He has requested a loan from his Bank and they have quoted a higher interest, which Daya does not wish to apply. Later at a party, he met two of his friends Bandula and Susantha and they express willingness to become partners and want to join the business as partners and each will invest Rs 5 million each. Discuss the advantages of taking the two friends ons a partnership against obtaining the loan from the Bank to expand the business.

(15 Marks)

## Question 04

(a) What are the main criteria of a valid Contract to be recognized by Law? (10 Marks)

(b) Ananda has entered into a contract to purchase a house belongs to Deepal and he has already paid an advance of Rs 800,000/- Later Ananda comes to know that Deepal is only 17 years of age. Explain what ae the legal remedies available for Mahinda (10 Marks)

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## Question 05

(a) Under administrative Law, explain the requirement of creation of By Laws with a view to maintain a smooth flow of administration function in a country?

(10 Marks)

(b) What do you understand by the Doctrine of 'ultra vires'          (10 Marks)

## Question 06

(a) Why should it be necessary to safeguard Intellectual Property?          (10 Marks)

(b) What in your opinion are Trade Marks and Patents?          (10 Marks)

## Question 07

(a) Explain the concept of Civil Law and Common Law?          (10 Marks)

(b) Elaborate the development of Civil law          (10 Marks)

## Question 08

Write short Notes on 4 of the following:          (05 Marks * 4 = 20 Marks)

(a) Hire Purchase Agreements

(b) Credit Cards

(c) Kandyan Law

(d) Functions of Consumer Affairs Authority

(e) Mischief Rule

(f) Case of Dononghue vs Stevenson

(g) Overdraft Facilities

(h) Current Accounts and Savings Accounts

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

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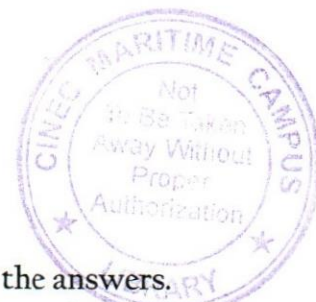Department of Management and Business Studies
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Course CODE: BMgt 555

## Year 2 Semester I
## SEMESTER END EXAMINATION
### Business Ethics – BRMB 2301

- This paper consists of EIGHT (08) questions on FOUR (04) pages.
- Answer <u>FIVE (05)</u> questions including question 01.
- 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: 2019.08.27          Pass mark: 40%          Time: 03 Hours

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## Question 01: (Compulsory)

While attending Santa Clara University, Ginny Erickson had a sales internship with a large radio corporation. Her job focused on selling advertising to untapped resources around the Bay Area. To find new business, she was advised to look for small, local companies that hadn't thought of advertising on the radio. The company's informal philosophy for its sales staff, as she learned from others on staff, was, 'Do the best for us, not for the client.' Ginny struggled with the company's motto. The radio station had a young audience base, yet they were asking her to convince family-owned restaurants and other small business owners to advertise with them. The station was willing to do anything to make a profit. Ginny knew that these family-owned restaurants and other targeted companies shouldn't be interested in placing ads with such a young audience, but she was told to convince them anyway. To her, this philosophy was just dishonest. Ginny was also told to "use whatever incentive, whatsoever." For a young female, this included pushing the limits of accepted, respectable business attire to attract customers. She had a target to reach and, as a low-ranking member within the company, Ginny didn't voice her concern about the business practices to any of her superiors. With the lofty quotas they set, she felt she had no choice but to use their unethical practices. Besides, she needed the sales experience and a good reference to put on her resume.

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**Required:**

(a) Briefly discuss the ethical issues faced by Ginny. (05 Marks)

(b) How, specifically, would you describe the ethical dilemma faced by Ginny?(05 Marks)

(c) Do you agree with how Ginny handled the situation? Would you have handled it in a different way? (05 Marks)

(d) What are the consequences and implications (if any) of a female utilizing her sexuality in sales? Is this empowering or degrading? Discuss by giving emphasis for the **ethical marketing practices.** (05 Marks)

## Question 02

(a) Define the term "Ethical Marketing Practice ". (03 Marks)

(b) What are the main principles in ethical marketing? (06 Marks)

(c) What are the advantages of having ethical marketing practices for a business? (Provide Examples) (06 Marks)

(d) What are challenges for marketers to be ethical in modern business world? (05 Marks)

## Question 03

(a) "Ethical marketing needs to be practiced in the entire marketing mix"
Do you agree with this statement? Discuss with examples. (10 Marks)

(b) What are the unethical marketing practices related to the marketing mix? (06 Marks)

(c) How to overcome unethical marketing practices? (Provide examples) (04 Marks)

## Question 04

(a) Many businesses develop codes of conduct for ethical selling and train their sales staff to follow them closely. Explain the purposes of having such code of conduct for marketers. (07 Marks)

(b) List down the key components that should be included in the code of conduct for marketing/ Selling. (13 Marks)

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## Question 05

(a)  A corporate body is made up of varying categories of personnel, operating at various levels with different responsibilities and rights. Describe six (6) points you will take into consideration while drafting the code of ethics to be implemented in your organization. (10 Marks)

(b)  Define the term "Ethical dilemma" with examples from Sri Lankan business Context. (05 Marks)

(c)  What are the ethical dilemmas faced by the marketers? (05 Marks)

## Question 06

(a)  Discuss Carrol's corporate social responsibility pyramid by applying to a practical example from Sri Lankan business context. (05 Marks)

(b)  Elaborate the significance of being a corporate socially responsible business (CSR) for a business in modern context. (Provide examples) (15 Marks)

## Question 07

(a)  Discuss the importance of corporate governance for modern businesses. (Provide examples) (05 Marks)

(b)  List down the main governance principles stated in the Code of Best Practice of Corporate Governance (2017) relates to the directors, director's remuneration, Relationship with stakeholders, Accountability and audit, Environment, Society and Government. (15 Marks)

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## Question 08

(a)   Elaborate the ethical issues faced by a marketing manager in multinational company with examples.                                                                    (05 Marks)

(b)   Discuss the ethical issues in digital marketing with examples.          (05 Marks)

(c)   List down the strategies available for the marketing manager to overcome ethical issues in international and digital marketing practices.                      (05 Marks)

(d)   Briefly explain the three pillars of sustainability and how marketers should contribute for a business to be sustainable in all three pillars.          (05 Marks)

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