



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Course Code & Name : **FIN1513 INTRODUCTION TO FINANCE**
 Semester & Year : JANUARY– APRIL 2021
 Lecturer/Examiner : Dr. Akram Al-Khaled
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:
PART A (25 marks) : TWO (2) short essay questions. Answers are to be written in Answer Booklet provided.
PART B (75 marks) : Answer only THREE (3) problem solving questions out of 4 questions given. Answers are to be written in the Answer Booklet provided.
- Candidates are not allowed to bring any unauthorised materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
- 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.
- 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 = 6 (Including the cover page)

PART A : SHORT ESSAY QUESTIONS (25 MARKS)

INSTRUCTION(S) : Answer all **TWO (2)** questions. Answers are to be written in the Answer Booklet(s) provided.

Question 1

a. Differentiate between the following items:

i. A Current Asset and a Long-Term Asset.

(4 marks)

ii. A Current Liability and a Long-Term Liability.

(4 marks)

iii. A Debtor's Claim and an Owner's Claim.

(4 marks)

b. Distinguish between net income and operating cash flow.

(4 marks)

(Total: 16 marks)

Question 2

Describe **THREE (3)** legal forms of business organization.

(9 marks)

End of Part A

PART B : PROBLEM SOLVING QUESTIONS (75 MARKS)

INSTRUCTION(S) : Answer **ONLY THREE (3)** questions. Write your answers on the answer sheet(s) provided.

Question 1

Presume that the following two independent investment opportunities are available to Green Energy Inc. The appropriate discount rate is 10%.

Year	Project Alpha (RM)	Project Beta (RM)
0	(2,300)	(3,900)
1	1,200	800
2	1,100	2,300
3	900	2,900

Required:

a. Compute the profitability index for each of the **TWO (2)** projects.

(15 marks)

b. Describe the profitability index and appraise which project should Green Energy accept based on the profitability index rule.

(10 marks)

(Total: 25 marks)

Question 2

From the accounts of Golden Star Corporation shown underneath:

	31/12/2018 (RM)	31/12/2019 (RM)
Accumulated Depreciation	4,234	4,866
Accounts Payable	2,900	3,210
Accounts Receivable	3,160	3,644
Cash	1,210	1,490
Common Stock	4,778	7,278
Inventory	4,347	5,166
Long-Term Debt	3,600	2,430
Plant, Property & Equipment	8,675	9,840
Retained Earnings	1,880	2,356

Required:

- Construct a statement of financial position for 2018 and 2019. (10 marks)
- List all the working capital accounts. (4 marks)
- Calculate the net working capital for the years ending 2018 and 2019. (8 marks)
- Calculate the change in net working capital for the year of 2019. (3 marks)

(Total: 25 marks)

Question 3

Wal-Mart stores provided the following financial information for the quarter ending September 30, 2019:

	30/09/2019 (RM)
Depreciation and amortization	75,000
Net Income	225,000
Increase in receivables	95,000
Increase in inventory	69,000
Increase in accounts payables	80,000
Decrease in marketable securities	34,000

Required:

- a. Calculate the cash flow from operating activities generated during this quarter by the firm. (7 marks)

- b. Identify **THREE (3)** components of the cash flow from assets. (3 marks)

- c. Interpret the connection between “debits always equal credits” and the accounting identity. (3 marks)

- d. From the following statement of financial position of Mr. Arvind Industries Ltd., as at 31st March 2019.

Assets	31/03/2019 (RM)	Liabilities+ Owner's Equity	31/03/2019 (RM)
Non-Current Assets	26,000	Equity Share Capital	10,000
		7% Preference Share Capital	2,000
Current Assets		Reserve and Surplus	8,000
Cash	1,000	6% Mortgage Debentures	14,000
Investment (10%)	3,000	Current Liabilities	
Sundry Receivables	4,000	A/C Payable	1,200
Stock	6,000	Bill Payable	2,000
		Outstanding Expenses	200
		Tax Provision	2,600
Total Assets	40,000	Liabilities+ Owner's Equity	40,000

Other information:

1. Net sales RM60,000
2. Cost of goods sold RM51,600
3. Net income before tax RM4,000

4. Net income after tax RM2,000

Calculate the following ratios:

- i. Receivables Turnover Ratio. (3 marks)
- ii. Stock Turnover Ratio (3 marks)
- iii. Gross Profit Ratio. (3 marks)
- iv. Return of Investment Ratio. (3 marks)

(Total: 25 marks)

Question 4

- a. Calculate the present value of an offer of RM15,000 two years from now if the opportunity cost of capital (discount rate) is 12% per year compounded annually. (5 marks)
- b. Calculate the effective annual rate (EAR) of 6.5% simple nominal annual rate compounded monthly. (5 marks)
- c. You are borrowing RM80,000 for 25 years at 10% nominal annual interest compounded monthly. Calculate how much your monthly payments must be if you completely retire the loan over the 25-year period. (5 marks)
- d. Presume that you receive RM1,000 every year for the next five years and you invest each payment at 5% interest. Calculate how much you would have at the end of the five-year period. (5 marks)
- e. If you invested RM40,000 at one point in time and received back RM100,000 seven years later. Calculate annual interest (or growth) rate (compounded annually) you would have obtained. (5 marks)

(Total: 25 marks)

END OF EXAMINATION PAPER