



**BERJAYA BUSINESS SCHOOL**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Subject Code & Name : **FIN1513 INTRODUCTION TO FINANCE**  
Semester & Year : January –April 2017  
Lecturer/Examiner : Foo Yuen Ling  
Duration : 3 Hours

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**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 3 parts:  
PART A (25 marks) : Answer all FIVE (5) short essay questions.  
PART B (40 marks) : Answer all SIX (6) short answer and computation questions .  
PART C (35 marks) : Answer all financial analysis 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 FIVE (5) questions on the answer sheet provided.**

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**Question 1**

Discuss **TWO (2)** types of financial institutions in the financial market. **(Total : 5 marks)**

**Question 2**

Briefly explain **FIVE (5)** characteristics of a preferred stock . **(Total : 5 marks)**

**Question 3**

Explain the following:

- (a) Real rate of interest **(2 marks)**
- (b) Nominal rate of interest **(2 marks)**

**(Total : 4 marks)**

**Question 4**

Distinguish the systematic risk and unsystematic risk. Provide an illustration for each type of the risk. **(Total : 6 marks)**

**Question 5**

Briefly explain **TWO (2)** fundamental principles in the study of finance. Provide an example for each principle. **(Total : 5 marks)**

**END OF PART A**

**PART B : SHORT ANSWER AND COMPUTATION QUESTIONS (40 MARKS)**  
**INSTRUCTION(S) : Answer ALL SIX (6) questions. Write your answers in the Answer Booklet(s) provided.**

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**Question 1**

- (a) Define "beta" (2 marks)
- (b) Determine a fair expected (or required) rate of return for a stock that has a beta of 1.3 when the risk free rate is 2.85 %, and the expected market return is 7.85 %. (6 marks)

**(Total : 8 marks)**

**Question 2**

A stock paid a dividend at the end of last year of RM3.50. Dividends have grown at a constant rate of 2 percent per year over the last 10 years. This constant rate is expected to continue into the future. The required rate of return on the stock is 10%. Compute the fair value of the stock.

**(Total : 6 marks)**

**Question 3**

Compute the amount in an account accrued in 7 years, if given the saving of RM3,500 in an account paying 5% interest compounded annually.

**(Total : 6 marks)**

**Question 4**

You invest RM10,000 on the last day of every year for the next six years. If the interest rate on the investment is 8%, what is the future value of the investment in six years?

**(Total : 6 marks)**

**Question 5**

- (a) What is a "bond"? (2 marks)
- (b) Calculate the present value for an investment in bond, if the security pay RM10,000 at the end of six years in exchange for a fixed payment today and the annual interest rate on the investment is 8 percent compounded annually. (6 marks)

**(Total : 8 marks)**

**Question 6**

Compute the real rate of interest for the savings for **ONE (1)** year, if you are informed that the quoted rate of interest is 8.1375% and the inflation rate is 5.5%.

**(Total : 6 marks)**

**END OF PART B**

**PART C : MINI FINANCIAL ANALYSIS QUESTIONS (35 MARKS)**  
**INSTRUCTION(S) : Answer ALL questions. Write your answers in the Answer Booklet(s) provided.**

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You are provided with the following data (RM) for financial year 2016.

Net sales	457,000
Net income	89,790
Cash	75,300
Account receivables	15,500
Property	155,000
Machineries	175,000
Total assets	440,000
Account payables	25,900
Short term debt	84,100
Long term debt	147,000
Total common equity	183,000

**Question 1**

Calculate the following ratios and **explain each** of the ratio. You are required to answer with formulas and workings.

- (a) Profitability ratio (6 marks)
- (b) Current ratio (6 marks)
- (c) Total assets turnover (6 marks)
- (d) Total debt ratio (6 marks)
- (e) Return on equity (6 marks)

**(Total : 30 marks)**

**Question 2**

Briefly explain **TWO (2)** weaknesses in the financial analysis.

**(Total : 5 marks)**

**END OF EXAM PAPER**