



**BERJAYA BUSINESS SCHOOL**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **BBM1306 INTRODUCTION TO FINANCE**  
 Trimester & Year : JANUARY – APRIL 2019  
 Lecturer/Examiner : MR.RAVINDRAN RAMAN  
 Duration : 3 Hours

**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 2 parts:  
**PART A (25 marks) : TWO (2) short structured questions. Answers all question in the Answer Booklet provided.**  
**PART B (75 marks) : FOUR (4) problem solving and essay questions. Answers only THREE (3) out of FOUR (4) in the Answer Booklet provided.**
2. Candidates are not allowed to bring any unauthorised materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. 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.
4. 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 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.

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

**PART A : COMPULSORY QUESTION (25 MARKS)**

**INSTRUCTION (S)** : There is **TWO (2)** compulsory question in this section. Write your answers in the Answer Booklet(s) provided.

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**Question 1**

Secondary market of bond trading usually takes place over-the-counter. Explain how the bonds are traded?

**(Total 10 marks)**

**Question 2**

There are few limitations faced by organizations in calculating and interpreting the financial ratios in relation to decision making. Explain at least **FIVE (5)** limitations that challenging the organizations.

**(Total 15 marks)**

**END OF PART A**

**PART B : PROBLEM SOLVING AND ESSAY QUESTIONS (75 MARKS)**

**INSTRUCTION (S)** : There are **FOUR (4)** questions in this section, answer only **THREE (3)** questions. Write your answers in the Answer Booklet(s) provided.

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**Question 1**

(a) Suppose Sakura Holdings Sdn Bhd is considering for a major expansion of its production and has estimated the following free cash flow associated with the expansion. The initial outlay for the expansion is RM1,950,000 and the project would generate free cash flow of RM450,000 per year for six year the required rate of return is 9%. You are required to calculate and analyse the following:

- (i) Calculate the Net Present Value (NPV) (4 marks)
- (ii) Calculate the Profitability Index (PI) (4 marks)
- (iii) Calculate the Internal Rate of Return (IRR) (4 marks)
- (iv) Calculate the payback period? (2 marks)
- (v) Should this project be accepted? Give you reason. (3 marks)

(b) Dunlop Bhd is considering the payback period method for evaluating its new business project. Discuss the payback period method.

(8 marks)

**(Total 25 marks)**

**Question 2**

(a) Define what beta means and how does it used to calculate the investor's required rate of return?

(8 marks)

(b) As a fund manager and your task is to measure the riskiness of an asset. Explain how you measure such risk.

(7 marks)

(c) Discuss the use of security market line to make investment decision by investors.

(10 marks)

**(Total 25 marks)**

### Question 3

(a) Golden Hope Bhd's outstanding common stock is currently selling in the market for RM34.00. Dividends of RM2.40 per share were paid last year, and the company expects an annual growth of 6%.

(i) Calculate the value of the stock, given 15% required rate of return.

(5 marks)

(ii) Determine the expected rate of return for the stock.

(5 marks)

(iii) Should you purchase this stock? Provide your comments.

(5 marks)

(b) Discuss **FIVE (5)** features of Common Stock of a firm.

(10 marks)

**(Total 25 marks)**

### Question 4

(a) Explain the reasons for the existences of a financial market in the Malaysian economy.

(15 marks)

(b) In measuring the riskiness of an asset, how should the proposed standard deviation measurement of risk be interpreted? Explain.

(10 marks)

**(Total 25 marks)**

**END OF QUESTION PAPER**