

**BERJAYA BUSINESS SCHOOL****FINAL EXAMINATION**

Student ID (in Figures) :

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Student ID (in Words) :

---

---

Course Code & Name : **FIN1314 FUNDAMENTALS OF FINANCE**  
Trimester & Year : MAY – AUGUST 2018  
Lecturer/Examiner : KHAIRIL BAHARI/JAMES LIOW  
Duration : 2 HOURS

---

**INSTRUCTIONS TO CANDIDATES**

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

**Total Number of pages = 5 (Including the cover page)**

**PART A : SHORT ESSAY QUESTIONS (25 MARKS)**

**INSTRUCTION** : **TWO (2)** short essay questions. Answer **ALL** questions in the Answer Booklet(s) provided.

---

**QUESTION 1**

- a) List the three main forms of business organisation and describe **ONE (1)** advantage and **ONE (1)** disadvantage of each business organisation.

(9 marks)

- b) Describe the **THREE (3)** differences between debt securities and equity securities.

(6 marks)

**[Total 15 marks]**

**QUESTION 2**

- a) Briefly explain the information that can be derived from a firm's income statement and balance sheet.

(6 marks)

- b) Distinguish the expected rate of return and realized rate of return.

(4 marks)

**[Total 10 marks]**

**END OF PART A**

**PART B : PROBLEM SOLVING QUESTIONS (75 MARKS)**

**INSTRUCTION(S)** : **THREE (3)** problem solving questions. Answer **ALL** questions in the Answer Booklet(s) provided.

---

**QUESTION 1**

John Green Bhd has a retail business. The following is a summary of his Trading and Profit and Loss Account and Balance Sheet for the last two years.

**John Green Bhd**  
**Statement of Comprehensive Income for the year ended 31 December**

	<b>2014</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Sales	170,000	210,000
Opening stock	13,800	16,400
Add: Purchases	92,800	114,000
	106,600	130,400
Less: Closing stock	16,400	19,900
Cost of Goods Sold	90,200	110,500
Gross Profit	79,800	99,500
Less: Expenses	58,700	69,200
<b>Net profits</b>	<b>21,100</b>	<b>30,300</b>

**John Green Bhd**  
**Statement of Financial Position as at 31 December 2014 and 31 December 2015**

	<b>2014</b>		<b>2015</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non-Current Assets</b>				
Machinery, at NBV	66,000		70,900	
Fixtures & Fittings, at NBV	23,000	89,000	38,700	109,600
<b>Current Assets</b>				
Stock	16,400		19,900	
Debtors	9,800		12,700	
Bank	5,840		0	
Cash	1,860		150	
	33,900		32,750	
<b>Current Liabilities</b>				
Creditors	16,700		24,800	
Bank overdraft	0		2,750	
	16,700		27,550	

Working Capital		17,200		5,200
		<b>106,200</b>		<b>114,800</b>
<b>Financed by:-</b>				
Ordinary share capital	60,000		60,000	
Retained profit	46,200		54,800	
		<b>106,200</b>		<b>114,800</b>

- a) Analyse the following financial ratios:
- Net profit margin
  - Gross profit margin
  - Return on equity
  - Debt to equity
  - Current ratio
  - Acid test ratio
  - Debtors' turnover (times)
- ( 21 marks)
- b) Based on the ratios calculated from above, comment on any **Two (2)** ratios for the respective two years.
- (4 marks)
- [Total 25 marks]**

## QUESTION 2

- a) Spender expects the cash inflow from an investment to be RM40,000 after two years and another RM30,000 after three years. Its target rate of return is 12%.
- Calculate the present value of these future returns.
  - Explain what this present value represents.
- (5 marks)
- b) A real estate investor feels that the cash flow from a property will enable her to pay a lender RM15,000 per year, at the end of every year for 10 years.  
Calculate how much should the lender be willing to loan her if he requires a 9% annual interest rate (annually compounded, assuming the first of the 10 equal payments arrives one year from the date the loan is disbursed)?
- (5 marks)
- c) Suppose Ahmad is depositing an RM5,000 today in an account that earns 5% interest, compounded annually.  
Calculate the balance in the account at the end of six years assuming Ahmad makes no withdrawals.
- (5 marks)
- d) When Amy was four years old, she received RM500 from her relatives as a birthday gift. Her mom helped her deposit the money in a bank account. The interest rate on the account has been fixed at 5% annually. Now Amy is 16 years old.  
Calculate the amount of savings she has since she was four years old.
- (5 marks)
- [Total 20 marks]**

### QUESTION 3

Chulan Bhd is considering two independent projects, project A and project B. The initial cash outlay associated with project A is RM50,000, and the initial cash outlay associated with project B is RM70,000.

The required rate of return on both projects is 12%. The expected annual cash inflows from each project are as follows:

	Project A RM	Project B RM
Initial outlay	(50,000)	(60,000)
Inflow year 1	12,000	15,000
Inflow year 2	12,000	15,000
Inflow year 3	12,000	15,000
Inflow year 4	12,000	15,000
Inflow year 5	12,000	15,000
Inflow year 6	12,000	15,000

- a) Calculate the following investment techniques of each project:
- (i) Net present value (NPV)
  - (ii) Profitability index (PI)
  - (iii) Internal rate of return (IRR)
  - (iv) Payback period
- (20 marks)
- b) Recommend which project should be accepted. Explain your answers.
- (5 marks)
- c) Describe **ONE (1)** advantage of NPV method and **ONE (1)** advantage of IRR method.
- (5 marks)

**[Total 30 marks]**

**END OF QUESTION PAPER**