



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Subject Code & Name : **BBM1306 INTRODUCTION TO FINANCE**
 Semester & Year : JANUARY – APRIL 2016
 Lecturer/Examiner : JOEL THAM
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:
 - PART A (25 marks) : Answer all TWO (2) essay questions. Answers are to be written in the Answer Booklet provided.
 - PART B (75 marks) : Answer all THREE (3) problem solving questions. Answers are to be written in the Answer Booklet provided.
- Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
- This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
- ONLY ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College of Hospitality regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College of Hospitality.

Total Number of pages = 4 (Including the cover page)

SECTION A

Answer ALL questions

Question 1

Describe in detail the following forms of market efficiency:

- Weak Form
- Semi-Strong
- Strong

(20 marks)

Question 2

Explain the main duties of a financial auditor.

(5 marks)

SECTION B

ANSWER ALL QUESTIONS

QUESTION 1

Global Inc. paid dividend per share of various amount as shown in the table below. The expected rate of return from the investment is 16%.

Year	Dividend paid per share \$
1	0.20
2	0.26
3	0.28
4	0.30
5	0.36
6	0.38

- Estimate the growth rate of dividend using the Compounding method. (5 marks)
- Estimate the growth rate of dividend using the Average Percentage Change in the Dividend method. (5 marks)
- Based on your answer in (a) find the current share price for the company. (5 marks)
- With the use of a relevant example, explain the concept of preemptive right of ordinary shareholders. (10 marks)

[Total: 25 marks]

QUESTION 2

- A 5-year bond pays interest semiannually. The par value is \$1,000 and the coupon rate equals 6 percent per annum. If the market's required return on the bond is 8 percent, what is the bond's market price? (3 marks)
- A bond sells for \$900 and offers a coupon yield of 10 percent. What is the bond's annual coupon payment? (3 marks)
- A bond offers a coupon rate of 8 percent. If the par value is \$1,000 and the bond sells for \$1,100, what is the coupon yield? (3 marks)
- A \$1,000 par value bond has a coupon rate of 9 percent and a coupon yield of 10 percent. What is the bond's market price?

(2 marks)

- e) Clearly explain what is meant by Term Structure of Interest Rates and its relation to bond pricing.

(14 marks)

[Total: 25 marks]

QUESTION 3

Consider the following cash flows in Investment Alpha and Beta, given that discounting rate is 10%.

Year	Investment A	Investment B
0	-\$60,000	-\$60,000
1	16,000	18,000
2	17,000	18,000
3	22,000	18,000
4	18,000	18,000
5	17,000	18,000

- a) Compute the following:
- i) NPV
 - ii) IRR
 - iii) Profitability Index

(20 marks)

- b) Decide on which is a better investment and explain your reasoning clearly.

(5 marks)

[Total: 25 marks]

END OF QUESTION PAPER