L'Arbi Ben M'Hidi University_ Oum El Bouaghi

Faculty of Economics, Business, and Management

Department of Management

3rd Year Financial Management

Correction of the First Exam in English of the Fifth Semester

	Task 01	Mark
1	• True.	01
2	• False. Correction: Risk management helps to identify and manage the risks associated with investments or operations and tries to mitigate them. .	01
3	• False. Correction: The conflicts of interest that happen between the principles and the agents are referred to agency problems.	01
4	• True.	01
	The total mark:	**04 Pts**

	Task 02	Mark
1	• Retained earnings: - Advantage: No interest payments or dilution of ownership; promotes business growth. - Disadvantage: May limit dividend payouts; not suitable for startups with no earnings.	01
2	• Personal loans: - Advantage: No credit checks or interest; flexible terms. - Disadvantage: Strains personal relationships if not repaid on time; limited availability.	01
3	• Owner's equity: - Advantage: No interest or external obligations; maintains control over the business. - Disadvantage: Personal finances may be at risk; limits the pool of available funds.	01
	The total mark:	**03 Pts**

Task 03		Mark
1	• A shareholder.	01
2	• a. Financial Information.	01
3	• c. both of them.	01
4	• b. an expert.	01
The total mark:		**04 Pts**

Task 04		Mark
1.a	• The three main goals of shareholders are: - Shareholders aim for an increase in the value of their investment over time. - They expect a share of the company's profits in the form of dividends. - They have a financial interest in the company's earnings and profitability.	01,50
b	• The three main goals of managers are: - Managers have a financial interest in the form of performance bonuses and incentives tied to the company's success. - They have a financial interest in the company's stability and long-term success through pension plans and retirement benefits. - They seek to receive a salary and various benefits as part of their compensation.	01,50
c	• Authentic example of agency problem: a manager may approve a risky new project that is likely to benefit the manager's own career, even though is not in the best interest of the company.	01
d	• "Agency cost" refers to the expenses incurred by principles (shareholders) to monitor and control the actions of an agent (managers) to ensure that the agent acts in the best interest of the principle.	01
e	• One way to mitigate the agency problems is to give ownership rights through stock options to managers.	01
2.a	• Two factors that led to the change in the financial managers' roles: - Increasing pace of industrialization / -Technological innovations and inventions.	01
b	• The difference between the traditional and modern definitions of financial managers is that: traditionally speaking, financial managers had just one main role which is raising funds; however, thanks to several economic and environmental factors, their roles have changed. Nowadays, a financial manager has a significant role which is: raising funds, funds allocating, funds planning and understanding the capital markets. ☒ **Any other correct answers are accepted**	02
The total mark:		**09 Pts**