



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **DBM2401 FUNDAMENTALS OF FINANCE**
Trimester & Year : JANUARY – APRIL 2019
Lecturer/Examiner : MR.RAVINDRAN RAMAN
Duration : 2 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (25 : Answer TWO (2) compulsory question. Answers are to be written in marks) the Answer Booklet provided.
PART B (75 marks) : Answer THREE (3) out of FOUR (4) problem solving and essay 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.

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

PART A : COMPULSORY QUESTION (25 MARKS)

INSTRUCTION (S) : There is **TWO (2)** compulsory question in this section. Write your answers in the Answer Booklet(s) provided.

Question 1

What are the **THREE (3)** types of legal form of businesses which operates in the financial management? Explain each of the type.

(Total 13 marks)

Question 2

Discuss the differences between gross profits, operating profits and net income.

(Total 12 marks)

END OF PART A

PART B : PROBLEM SOLVING AND ESSAY QUESTIONS (75 MARKS)

INSTRUCTION (S) : There are **FOUR (4)** questions in this section, answer only **THREE (3)** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

(a) The process of discounting and compounding are related. Explain this relationship and show the mathematical equations for both.

(9 marks)

(b) Suppose you were considering depositing your money in one of three banks, all of which pay 5% interest. Bank X compounds annually, Bank Y compounds semiannually and bank Z compounds daily. Which bank would you choose and give your reason.

(6 marks)

(c) Calculate the following investment amount accumulated based on annually compounded.

(10 marks)

Investment	Amount (RM)	Tenure (Years)	Rate (%)
A	6,000.00	10	10
B	9,000.00	7	8
C	875.00	12	12
D	31,000.00	5	5

(Total 25 marks)

Question 2

(a) Define what investor's required rate of return is.

(2 marks)

(b) Explain how you measure the riskiness of an asset.

(4 marks)

(c) How does a proposed measurement of a risk can be interpreted?

(7 marks)

(d) Legenda Bhd is considering several investments. The rate of securities is currently 6.75%, and the expected return for the market is 12%. Using the Capital asset Pricing Model (CAPM), calculate the required rate of return for each of the securities below.

(12 marks)

SECURITY	BETA
AX	1.50
BX	0.82
CX	0.60
DX	1.15

(Total 25 marks)

Question 3

- (a) List and explain **FIVE (5)** type of bonds which are available in the financial market. (10 marks)
- (b) Greenwich Bhd's seven year RM1,000 par bonds pay 9 percent interest. Your required rate of return is 7 percent. The current market price for the bond is RM1,100. You are required to calculate the following:
- (i) Determine the expected rate of return. (5 marks)
 - (ii) What is the value of the bonds to you given your required rate of return? (5 marks)
 - (iii) Should you purchase the bond at the current market price? (5 marks)
- (Total 25 marks)

Question 4

- (a) Discuss what time value of money is and why it is so important in financial management. (5 marks)
- (b) Best Choice Bhd is considering a project with an initial cash outlay of RM80,000 and expected free cash flows of RM20,000 at the end of each year for 6 years. The required rate of return for this project is 10%. Calculate the following:
- (i) What is the project's payback and discounted payback period? (12 marks)
 - (ii) What is the Net Present Value? (3 marks)
 - (iii) What is the project's Profitability Index? (2 marks)
 - (iv) What is the project's Internal Rate of Return? (3 marks)
- (Total 25 marks)

END OF QUESTION PAPER