



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Subject Code & Name : **FIN1013 INTRODUCTION TO FINANCE**
Semester & Year : January –April 2017
Lecturer/Examiner : Foo Yuen Ling
Duration : 2 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (25 marks) : Answer all FOUR (4) short essay questions.
PART B (75 marks) : Answer all FIVE (5) short answer and computation 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.

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

PART A : SHORT ESSAY QUESTIONS (25 MARKS)
INSTRUCTION(S) : Answer ALL FOUR (4) questions on the answer sheet provided.

Question 1

- a) Define “beta” . (2 marks)
- b) Explain the differences between systematic risks and unsystematic risks. (8 marks)

(Total: 10 marks)

Question 2

List **FIVE (5)** fundamental principles in the study of finance. **(Total : 5 marks)**

Question 3

Provide **FIVE (5)** characteristics of preferred stock. **(Total: 5 marks)**

Question 4

Briefly explain types of funds transferred in the financial market. **(Total: 5 marks)**

END OF PART A

PART B : SHORT ANSWER AND COMPUTATION QUESTIONS (75 MARKS)
INSTRUCTION(S) : Answer ALL FIVE (5) questions. Write your answers in the Answer Booklet(s) provided.

Question 1

Compute the quoted rate of interest for the savings for ONE (1) year, if you are informed that the real rate of interest is 2.5% and the inflation rate is 5.5%.

(Total: 6 marks)

Question 2

Compute the real rate of interest, if the savings for ONE (1) year is at the quoted rate of 9% and the inflation rate is 7.5%.

(Total: 6 marks)

Question 3

Determine a fair expected (or required) rate of return for a stock that has a beta of 1.05 when the risk free rate is 3%, and the expected market return is 6%.

(Total: 6 marks)

Question 4

Company BB paid RM1.00 in dividends per share last year. The firm's projected growth rate is 5% for the foreseeable future. If the investor's required rate of return for a firm, with Company BB's level of risk is 10 %, calculate the value of the stock.

(Total: 6 marks)

Question 5

During year 2016, the company recorded net sales of RM350,000 and net income of RM144,000. You are given the following data of a balance sheet as at 31 December 2016. In addition, the total assets were RM220,000 and short term liabilities were RM71,000.

	<u>RM</u>
Cash	45,800
Account receivables	X
Inventories	14,900
Property	93,200
Plant and equipment	55,800
Account payable	21,000
Short term debt	X
Long term debt	14,000
Total common equity	X

Question 5 (cont'd)

(a) Compute the following with formulas and workings.

- (i) Account receivables (4 marks)
- (ii) Short term debt (4 marks)
- (iii) Total common equity (4 marks)
- (iv) Total liabilities (4 marks)

(Total : 16 marks)

(b) Calculate the following ratios. You are required to answer with formulas and workings.

- (i) Profitability ratio (6 marks)
- (ii) Current ratio (6 marks)
- (iii) Total assets turnover (6 marks)
- (iv) Total debt ratio (6 marks)
- (v) Return on equity (6 marks)

(Total : 30 marks)

(c) Provide **TWO (2)** purposes of studying the financial ratios.

(Total : 5 marks)

END OF EXAM PAPER