



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Course Code & Name : **FIN2213 Financial Management**

Trimester & Year : January – April 2019

Lecturer/Examiner : Leow Hon Wei

Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:

PART A (25 marks) : Answer all THREE (3) short answer questions. Answers are to be written in the Answer Booklet provided.

PART B (75 marks) : Answer all FOUR (4) structured answer 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.

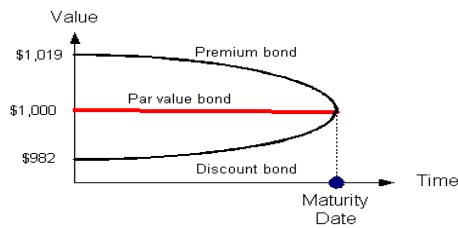
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.

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 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.

Question 1

Bonds are used to obtain the fund raising and can be selling at a par, at a premium and at a discount. Briefly explain the following graph.



(7 marks)

[Total: 7 marks]

Question 2

(a) Jordan invests unit trust for RM10,000 today with 10% interest. What is the total after 5 years.

(2 marks)

(b) Jasmine needs RM500 in two years time. How much she needs to invest today if the return is 6%.

(2 marks)

(c) Compute the future value if yearly saving of RM1,000 made during the beginning of the year for 5 years with 10% interest.

(2 marks)

(d) Compute the future value for a saving of lump sum RM2,000 today for 5 years with 10% interest.

(2 marks)

(e) Compute the present value for a total of RM10,000 in year 4 with 10% interest.

(2 marks)

[Total: 10 marks]

Question 3

Define the following financial terms

(a) Spot market and future market

(2 marks)

(b) Money market and capital market

(2 marks)

(c) Primary market and secondary market

(2 marks)

(d) Initial public offering and seasonal equity offering

(2 marks)

[Total: 8 marks]

[Total: 25 marks]

Question 1

What are the **FOUR (4)** most fundamental factors that affect the cost of money, or the general level of interest rates, in the economy?

(20 marks)

[Total = 20 marks]

Question 2

If a firm is to default on the bonds, would the company be immediately liquidated? Would the bondholders be assured of receiving all of their promised payments? Explain.

(20 marks)

[Total = 20 marks]

Question 3

Why do investors prefer high-dividend-paying stocks, while other investors prefer stocks that pay low or nonexistent dividends?

(20 marks)

[Total = 20 marks]

Question 4

- (a) Calculate the Net Present Value (NPV) and Payback Period (PP) for the project ABC with the cash outflow of RM10,000 and cash inflow year 1 is RM3,000, year 2 is RM5,000 and year 3 is RM7,000 with the cost of capital 10%.

(7.5 marks)

- (b) Calculate the Net Present Value (NPV) and Payback Period (PP) for the project XYZ with the cash outflow of RM10,000 and cash inflow year 1 is RM7,000, year 2 is RM5,000 and year 3 is RM3,000 with the cost of capital 10%.

(7.5 marks)

[Total: 15 marks]

[Total = 75 marks]

END OF QUESTION PAPER