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3rd Year Financial Management

Correction of the Final Exam in English

<u>Task 01</u>		Mark
1	<ul style="list-style-type: none"> • True. → Managers are the decision takers; however, shareholders are the owners of the company. 	0.5×2
2	<ul style="list-style-type: none"> • False. → Traditionally, financial managers were not considered as important persons, he/she became on the top management decision-making only with the advent of the modern approach. 	0.5×2
3	<ul style="list-style-type: none"> • True. → Commercial banks were created for commercial purposes. Central banks' duty is to maintain stability of the monetary standard. 	0.5×2
4	<ul style="list-style-type: none"> • True. → To solve any financial problem, a businessman can hire several types of experts such as accountants, bankers, and consultants. 	0.5×2
5	<ul style="list-style-type: none"> • False. → EFT has enabled financial institutions to provide faster, improved services. 	0.5×2
The total mark:		05 Pts

<u>Task 02</u>		Mark
1	<ul style="list-style-type: none"> • Automatic Teller Machine: A computer terminal that enables bank customers to deposit, withdraw, or transfer funds by using a bank-provided plastic card. 	01
2	<ul style="list-style-type: none"> • Profit Planning: The operating decisions in the areas of pricing, costs, volume of output and the firms' selection of product lines. 	01
3	<ul style="list-style-type: none"> • Shareholders: Any person, company, or institution that owns shares in a company's stock. 	01
4	<ul style="list-style-type: none"> • Central Bank: A public institution that is responsible for implementing monetary police, managing the currency of a country, or group of countries, and controlling the money supply. 	01
The total mark:		04 Pts

<u>Task 03</u>		Mark
	<p><u>Electronic banks</u> is a form of banking in which funds are <u>transferred</u> through an exchange of electronic signals rather than through an exchange of <u>cash</u>, checks, or other types of paper documents. Transfers of funds occur between <u>financial</u> institutions and commercial institutions such as stores. Whenever someone withdraws cash from an automatic teller machine or pays groceries using a <u>debit card</u>, the funds are transferred via electronic banking.</p>	01×5
The total mark:		05 Pts

<u>Task 04</u>		Mark
1	<ul style="list-style-type: none"> • The main goal of the shareholders is to maximize the profits. 	01
	<ul style="list-style-type: none"> • Financial managers follow their personal interests by maximizing their own wealth in the form of high salaries and perks at the cost of the shareholders, or they may play safe and create satisfactory wealth for the shareholders than the maximum. They may avoid taking high investment and financing risks that may otherwise be needed to maximize their wealth. 	01
	<ul style="list-style-type: none"> • The possible solutions for these agency problems: The agency problems vanish when managers own the company. Thus, one way to mitigate the agency problems is to give ownership rights through stock options to managers. Shareholders can also offer attractive monetary and non-monetary incentives to managers to act in their interests. A close monitoring by other stakeholders, board of directors and outside analysts also may help in reducing the agency problems. In more capitalistic societies such as USA and UK, the takeovers and acquisitions are used as means of disciplining managers. 	01.50
2	<ul style="list-style-type: none"> • A consultant can be a source of financial information even though they are not considered as employees. They are outside experts with specialized knowledge. A financial consultant is valuable to people thinking about starting a business and to managers facing challenges in existing businesses. 	01
	<ul style="list-style-type: none"> • Two examples of consultants: <ol style="list-style-type: none"> 1. Professors of accounting or finance. 2. Small consulting firms. 	0.25×2
	<ul style="list-style-type: none"> • The other three types of experts available as a source of information are: <ol style="list-style-type: none"> 1. Accountants. 2. Banks. 3. Government. 	01
<input checked="" type="checkbox"/> <u>Any logical answers are accepted.</u>		
The total mark:		06 Pts