



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Student ID (in Words) :

Subject Code & Name : **BBM2306 Financial Management**
 Semester & Year : January – April 2017
 Lecturer/Examiner : Leow Hon Wei
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:
 - PART A (25 marks) : Answer ALL short answer questions. Answers are to be written in the Answer Booklet provided.
 - PART B (75 marks) : Answer all FOUR (4) structure answer 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 = 5 (Including the cover page)

PART A

: SHORT ANSWER QUESTIONS (25 MARKS)

INSTRUCTION(S)

: Answer **ALL** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

(a) Differentiate primary and secondary markets for securities. (2 marks)

(b) Managers are naturally inclined to act in their own best interests (which are not always the same as the interest of stockholders), provide four (4) factors affect the managerial behavior. (6 marks)

Question 2

Explain the three forms of market efficiency. (12 marks)

Question 3

ABC Furnishings Inc has the following data: annual sales \$10,000; cost of goods sold \$6,000; inventory \$2,548; account receivable \$1,644; account payable \$1,200. Calculate Cash Conversion Cycle? (5 marks)

[Total: 25 marks]

END OF PART A

PART B : STRUCTURE QUESTIONS (75 MARKS)

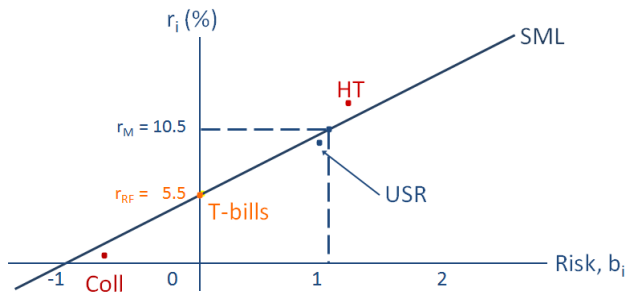
INSTRUCTION(S) : Answer all **FOUR (4)** questions. Write your answers in the Answer booklet(s) provided.

Question 1

- (a) Define dividend payout policy for a company. (2 marks)
- (b) Provide five (5) factors that influencing dividend policy for a company. (5 marks)
- (c) If company A is making losses for consecutive two years, but still paying good dividends for shareholders. Briefly explain how company A makes dividend payment. (4 marks)

Question 2

- (d) Provide three (3) types of return and four (4) types of risk measurement? (7 marks)
- (b) Jackson invested \$10,000 in stock market, compute the required rate of return for his investment if risk free rate 5%; beta 1.1; and market return 11%. Explain your answer. (5 marks)
- (c) Security Market Line (SML) shows the relationship between risk and return for assets. Briefly explain the security market line for HT share and USR share. (6 marks)



Question 3

The summarized accounts of SP Setia for the years 2015 and 2016 are given below.

Income Statement for SP Setia for the years ending 31 December 20xx

	2015		2016	
	₹	₹	₹	₹
Sales		250,000		290,000
Less: Cost of goods sold		(170,000)		(250,000)
Gross Profit		80,000		40,000
<u>Less: Expenses</u>				
General expenses	55,000		30,000	
Loan interest	0	(55,000)	2,000	(32,000)
Net Profit		25,000		8,000

Balance Sheet for SP Setia as at 31 December 20xx

	2015		2016	
	₹	₹	₹	₹
Total fixed assets		100,000		150,000
<u>Current assets</u>				
Stock	40,000		40,000	
Debtors	35,000		30,000	
Bank	10,000	85,000	5,000	75,000
Total Assets		185,000		225,000
<u>Current liabilities</u>				
Account payable	12,000		15,000	
Accrual salaries	8,000	20,000	2,000	17,000
<u>Long term liabilities</u>				
Commercial loan		30,000		50,000
Total Liabilities		50,000		67,000
<u>Shareholder and owner equity</u>				
Ordinary share capital		135,000		158,000
Total Liabilities and Shareholder and Owner Equity		185,000		225,000

Note: Inventory at 01 January 2015 was \$45,000 and 01 January 2016 was \$55,000

Required:

Calculate the following ratios for 2015 and 2016. Please also **explain and comment** your answer.

- (a) Gross profit margin (5 marks)
- (b) Inventory turnover (5 marks)
- (c) Net profit margin (5 marks)
- (d) Liquidity ratio (5 marks)
- (e) Acid test ratio (5 marks)
- (f) Return on equity (5 marks)

Question 4

How would the following items affect the Additional Fund Needed in financial planning?

- (a) Higher dividend payout ratio (4 marks)
- (b) Higher profit margin (4 marks)
- (c) Higher capital intensity ratio (4 marks)
- (d) Pay suppliers in 60 days, rather than 30 days (4 marks)

[Total: 75 marks]

END OF EXAM PAPER