

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Subject Code & Name : **DBM 2401 FUNDAMENTALS OF FINANCE**
 Semester & Year : JANUARY – APRIL 2016
 Lecturer/Examiner : JOEL THAM
 Duration : 2 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
 PART A (25 marks) : Answer all TWO (2) short answer 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.
2. Candidates are not allowed to bring any unauthorized 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 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.

PART A

Answer ALL questions

Question 1

Discuss the differences between the following terms:

- Public and Private Placements
- Money Markets and Capital Markets
- Primary and Secondary Markets
- Exchange and OTC
- Spot and Futures Markets

(20 marks)

Question 2

Examine the role of venture capitalist in the development of the economy.

(5 marks)

PART B

ANSWER ALL QUESTIONS

Question 1

- a) What is meant by the term stock market efficiency? Explain in detail the three forms of market efficiency and its implication to stock price behavior.
(20 marks)
- b) List down the four principles that together constitutes the concept of market efficiency.
(5 marks)

[Total: 25 marks]

Question 2

Consider the following each cash flows on two mutually exclusive investments:

Year	Product Line 1	Product Line 2
0	-\$18000	-\$18000
1	5000	4000
2	4000	5000
3	5000	7000
4	6000	8000
5	7000	1200

Required:

- a) Compute the NPV, IRR, and Profitability Index for the above two investments given that discount rate is 12%.
(20 marks)
- b) Based on your computed answers in (a) which of the investments will you recommend. Provide your justification.
(5 marks)

[Total: 25 marks]

Question 3

- a) A company is expected to pay dividend as shown in the table below. After the third year, the dividend will grow at a constant rate of 8 percent per annum. The required rate of return for your investment is 12% percent per annum.

Year	Expected Dividend Per Share
1	RM0.30
2	0.60
3	0.65

Compute the current share price based on the information above.

(10 marks)

- b) Neo Limited does not currently pay any dividend. However, analysts predict that in 3 years' time, the company will pay its first dividend of RM8. The dividend will grow at a constant rate of 8% thereafter. Assuming that the required rate of return is 15%, compute the value of the stock.

(9 marks)

- c) Explain in detail the process of compounding in relation to the time value of money.

(6 marks)

[Total: 25 marks]

END OF QUESTION PAPER