



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN1013 INTRODUCTION TO FINANCE**
 Trimester & Year : SEPTEMBER – DECEMBER 2018
 Lecturer/Examiner : MR.RAVINDRAN RAMAN
 Duration : 2 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
 PART A (40 marks) : Answer THREE (3) compulsory question. Answers are to be written in the Answer Booklet provided.
 PART B (60 marks) : Answer TWO (2) out of THREE (3) problem solving and essay questions. Answers are to be written 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 (40 MARKS)

INSTRUCTION (S) : There is **THREE (3)** compulsory question in this section. Write your answers in the Answer Booklet(s) provided.

Question 1

Explain the **THREE (3)** types of legal form of businesses which operates in the financial management.

(Total 12 marks)

Question 2

Explain the differences between gross profits, operating profits and net income.

(Total 8 marks)

Question 3

(a) Briefly explain the **TWO (2)** perspectives or standards used in performing ratio analyses.

(6 marks)

(b) What liquidity is and why do we measure it?

(8 marks)

(c) Principle No.3 and Principle No.4 are part of foundation principles that forms the financial management. Explain both of the principles.

(6 marks)

(Total 20 marks)

END OF PART A

PART B : PROBLEM SOLVING AND ESSAY QUESTIONS (60 MARKS)

INSTRUCTION (S) : There are **THREE (3)** questions in this section, answer only **TWO (2)** questions.
Write your answers in the Answer Booklet(s) provided.

Question 1

- (a) Discuss what time value of money is and why it is so important in financial management. (5 marks)
- (b) The process of discounting and compounding are related. Explain this relationship and show the mathematical equations for both. (9 marks)
- (c) Suppose you were considering depositing your money in one of three banks, all of which pay 5% interest. Bank A compounds annually, Bank B compounds semiannually and bank C compounds daily. Which bank would you choose and give your reason. (6 marks)
- (d) Calculate the following investment amount accumulated based on annually compounded. (10 marks)

Investment	Amount (RM)	Tenure (Years)	Rate (%)
A	5,000.00	10	10
B	8,000.00	7	8
C	775.00	12	12
D	21,000.00	5	5

(Total 30 marks)

Question 2

- (a) Define what investor's required rate of return is. (3 marks)
- (b) Explain how you measure the riskiness of an asset. (6 marks)
- (c) How does a proposed measurement of a risk can be interpreted? (9 marks)
- (d) Roxy Bhd is considering several investments. The rate of securities is currently 6.75%, and the expected return for the market is 12%. Using the Capital asset Pricing Model (CAPM), calculate the required rate of return for each of the securities below? (12 marks)

SECURITY	BETA
A	1.50
B	0.82
C	0.60
D	1.15

(Total 30 marks)

Question 3

(a) List and explain **FOUR (4)** type of bonds which are available in the financial market. (12 marks)

(b) Describe **SIX (6)** characteristics of a bond which need to be known by each investor prior to invest their funds in the bond market.

(18 marks)

(Total 30 marks)

END OF QUESTION PAPER