



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Course Code & Name : **BBM2306 Financial Management**
 Trimester & Year : May – August 2018
 Lecturer/Examiner : Leow Hon Wei
 Duration : 3 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 FOUR (4) structure answer 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 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 = 5 (Including the cover page)

PART A : SHORT ANSWER QUESTIONS (25 MARKS)

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

Question 1

Explain the different between

- (a) Initial public offering and seasonal equity offering (2 marks)
- (b) Primary market and secondary market (2 marks)
- (c) Money market and capital market (2 marks)
- (d) Spot market and future market (2 marks)

[Total: 8 marks]

Question 2

Market efficiency is important for the share trading. Briefly explain the **THREE (3)** forms of market efficiency.

(8 marks)

[Total: 8 marks]

Question 3

Calculate the time value of money for

- (a) Compute the future value if yearly saving of \$1,000 made during the beginning of the year for 5 years with 10% interest. (3 marks)
- (b) Compute the future value for a saving of lump sum \$2,000 today for 5 years with 10% interest. (3 marks)
- (c) Compute the present value for a total of \$10,000 in year 4 with 10% interest. (3 marks)

[Total: 9 marks]

[Total: 25 marks]

END OF PART A

PART B : STRUCTURE QUESTIONS (75 MARKS)

INSTRUCTION(S) : Answer all **FOUR (4)** questions. Write your answers in the Answer booklet(s) provided.

Question 1

- (a) Company should maintain dividend payout ratio to compensate its shareholders. Define dividend payout ratio. (2 marks)
- (b) The payment of dividend by a company can be influenced by many factors. Provide **FOUR (4)** factors that influencing dividend payment for a company. (5 marks)
- (c) Briefly explain how a company makes dividend payment to its shareholders if without making profit. (4 marks)

[Total: 11 marks]

Question 2

The summarised accounts of Sunway Construction Berhad for the years 2016 and 2017 are given below.

Income Statement for Sunway Construction Berhad for the years ending 31 December

	2016		2017	
	₹	₹	₹	₹
Sales		350,000		390,000
Less: Cost of goods sold		(270,000)		(350,000)
Gross Profit		80,000		40,000
<u>Less: Expenses</u>				
Maintenance	65,000		30,000	
Loan interest	0	(65,000)	5,000	(35,000)
Net Profit		15,000		5,000

Balance Sheet for Sunway Construction Berhad as at 31 December

	2016		2017	
	₹	₹	₹	₹
Total fixed assets		200,000		250,000
<u>Current assets</u>				
Closing inventory	50,000		50,000	
Account receivable	45,000		40,000	
Cash	20,000	115,000	5,000	95,000
Total Assets		315,000		345,000

<u>Current liabilities</u>				
Creditor	20,000		25,000	
Accrual salaries	<u>5,000</u>	25,000	<u>5,000</u>	30,000
<u>Long term liabilities</u>				
Loan notes		<u>40,000</u>		<u>60,000</u>
<i>Total Liabilities</i>		<i>65,000</i>		<i>90,000</i>
<u>Shareholder and owner equity</u>				
Ordinary share capital		250,000		255,000
<i>Total Liabilities and Shareholder and Owner Equity</i>		<i>315,000</i>		<i>345,000</i>

Note: Inventory at 01 January 2016 was \$35,000 and 01 January 2017 was \$45,000

Required:

Calculate the following ratios for 2016 and 2017. Please also **explain and comment** your answer.

- | | | |
|-----|---------------------|-----------|
| (a) | Gross profit margin | (5 marks) |
| (b) | Inventory turnover | (5 marks) |
| (c) | Net profit margin | (5 marks) |
| (d) | Liquidity ratio | (5 marks) |
| (e) | Acid test ratio | (5 marks) |
| (f) | Return on equity | (5 marks) |

[Total: 30 marks]

Question 3

Briefly explain the FOUR (4) factors that affect capital budgeting decision?

(16 marks)

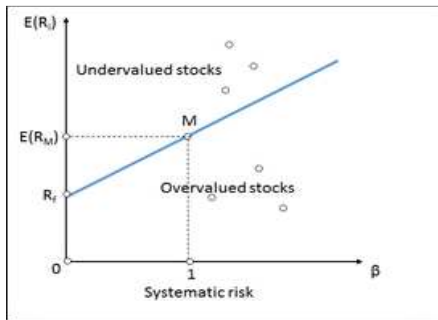
[Total: 16 marks]

Question 4

- | | | |
|-----|---|-----------|
| (a) | Provide THREE (3) types of return and FOUR (4) types of risk measurement? | (7 marks) |
| (b) | Johnson invested \$10,000 in unit trust; compute the minimum return for his investment if risk free rate is 3.5%; beta is equal to 1.0; and market return is 8%. Explain your answer. | (5 marks) |

- (c) Briefly explain the security market line in the respect of the relationship between risk and return for assets.

(6 marks)



[Total: 18 marks]

[Total: 75 marks]

END OF EXAM PAPER