



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN1613 Financial Institutions & Markets**
Trimester & Year : January – April 2018
Lecturer/Examiner : Mohd Khairil bin Bahari
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (25 marks) : ONE (1) short essay question. Answers to be written in the Answer Booklet provided.
PART B (75 marks) : THREE (3) problem-solving 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.

PART A : **Short essay question (25 marks). Answers to be written in the**
(Instructions) **Answer Booklet provided.**

QUESTION 1

PETALING JAYA: The market remains cautious of the outlook for Bursa Malaysia Bhd after the stock exchange operator posted a decline in net profit for last year compared to the previous year due to a decrease in equity-trading income.

Affin Hwang expects heightened risk aversion with flat trading activities this year following from the number of “black swan” events last year. These events include Britain’s vote to leave the European Union and the election of Donald Trump as US president.

“We foresee an unexciting earnings outlook for Bursa given the flat securities trading average daily value (ADV) while derivatives trade fee growth appears to be moderating in 2017,” it said in a report.

The research house added that while investor sentiment could improve this year with the new initial public offerings, assumptions for through to 2019 remains unchanged on the securities market with an ADV of RM1.9bil to RM1.99bil and derivatives market with an average daily contract growth of 2% on-year.

This could change if there were more corporate exercises to stimulate risk appetite. Affin Hwang maintains a sell call with target price of RM7 per share on an unchanged 20 times price-to-earnings o estimated earnings per share of 35.3 sen.

CIMB Research, which has maintained a hold call on the stock with an unchanged target price of RM9 per share, said in a report that despite the house’s positive view on the equity market, the price-to-earnings of 22 times and price-to-book value of 5.4 times were above valuations of most local financial stocks.

Most banks were trading at price-to-earnings of 11 times and prie-to-book values of 1.3 times.

“We prefer RHB Bank for exposure to the financial services sector,” it said.

source: The Star, 7 February 2017

- a) From the article, Bursa Malaysia is an active stock exchange that have more than a billion of stocks in value traded daily. Describe in details about the stock market. (5 marks)
- b) Differentiate between direct finance using Bursa Malaysia and indirect finance. (4 marks)

c) List down the characteristic of primary market using Bursa Malaysia and secondary market.

(4 marks)

d) Explain **FOUR (4)** main reasons with explanations for regulations in financial markets by Bursa Malaysia.

(12 marks)

[Total: 25 marks]

END OF PART A

PART B : **Problem solving questions [75 marks]. FOUR (4) problem solving questions. Answer any three out of four questions in Answer Booklet provided.**
(Instructions)

QUESTION 1

- a) State the elements in the mortgage loans and explain on each of them. (8 marks)
 - b) Describe the differences between interest payment and principal payment. (4 marks)
 - c) Define subprime loan and discuss the issue of real estate bubble. (4 marks)
 - d) Discuss in details the price earnings ratio (P/E) ratio and effect on stock price. (5 marks)
 - e) Name **TWO (2)** divisions in Stock Exchange Commission and explain each of their functions (4 marks)
- [Total: 25 marks]**

QUESTION 2

- a) Compare the money market and capital market with explanations and examples. (6 marks)
 - b) Recently, Eco World International has offered an Initial Price Offering (IPO) amounted to RM2.56 billion to raise working capital. Describe in details the Initial Price Offering (IPO). (8 marks)
 - c) Explain the similarity and differences between future markets and forward market. (4 marks)
 - d) Besides futures contract and forward contract, options contract is another type of derivatives. Briefly explain about the options contract (3 marks)
 - e) Besides than margin transactions, short-selling is also another type of trading in share markets. Explain the characteristics of short-selling. (4 marks)
- [Total: 25 marks]**

QUESTION 3

- a) Compare the adverse selection with the moral hazard. (6 marks)
- b) The availability of internet networking around the world has paved way for internet banking. Discuss the advantages and disadvantages of internet banking. (8 marks)
- c) State and explain **FIVE (5)** services provided by commercial banking. (7 marks)
- d) The popularity of internet banking has caused more banks start to consolidate their branches. Explain the rationale behind of this consolidation. (4 marks)
- [Total: 25 marks]**

QUESTION 4

- a) State the **NINE (9)** basic principles of insurance companies. (9 marks)
- b) One of the types of insurance is life insurance. Discuss the characteristics of life insurance and its policies. (10 marks)
- c) Discuss the financial crisis in South Korea that has affected its economy, banking institution, currency and stock market. (6 marks)
- [Total: 25 marks]**

-END OF QUESTION PAPER-