



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN1013 Introduction to Finance**
 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 (25marks) : ONE (1) short essay question. Answers to be written in the Answer Booklet provided.
 PART B (75 marks) : Answer 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 ANSWER QUESTIONS (25 MARKS)
INSTRUCTION(S) : Answer all questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

- a) Below is the financial statement of Snap Cam Inc. for the year ending December 31, 2016.

Income Statement of Snap Cam		
(RM in thousands of Ringgit)		
	RM	RM
Net Sales Revenues		112,760
Cost of Goods Sold		(85,300)
Gross Profits		27,460
Operating Expenses:		
Selling & Marketing	6,540	
General Administrative	9,400	
Total Operating Expenses		(15,940)
Operating Income		11,520
Other income / expenses		0
Earnings before interest and tax (EBIT)		11,520
Interest Expenses:		
Interest on Loans	850	
Interest on Mortgage Bonds	2,310	
Total Interest Expenses		(3,160)
Earnings Before Taxes		8,360
Federal & State Taxes @ 40%		(3,344)
NET INCOME		5,016

*credit sales = RM100,000

BALANCE SHEET as at December 31, 2016		
	(RM in thousands of Ringgit)	
ASSETS		31/12/2016
<u>Current Assets</u>	RM	RM
Cash		2,540
Accounts Receivable		18,320
Inventories		27,530
Total Current Assets		48,390
<u>Long-Term Assets</u>		
Property & Equipment at cost	43,100	
Accumulated Depreciation	(11,400)	
Total Long-Term Assets		31,700
TOTAL ASSETS		80,090
LIABILITIES		
<u>Current Liabilities</u>		
Accounts Payable		9,721
Notes Payable @ 10%		8,500
Taxes Payable		3,200
Other Current Liabilities		2,102
Current Portion of Long-term Debt		2,000
Total Current Liabilities		25,523
<u>Long-Term Liabilities</u>		
Mortgage Bonds @ 9.58%	22,000	
Total Long-Term Liabilities		22,000
TOTAL LIABILITIES		47,523
EQUITY		
Common Stock	13,000	
Paid in Capital in excess of par value	10,000	
Retained Earnings	9,567	
TOTAL EQUITY		32,567
TOTAL LIABILITIES & EQUITY		80,090

- a) Calculate the following ratios;
- Net profit margin or profit margin (4 marks)
 - Return on equity (ROE) (4 marks)
 - Current ratio (4 marks)
 - Debt to equity (4 marks)
 - Debtors turnover ratio (days) (4 marks)

- b) i. Calculate the future value (FV) of an initial RM400 after 5 years if the discounted rate is 20%.
(2 marks)
- ii. Calculate the future value (FV) of an initial RM300 after 5 years if the discounted rate is 10%.
(2 marks)
- iii. Based on answer in (i) & (ii), state which **ONE** is better.
(1 marks)

[Total: 25 marks]

END OF PART A

PART B : SHORT ANSWER QUESTIONS (75 MARKS)

INSTRUCTION(S) : Answer **THREE (3)** questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

- a) A company has to go through Initial Public Offering (IPO) in primary market if the company aspires to be listed in stock market. Explain in details on Initial Public Offering (IPO).
(4 marks)
- b) Finance is a study about achieving optimal profit by taking into consideration of return and risk.
Thus, state **SIX (6)** principles of finance(s)
(6 marks)
- c) Why net worth or owners' equity is a better wealth measurement compared to assets.
(4 marks)
- d) i. Define the beta.
(2 marks)
- ii. Explain the **TWO (2)** measurements of stock W which has 3.5 and beta of stock Y which has 0.4.
(4 marks)
- iii. State which stock that a risk-taker investor will choose.
(1 mark)
- e) i. Explain in what situation a project should be accepted based on the Net Present Value (NPV) method.
(2 marks)
- ii. Payback period method is another way to measure a feasibility of a project. Discuss the strengths and weaknesses of payback period.
(2 marks)

[Total: 25 marks]

QUESTION 2

Project W		Project Z	
Probability	Expected return	Probability	Expected return
0.3	-10%	0.3	-15%
0.5	20%	0.5	25%
0.2	50%	0.2	60%

- a) i. Calculate the mean returns from project W and Z based on the following projected table.
(4 marks)

- ii. Calculate the risk from project W and Z based on the following projected table.
(4 marks)

- iii. State which project should be chosen based coefficient of variation and give reason.
(3 marks)

- b) i. Name the **THREE (3)** sources of capital.
(3 marks)
- ii. State and explain whether stock A and stock B are overvalued or undervalued.
Decide which stock to choose and explain it.
(6 marks)

Stock A	Stock B
Required return = 8%	Required return = 8%
Expected return = 12%	Expected return = 5%

- c) State **THREE (3)** working capital financing policies.
(3 marks)
- d) In the area of financial forecasting, state your comment and suggestion on the following financial forecast.

	2016	*2017 (forecast)	Industry Average
Current ratio	0.8	0.6	1.2

(2 marks)

[Total: 25 marks]

QUESTION 3

- a) Define market equilibrium of stock price and elaborate it. (3 marks)
- b) State the advantages and disadvantages of proprietorships. (6 marks)
- c) Name **THREE (3)** types of financial markets and explain each of them. (6 marks)
- d) Name **THREE (3)** types of financial institutions and briefly explain each of them. (5 marks)
- e)
 - i. Calculate the current bond price if the par value is RM1000, 5% yearly of coupon rate with annual coupon payment, required rate of return is 8% and 4 years to maturity. (2 marks)
 - ii. Calculate the current yield based on the current bond price answer from the above question e(i). (1 marks)
 - iii. Calculate the current gains yield if the yield to maturity (YTM) is the required rate of return, 8% and the current yield is based on the answer from the above question e(ii). (2 marks)

[Total: 25 marks]

QUESTION 4

- a) Define and explain annuity payment in Time Value Money (TVM). (3 marks)
- b) Calculate number of years taken if sales double up at 20% per year. (2 marks)
- c)
 - i. Draw the time line and calculate the future value of ordinary annuity for 3 years of RM200 at 5% (4 marks)
 - ii. Draw the time line and calculate the future value annuity due for 3 years of RM200 at 5% (4 marks)
 - iii. Based on answer in (i) & (ii), state the better **ONE (1)** and explain it. (2 marks)

- d) i. Draw the timeline and calculate the present value of ordinary annuity for 3 years of RM500 at 5% (4 marks)
- ii. Draw the timeline and calculate the present value of annuity due for 3 years of RM500 at 5% (4 marks)
- iii. State the better **ONE (1)** and explain it. (2 marks)

[Total: 25 marks]

END OF EXAM PAPER