



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Subject Code & Name : **DBM 2401 FUNDAMENTALS OF FINANCE**
 Semester & Year : MAY – AUGUST 2016
 Lecturer/Examiner : JOEL THAM
 Duration : 2 Hours

INSTRUCTIONS TO CANDIDATES

- 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 THREE (3) problem solving questions. Answers are to be written in the Answer Booklet provided.
- Candidates are not allowed to bring any unauthorized 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 of Hospitality 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 of Hospitality.

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

PART A

Answer ALL questions

Question 1

Explain the main risks and challenges being faced by corporations expanding abroad.

(6 marks)

Question 2

Discuss the five (5) main types of financial returns, outlining its main characteristics and features.

(13 marks)

Question 3

Explain the purpose of financial statement analysis.

(6 marks)

PART B

ANSWER ALL QUESTIONS

QUESTION 1

Consider the following cash flows in Investment A and B, given that discounting rate is 5%.

Year	Investment A	Investment B
0	-\$200,000	-\$200,000
1	52,000	41,000
2	63,000	55,000
3	77,000	100,000
4	88,000	68,000
5	50,000	66,000

a) Compute the following:

- i) NPV
- ii) IRR
- iii) Profitability Index
- iv) Payback Period

(20 marks)

b) Based upon the calculations in (a), decide on which is a better investment and explain your reasoning clearly.

(5 marks)

[Total: 25 marks]

QUESTION 2

Assume that you deposit \$2,000 today in an account that pays 10 percent interest.

a) How much will you have in four years?

(5 marks)

b) How much will you have if the 10% is compounded quarterly after 4 years?

(5 marks)

c) How much will you have in 4 ½ years, compounded quarterly?

(5 marks)

d) Explain the differences between compounding and discounting.

(10 marks)

[Total: 25 marks]

QUESTION 3

Suppose a stock had an initial price of \$42 per share, paid a dividend of \$2.40 during the year and had an ending price of \$60 per share, answer the following:

a) Compute the percentage rate of return. (5 marks)

b) Compute the dividend yield.

(5 marks)

c) Compute the capital gain yield.

(5 marks)

d) Suppose the real rate is 2 percent and the inflation rate is 10%. What is the nominal return?

(5 marks)

e) Explain in detail the concept and meaning of free cash flow in the context of corporate finance.

(5 marks)

[Total: 25 marks]

END OF QUESTION PAPER