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SUMMARIZER CHAPTER 15

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1. Define the term "Finance management"?

2. State the main objective of finance management?

3. State the Sub Objectives of Finance management?
   (1) ......
   (2) ......
   (3) ......
   (4) ......

4. State the 02 main instruments used in Financial planning and controlling?
   (1) ......
   (2) ......

5. Briefly explain the 02 Financial decisions related to financial management?

6. List out the difference sources of finance ?

Financial decisions				
Financing decisions			Investing decisions	
Long term		Short term	Long term	Short term
Capital	Dividends			

7. State the different source of finance along with its classification

Sources of Finance	BASED ON TIME		BASED ON SOURCE		BASED ON METHOD	
	Short term	Long term	Internal	External	Direct	Indirect

8. State five Factors to be considered when selecting an appropriate source of Finance ?
(1) ....
(2) ....
(3) ....
(4) ....
(5) ....

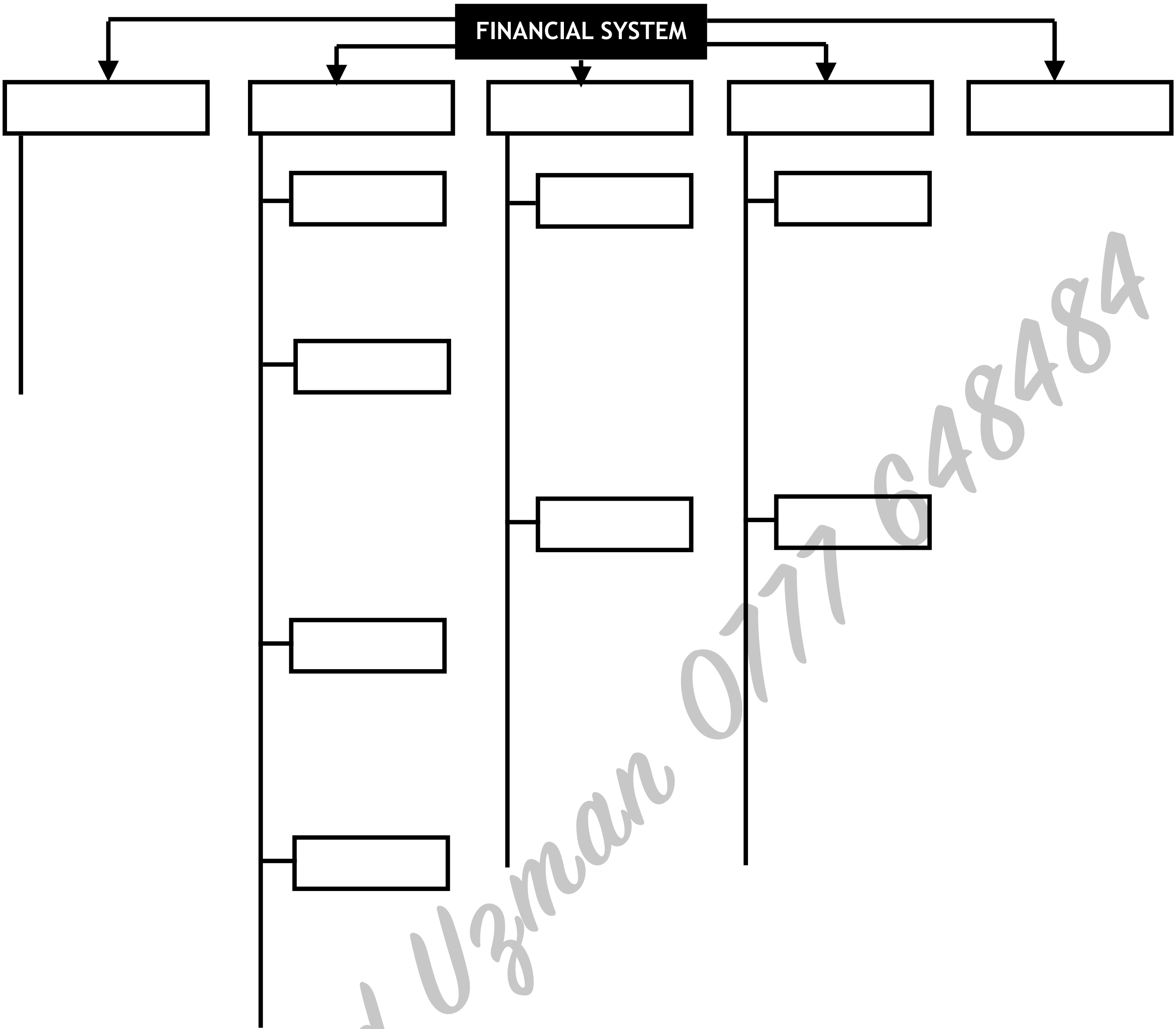
9. State four examples for Investing related working capital requirements and fixed capital requirements?

Working capital
(1) ....
(2) ....
(3) ....
(4) ....

Fixed capital
(1) ....
(2) ....
(3) ....
(4) ....

10. State five Factors to be considered when selecting an appropriate source of Investment?
(1) ....
(2) ....
(3) ....
(4) ....
(5) ....

11. Define the term "Financial System" and illustrate its components along with its sub classifications using a flow chart



12. Define CSE , SEC and CDS ?

13. State the three methods in which a company can be listed in share market?

(1) ....

(2) ....

(3) ....

14. State the criteria needed to be fulfilled for a public limited company to be listed in the Colombo Stock Exchange?

15. What is meant watch list board ?

....

....

....

16. What is meant by "Share price index" Name 3 of the indexes which are used in CSE?

....

....

(1) ....

(2) ....

(3) ....

17. State 4 Direct and indirect benefits for investors through investing in CSE

Direct	Indirect
(1)	(1) ....
(2)	(2) ....
(3)	(3) ....
(4)	(4) ....

18. Define the term "Ratio analysis" and state the main ratios and its sub-classifications

....

....

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CHAPTER-15
FINANCE MANAGEMENT 01
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1. The liquidity ratio of a business was 3:1 in 2019 and 1:1 in 2020. This indicates,
   Statement A : Liquidity has been improved.
   Statement B : Short-term loans could be easily settled.
   Out of the above two statements,
   (1) **A** is correct while **B** is incorrect.
   (2) **A** is incorrect while **B** is correct.
   (3) Both **A** and **B** are incorrect.
   (4) While both **A** and **B** are correct, **A** is elaborated through **B**.
   (5) While both **A** and **B** are correct, **A** is not elaborated through **B**. (......)

2. Out of following which one is **not** included in the category of specialized financial institutions?
   (1) Unit trusts. (2) Stocks brokers.
   (3) Venture capital companies (4) Primary dealers.
   (5) Insurance companies. (......)

3. (a) Payment for suppliers of a cashflow statement is considered as an .... activity and purchasing of fixed assets is considered as an .... activity.
   (b) The Central Depository Systems (Private) Limited is a wholly owned subsidiary of the Colombo Stock Exchange which functions as a market .... and .... house.

4. In the last year, the current ratio and quick ratio of a company were 3:1 and 2:1 respectively. While current ratio remains unchanged in the current year, the quick ratio is 1:1. This indicates comparably,
   (1) an increase of company's liquidity. (2) an increase of closing stock value.
   (3) a decrease of closing stock value. (4) a decrease of company's liquidity.
   (5) an increase of company's total liabilities. (......)

5. Following are several types of financial markets.
   A - Inter bank call money market B - Corporate bond market
   C - Commercial paper market D - Foreign exchange market
   E - Share market F - Treasury bond market
   From the above, what is the group which belongs only to the capital market?
   (1) A, B, F (2) B, D, F (3) B, E, F (4) C, D, F (5) C, E, F (......)

6. While a fixed rate of .... is payable for debentures, a varied rate of .... is payable for ordinary shares.

7. Complete the following table with respect to financing sources used by public limited companies.

Internal source	External source
1.	1. ....
2.	2. ....

8. Following are some of the sources of finance of a business.

A - Commercial papers
B - Bank loans
C - Sale of fixed assets
D - Debentures issues
E - Provisions for depreciation
F - Trade credits
G - Retained profits
H - Sale of stock

From the above, what is the option that contains only the direct internal financial sources?

(1) A, C, D, G (2) A, C, E, G (3) B, D, F, H (4) C, F, G, H (5) C, E, G, H (......)

9. (a) Long-term financial decisions can be categorized as .... structure and .... related decisions.

(b) The activities of cash flow statement can be mainly categorized as .... and ....

10. Write **four** examples for licensed specialized banks in Sri Lanka.

1. .... 2. ....

3. .... 4. ....

11. Following are the methods of calculating some financial ratios.

A - Return on investment = $\frac{\text{Net profits after tax + Interest}}{\text{Fixed assets}} \times 100$

B - Return on equity capital = $\frac{\text{Net profit after tax + Dividends on preference shares}}{\text{Equity capital}} \times 100$

C - Total assets turnover ratio = $\frac{\text{Sales}}{\text{Total assets}}$

D - Debtors turnover ratio = $\frac{\text{Sales}}{\text{Average debtors}}$

E - Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$

From the above, the number of ratios which have been calculated correctly is

(1) 1. (2) 2. (3) 3. (4) 4. (5) 5. (......)

12. Column **X** shows certain types of securities traded in Colombo Security Exchange and column **Y** shows benefits entitled to them in the following table.

X	Y
A. Ordinary shares	1. Able to earn capital gains
B. Preference shares	2. Entitlement of fixed interest rate
C. Share warrants	3. Entitlement to company ownership
D. Corporate debentures	4. Having more protection to investment
E. Government debt security	5. Receiving fixed profit percentage

Select the answer that correctly matches types of securities and benefits.

(1) A – 1, B – 3, C – 2, D – 4, E – 5 (2) A – 3, B – 2, C – 1, D – 5, E – 4
(3) A – 3, B – 5, C – 1, D – 2, E – 4 (4) A – 2, B – 3, C – 1, D – 5, E – 4
(5) A – 4, B – 5, C – 2, D – 1, E – 3 (......)

13. State whether the following statements are **True** or **False**.

True/False

(1) Issuing shares for existing ordinary shareholders by charging money is bonus share issue. ....

(2) Issuing shares free of charge is rights issue. ....

14. Write **four** additional benefits, that an ordinary shareholder gains other than dividends from a company.

1. .... 2. ....

3. .... 4. ....

15. Some of the financial management decisions are given below.

A - Short-term investment B - Accrued expenses
C - Appropriation of dividends D - Debt capital
E - Capital reserves F - Equity capital

Out of the above, which group contains only the capital structure decision?

(1) A, B, E (2) A, D, E (3) B, E, F (4) C, D, E (5) D, E, F (......)

16. (a) Stocks of any listed company on the Colombo Stock Exchange are eligible to be included in the S&P SL20 index only if they meet the criteria of financial viability, ... and ....

(b) In raising funds, ... lease allows lessee to use the property without transferring the ownership and .... lease allows lessee to use the property transferring risks and returns.

17. State **four** direct financial sources available for a business.

1. ....
2. ....
3. ....
4. ....

18. Name **four** types of securities that transact in Colombo Stock Exchange.

1. ....
2. ....
3. ....
4. ....

19. Which party is **not** directly involved in the activities of Colombo Stock Exchange?

(1) Listed companies (2) The Department of the Registrar of Companies
(3) Brokering companies (4) Trust banks
(5) Securities and Exchange Commission (......)

20. When debt capital is less than the total of ordinary share capital and reserves, that ratio is named as

(1) High gearing ratio. (2) Return on investment ratio.
(3) Low gearing ratio. (4) Quick ratio.
(5) Current ratio. (......)

21. A method of direct and internal source of funds is

(1) share issue. (2) bank loans. (3) debenture issue.
(4) retained profits. (5) leasing. (......)

22. According to the classification of financial institutions, while Employee Trust Fund is a .... savings institution and venture capital companies are .... financial institutions.

23.(a) Two price indices currently used in Colombo Share Market are ....

and ....

(b) Foreigners get involved in Colombo Share Market transactions through .... accounts

and the banks that maintain such accounts are known as ....

24. Out of the following groups select the group that includes only financing decisions.
(1) Decisions on inventories, debtors, cash and accrued expenses.
(2) Decisions on share capital, loan capital, dividends and expansion of business.
(3) Decisions on fixed assets, cash, inventories and debtors.
(4) Decisions on creditors, share capital, dividends and accrued expenses.
(5) Decisions on creditors, share capital, cash and accrued expenses. (.........)

25. Which of the following is the most correct statement that relates to the financial market.
(1) The money market is composed of financial market and capital market.
(2) Capital market is the market for short-term debt securities.
(3) Money market is the market for long-term debts and corporate bonds.
(4) Treasury bills, commercial papers and corporate bonds are the examples for money market securities.
(5) Buying and selling of financial assets take place in the financial market. (.........)

26. Out of the following select the group that includes only sub-markets of the capital market
(1) Share market, Treasury Bill market, Domestic Foreign Exchange Market
(2) Treasury Bond Market, Corporate Bond market, Share market
(3) Treasury Bond Market, Corporate Bond market, Commercial Paper Market
(4) Treasury Bill market, Treasury Bond market, Commercial Paper Market
(5) Treasury Bill market, Treasury Bond market, Corporate Bond market

27. The Board for listing well established companies with a large stated capital is known as
(1) Dirisavi Board. (2) Second Board. (3) Main Board.
(4) Default Board. (5) Cash Board.

28.(a) The relationship between owners' capital (equity) and debt capital is named as ....

....

b) A continuous increase of share prices in the share market is called a bull-market. A continuous decrease of share prices is called a .... market.

29. X column of the following table shows major decisions of a financial manager and Y column shows minor decisions relevant to the major decisions.

X	Y
A. Long Term Investment Decisions	1. Decisions on trade creditors
B. Short Term Investment Decisions	2. Decisions on trade debtors
C. Long Term Financing Decisions	3. Decisions on retained profits
D. Short Term Financing Decisions	4. Decisions on business modification

Select the correct matching combination of X and Y.
(1) A-3, B-1, C-4, D-2 (2) A-2, B-3, C-4, D-1 (3) A-4, B-1, C-3, D-2
(4) A-3, B-4, C-2, D-1 (5) A-4, B-2, C-3, D-1 (......)

30. Retained earnings means:
(1) the cumulative balance earnings of the company after dividends.
(2) a signal of a company's liquidity.
(3) the same as cash balance in the bank.
(4) earned profit from trade.
(5) the total profit of the company after deducting expenses and cost of the business.

CHAPTER-15
FINANCE MANAGEMENT 02
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1. Some advantages of sources of finance are given below.
   A – Low cost
   B – Large amount can be collected.
   C – Easy to collect
   D – No conditions
   E – Expansion of business ownership
   F – No increase in business liabilities
   Select the answer which contains the advantages of internal sources of financing.
   (1) A, C, D, F (2) B, D, E, F (3) A, C, D, E
   (4) A, B, C, F (5) C, D, E, F (……..)

2. Financial ratios used by businesses to analyze financial statements and information obtained from those financial ratios are given below.

Financial ratios	Information obtained from ratios
1. Gross profit ratio 2. Return on equity ratio 3. Net profit ratio 4. Debt-equity ratio	A – Efficiency of operating activities can be measured. B – Relationship between equity capital and fixed interest receiving capital C – Measuring profit for ordinary share capital D – Evaluating price policy of business

   Select the answer which contains the information that can be obtained from each ratios in the order of ratios given.
   (1) D, C, B, A (2) B, A, D, C (3) D, C, A, B
   (4) A, B, D, C (5) B, D, A, C (……..)

3. . Information on the financial position in Navin's business as at 31st December 2014 is as follows.

	Rs.
Stocks	25 000
Debtors	30 000
Prepaid Insurance	10 000
Cash balance	5 000
Rent received in advance	6 000
Creditor	22 000
Accrued electricity	5 000

   Gross working capital and net working capital of the above business respectively
   (1) 70 000 and 37 000 (2) 70 000 and 33 000 (3) 33 000 and 70 000
   (4) 37 000 and 70 000 (5) 76 000 and 49 000 (……..)

4. Colombo Stock Exchange is a ……………………………………….……….. type of company and ………………………………………………………… systemizes and supervises its activities.

5. **(a)** ………………………………………… and ………………………………………… are the two main decisions to be made in financial management.
   (b) Two main basses that used to classify the financial requirements of a business are …………………… …………………… and ……………………………………………

6. . Following statements are related to financing sources
   A. Bank overdrafts are direct financing sources
   B. Issuing debentures are beneficiary for a business with a high geared capital structure
   C. Issuing ordinary shares are not appropriate to a highly profitable business
   D. Selling spare assets are considered as an internal financing source

7. Select the answer group that gives the **correct and incorrect** statements orderly
   (1) A, B and C, D (2) B, C and A, D
   (3) C, D and A, B (4) A, D and B, C
   (5) A, C and B, D (........)

8. . Parties who needs to fulfill long-term financial requirements can fulfill them through participating in the
   (1) Financial market (2) Money market (3) Capital market
   (4) Secondary market (5) Primary market (........)

9. Here are some souces of finance

   A Retained Profits
   B Share issue
   C Commercial papers
   D Bank overdrafts

   When these sources are categorized based on various criterias, the corret answer would be

   1. A & D are internal sources of finance while B & C are external sources of finance
   2. A& B are direct sources of finance while C & D are short term sources of finance
   3. A & C are direct sources of finance while B & D are external sources of finance
   4. A & D are internal sources of finance B & C are indirect source of finance
   5. A & B are indirect sources of finance while C & D direct sources of finance (……)

10. Here are some financial ratios

   A) Current Ratio
   B) Interest Cover ratio
   C) Returns on investment ratio
   D) Stock turnover ratio
   E) Return on stockholders equity raito
   F) Debtors turnover raito
   G) Debt equity raito
   H) Total Assets turnover ratio

   Out of above ratio's the operating ratio's would be;

   1. A,B,C
   2. D,C,E
   3. A,C,H
   4. B,E,F
   5. D,F,H (……)

11. Scriptless security issued by Government to act Via short – term funds would be;

   1. Government Debt securities
   2. Certificate of Deposit
   3. treasury Bills
   4. Commercial cheques
   5. Treasury Bonds (……)

12. Write **four** profitability ratios used in businesses

   (1) ....
   (2) ....
   (3) ....
   (4) ....

13. (a) When the credit capital has exceeds the equity capital it is known as ……………………………………

(b) A limited company with high credit capital and profitability should use ……………………………… as the most suitable financing source.

(a) Based on the geographical distribution networks are classified into ……………………………… and ………………………………………

14. The following are some advantages of the ways of alternative financing methods.
- Easy to obtain
- Having a low cost
- No liabilities for repayments
- Business liabilities will not increase
- There is no need to subject to conditions

15. Which of the following financing methods include all of the above advantages?

1) Bank loan 2) Sale of excess assets 3) Issuing preferences share
4) Leasing 5) Issuing ordinary shares (……….)

16. Select the most correct statement regarding a listed public company limited.
1) There are no changes on the stated capital of the company due to right issue of shares.
2) An investor, who purchases as share warrant, could obtain share dividends.
3) The number of shareholders increase due to the right issue of shares
4) Have to get permission from the Colombo share market for the capitalization of
5) Increase in market price of shares will increase the stated capital of the company.

( )

17. Following are the bases of classifying the financial instruments and relevant markets for them.

'X'	'Y'
Financial instruments	A Intermediary market
1. According to maturity period	B Auction place C Money market
2. According to origination	D Capital market E Primary market
3. According to nature	F Secondary market
4. According to organizational structure	G debt instrument market H Equity instrument market

Correctly compared group is
(1) 1 A B, 2 C D, 3 E F, 4 G H (2) 1 C D, 2 A B, 3 E F, 4 G H
(3) 1 E F, 2 A B, 3 C D, 4 G H (4) 1 G H, 2 C D, 3 E F, 4 A B
(5) 1 C D, 2 E F, 3 G H, 4 A B (……..)

18. Following are the characteristics of financial instruments

A - Maturity B - Interest rate
C - Guarantee D - Ownership
E - Reliability F - Call up

Select the answer includes only the characteristics of cooperate debentures from the above information
(1) A, B, C, D (2) A, B, C, F (3) B, C, D, E (4) C, D, E, F (5) A, D, E, F (……..)

19. Name the account should be opened by the foreigners in Domestic Commercial Banks to invest in local treasury bonds.

....

20. What is the price index introduced recently instead of the price index "Milanka"?

....

21. Select the correct answer by considering the following two statements.

I – Planning the investment of fund belonging to a business in long term assets or long term projects efficiently is capital budget.

II – Analyzing actual or estimated cash inflows and outflows of a business for a particular financial year.

(1) First statement is correct and second statement is incorrect.
(2) Both statements are correct.
(3) No relation between two statement
(4) First statement is correct.
(5) Both statements are incorrect. (…….)

22. Select the capital market from the following.

(1) Treasury bill market
(2) Share market
(3) Interbank call money market
(4) Internal Foreign exchange market
(5) Commercial paper market (…….)

23. The financial system is used to make financial decisions in an economy. Select the correct answer from the following which shows the contents of financial infrastructure.

(1) Share brokering companies, insurance companies
(2) Treasury bills, deposit certificates
(3) Treasury bonds market, commercial paper market
(4) Real time gross settlement system, friendly image clearing system.
(5) Treasury bonds, friendly image clearing system (…….)

24. The following information are derived from the Azhagan company ltd for the year ending at 31.12.2017.

- Current assets Rs. 100 000
- Trade receivables Rs. 20 000
- Stock Rs. 40 000
- Prepaid expenditure Rs. 10 000
- Current liability Rs. 50 000

Calculate the following.

1. Current ratio: ………………………………………………………………………………………
2. Quick ratio /acid test ratio: ……………………………………………………………………………

25. Name 4 short term investment decisions

1. .... 2. ....
3. .... 4. ....

1. The following are the financial management decisions and the sub decisions related to them. Select the unsuitable combination among them.

1. Long term investment decision	• Related to equity capital
2. Short term investment decision	• Related to cash management
3. Long term financing decision	• Related to retaining of profit
4. Short term financing decision	• Related to debtors
5. Financial management decision	• Investment of business diversification and financing for it

(..........)

2. (a) Obtaining money by selling the receivable (debtors) can be called as ....

(b) Capital leverage ratio can be analyzed under (1) .... (2) .... and (3) ....

3. Name 4 tools used to control finance in a business organization.

1. ....
2. ....
3. ....
4. ....

4. If the loan capital is less than the sum of ordinary share capital this situation is called

1. Current ratio
2. Quick ratio
3. Return on Investment
4. High Leverage
5. Lover leverage

(.........)

5. Select the answer which shows financial decisions only.

1. Creditors, share capitals, Money , Payables.
2. Creditors , dividends , Share capital, payables
3. Fixed assets , Money , Stock , debtors.
4. Creditors, stock , Money and payable , expenses.
5. Share capitals, creditors, Dividens, expanding the business.

(.........)

6. Sources of finance can be classified under various criteria. Find the direct and internal financial source.

1. Debentures
2. Issuing shares
3. Retained profit
4. Bank loan
5. Leasing

(.........)

7. The ratio used to measure the ability of facing short term financial liabilities, by a firm would be,

1) Return on investment ratio
2) Debtors turnover ratio
3) Inventory turnover ratio
4) Quick ratio
5) Debt ratio

(......)

8. Following are the bases of classifying the financial instruments and relevant markets for them.

X	Y
	A Intermediary market
1. According to maturity period	B Auction place
2. According to origination	C Money market
3. According to nature	D Capital market
4. According to organizational structure	E Primary market
	F Secondary market
	G debt instrument market
	H Equity instrument market

Correctly compared group is,

1) 1 A B, 2 C D, 3 E F, 4 G H
2) 1 C D, 2 A B, 3 E F, 4 G H
3) 1 E F, 2 A B, 3 C D, 4 G H
4) 1 G H, 2 C D, 3 E F, 4 A B
5) 1 C D, 2 E F, 3 G H, 4 A B

(……)

9. The basic purpose of financial management is,

(1) Maximization of profit of the business
(2) Maximization of earning of the business
(3) Maximization of business related value (wealth) of the owners
(4) Maintenance of liquidity of business in optimum level
(5) Ascertaining long term financial stability of the business

(……..)

10. Given below are few investment decisions taken by a business

A. Decisions regarding debtors
B. Decisions regarding modernization of the business
C. Decisions regarding trade stock
D. Decisions regarding working capital
E. Decisions regarding diversification of the business
F. Decisions regarding the improvement of the business

Out of them, the answer that includes long – term investments decisions and short-term investmentDecisions respectively is,

(1) ACD / BEF (2) BCD / AEF (3) BEF / ACD
(4) AEF / BCD (5) DEF / ABC

(……..)

11. Given below are the various sources of funds of a business

A. Share issue

B. Debenture issue

C. Retained profits

D. Provision for depreciation

E. Commercial papers

F. Bank overdrafts

Out of the above, the answer that shows the long term direct internal sources of funds and the long term direct external sources of funds respectively is,

(1) A B and C D (2) A B and E F (3) C D and A B

(4) C D and E F (5) E F and C D (……..)

12. Financial managers focus on the financial sources for fulfilling financial requirements of their Firm. Few factors they focus on there is given below. Among them ,what is the factor on which **<u>much concentration is not placed</u>** in financial management?

(1) Required amount of funds and the required time

(2) Cost in obtaining funds and collaterals to be pledged

(3) Nature of the business organization and influence to the capital structure of the business

(4) Nature of the invested project, and benefits expected from it.

(5) Number of employees of the business and technology used in the business.

13. Given below are few investment ways that the funds obtained by a financial manager can invest.

A. Purchase of fixed assets

B. Purchase of shares

C. Purchase of various items

D. Payment of various expenses

E. Expansion and modernization of the business

Among the above, the Short – term financial investments are,

(1) A G (2) BC (3) C D

(4) B D (5) D E

14. The answer that includes only the financial statements used to obtain necessary information in Financial management is,

(1) Cash flow statement, budget report, cash budget report

(2) Sale budget report, the income statement, the balance sheet

(3) Cash flow statement, The statement of Financial Position, production budget report

(4) The income statement, The statement of Financial Position, cash flow statement

(5) The balance sheet, the income statement, sale budget report

Answer question No 15 and 16 using the following information

Current assets	160,000
Closing stock	40,000
Current liabilities	80,000
Sales	90,000
Gross profit	24,000
Net profit (before taxes)	18,000

15. The Current ratio and the Quick ratio of this firm in order are,

(1) 4:3 and 2:1 (2) 2:2 and 2:1

(3) 2:1 and 2:3 (4) 2:2 and 3:4

(5) 2:1 and 3:2

16. The Gross profit ratio and the Net profit ratio respectively is

(1) 26.66 %, 20 % (2) 20 % , 26.66 %

(3) 26.66 %, 26 % (4) 26 %, 26.66 %

(5) 20 %, 26 %

17. The correct ratio to calculate the debtors turnover ratio is,

1. $\frac{Sales}{Total\ assets}$ 2. $\frac{Credit\ sales}{Average\ stock}$ 3. $\frac{Credit\ sales}{Average\ debtors}$

4. $\frac{Average\ debtors}{Credit\ sales}$ 5. $\frac{Cost\ of\ goods\ sold}{Average\ stock}$

18. The ratio that shows the relationship between investment on assets and the earning generated by those investments is,

(1) Return on investment ratio (4) Current ratio

(2) Activity ratio (5) Liquidity ratio

(3) Leverage ratio

19. The group that includes the components of financial system of Sri Lanka is,
    (1) Financial market, Financial institutions, The central Bank, Licensed commercial banks, Licensed Specialized bank, Financial instruments.
    (2) The Central bank, Financial instruments, Financial market, Financial institutions, Financial Infrastructure facilities.
    (3) The Central Bank, Share market, Financial market, Licensed commercial banks, Licensed Specialized bank.
    (4) Share market, Financial market, Treasury bills market, Treasury bonds market, Inter bankCall money market.
    (5) Financial institutions, Financial instruments, Money market, Share market, Financial Market.

20. The financial institutes that include Insurance companies, Employee Provident fund, Government employees Provident fund are known as,
    (1) Other Specialized finance institutions
    (2) Other deposit taking financial institutions
    (3) Contractual savings institutions
    (4) Banking sector
    (5) Other regulating institutes. (……..)

21. The payment settlement system that helps to ensure the well performance and the stability of the financial system of a country is,
    (1) Real time gross settlement system.
    (2) Cheque imaging and Truncation system
    (3) Scriptless Securities Settlement system
    (4) Society for worldwide Interbank Financial Telecommunication
    (5) Financial Infrastructures

22. The way of categorizing financial market on the base of maturity periods of financial Securities is,
    (1) Primary market and Secondary market.
    (2) Money market and Capital market.
    (3) Treasury bills market and Share market.
    (4) Treasury bonds market and Share market
    (5) Corporate bonds market and Commercial papers market (……..)

23. Some functions of financial market are given below.

A. Obtaining a loan by one commercial bank from another commercial banks to repay within three days
B. Obtaining Sri Lankan rupees from commercial banks by selling foreign currency received by exporters .
C. Purchase of treasury bonds by investors
D. Sale of shares in the secondary market by the investors who bought them
E. Issue of debentures by the government corporations to obtain funds.

The answer that shows the functions of money market and capital market separately and respectively is,

(1) A D and B C E (2) C D E and A B (3) A B C and D E
(4) A B and C D E (5) B C and A D E

24. The institute that administrates the selling and purchasing of shares of listed companies is,
(1) Unit Trust
(2) The Securities and Exchange Commission of Sri Lanka
(3) The Colombo Stock Exchange
(4) The Central Bank of Sri Lanka
(5) The Ministry of Finance

25. The companies are listed on two boards on the Colombo stock Exchange according to the requirements to be fulfilled at present (2018). Among the following, the condition that is relevant to the companies to be listed under "Dirisavi board" is,

(1) The stated capital of the company should not be less than five hundred million
(2) The minimum public holding should be 25 % of the issued capital
(3) A net profit before tax should have been earned for 3 consecutive years.
(4) The stated capital of a company should be not less than hundred millions
(5) Net assets as per the consolidated audited financial statement for the last two years

26. The institute that monitors the operations of the Colombo stock Exchange is,

(1) Sri Lanka Securities and Exchange Commission
(2) The Colombo share market
(3) The central Depository system (Pvt) limited
(4) Stock brokering companies
(5) Listed companies

27. The answer that includes the securities that are traded only on Colombo stock Exchange is,

(1) Ordinary Shares, Share warrants, Share certificates, Corporate debentures, Government Securities.

(2) Preference shares, Share certificates, demand deposits,Corporate debentures, Share warrants.

(3) Government securities, Commercial papers, certificate of deposit, Ordinary shares, Preference shares.

(4) Government securities, Corporate debentures, Share warrants, Preference shares, Ordinary shares.

(5) Preference shares, Treasury bonds, Corporate bonds, Promissory notes,Bills of Exchange

28. Re – distribution of shares to existing ordinary shareholders of a company on a certain ratio is known as,

(1) Capitalization of Reserves

(2) Rights issue

(3) Issue of Bonus shares.

(4) Issue of Corporate debentures

(5) Provision of share warrants

29. The answer that includes the indirect benefits that have been entitled for investing in securities is

(1) Dividends, Interest, Eligibility to be appointed as a director, Capital gain

(2) Dividends, Rights issue, Bonus shares, Low risk

(3) Dividends, Eligibility to be appointed as a director, Exemption from capital gain tax, Interest

(4) Voting rights , Ability to use as collaterals, Capital gain, Bonus shares.

(5) Dividends, Capital gain, Rights issue, Ability to use as collaterals

30. The index used to measure the movements of shares prices of 20 largest high liquidated Companies in the Colombo Stock Exchange is,

(1) All share price Index

(2) Milanka price Index

(3) S &PSri Lanka 20 price Index

(4) Total Return Index

(5) M B S L MidCap Index

2021 A/L Paper

(iv) (a) State **four** benefits that a firm can obtain by preparing a financial budget. (02 *marks*)

(b) Write **four** examples for capital investment decisions. (02 *marks*)

(v) (a) State what is 'operating ratios' and write **two** advantages of it. (02 *marks*)

(b) Explain what is meant by 'inter-bank call money market'. (02 *marks*)

2020 A/L Paper

(i) Using the given information, calculate each of the following ratios.

	Rs.
Net profit (before tax)	60 000
Preferred dividend	15 000
Preference shares	200 000
Ordinary shares	300 000
Sales	100 000
Income tax payable	10 000
Loan interest	5 000

(a) Net profit ratio.

(b) Return on equity ratio.

(c) Debt equity ratio.

(d) Interest coverage ratio. (04 *marks*)

(ii) (a) What is 'capitalization of reserves'? (02 *marks*)

(b) State **four** advantages of investing in government securities for an investor. (02 *marks*)

(iii) (a) Mention the importance of share price indices to investors giving **four** reasons. (02 *marks*)

2019 A/L Paper

(i) Explain **two** sources of external finance of business organization with **two** limitations of them. (04 *marks*)

(ii) (a) Describe the importance of liquidity ratios for business decisions.

(b) State **four** factors that influence the increase of share price of a company. (04 *marks*)

2018 A/L Paper

(v) (a) As the handloom textile business run by Dhanasiri is not very successful, he expects to start a hotel. Indicate **four** ways that he can raise funds for this purpose.

(b) The acid test ratio of Namal's business is 2:1. Give **four** reasons led to this situation. (04 *marks*)

(a) Mention **four** ways that a business can raise working capital.

(b) Describe **four** advantages gained by a listed company from Colombo Stock Exchange. (04 *marks*)

2017 A/L Paper

(iv) During the past few years, there was a gradual decline of operational income of an organization. Mention **four** strategies that the organization can use to increase the operational income. (04 *marks*)

(v) Name **two** sources of external funds available for a public limited company and mention **two** advantages and **two** disadvantages of such sources. (04 *marks*)