



**BERJAYA BUSINESS SCHOOL**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **FIN1513 INTRODUCTION TO FINANCE**  
Trimester & Year : SEPTEMBER – DECEMBER 2018  
Lecturer/Examiner : MR.RAVINDRAN RAMAN  
Duration : 3 Hours

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**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 2 parts:  
PART A (25 marks) : Answer TWO (2) compulsory questions. Answers are to be written in 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 are **TWO (2)** compulsory question in this section. Write your answers in the Answer Booklet(s) provided.

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**Question 1**

(a) Define what financial market is? (4 marks)

(b) Explain **THREE (3)** functions of financial market. (9 marks)

**(Total 13 marks)**

**Question 2**

You are a newly appointed as a finance executive and your manager requires you to explain the following:

i. Balance Sheet (3 marks)

ii. Income Statement (3 marks)

iii. Inventory (3 marks)

iv. Account Receivable (3 marks)

**(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.

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**Question 1**

- (a) Explain the **TWO (2)** types of return received by common stockholders from their investments. (6 marks)
- (b) The market price for Sunshine Bhd's common stock is RM43.00. The price at the end of one year is expected to be RM48.00, and dividends for next year should be RM2.84. Analyze this situation and compute expected rate of return. (5 marks)
- (c) Bagus Bhd's outstanding common stock is currently selling in the market for RM33.00. Dividends of RM2.30 per share were paid last year, and the company expects annual growth of 5%. As a finance manager, you are required to compute the following and make a sound decision.
- (i) Calculate the value of the stock, given a 15% required rate of return. (5 marks)
- (ii) Determine the expected rate of return for the stock. (5 marks)
- (iii) Should you purchase this stock? Provide your reason. (4 marks)
- (Total 25 marks)**

**Question 2**

- (a) Making decision in capital budgeting is very important for a firm. Explain how this would benefit the firm. (9 marks)
- (b) Briefly discuss the differences between Net Present Value (NPV), Profitability Index (PI) and Internal rate of Return (IRR) as well highlight **THREE (3)** advantages of this cash flow methods. (16 marks)
- (Total 25 marks)**

### Question 3

(a) Explain the effects of inflation on rates of return.

(5 marks)

(b) Calculate a fair rate of return for Hino Bhd's common stock, which has a 1.2 beta. The risk free rate is 6% and the market portfolio based on Bursa Malaysia stock exchange has an expected return of 16%. Explain why does the rate is a fair rate.

(6 marks)

(c) Explain **TWO (2)** factors that determine the required rate of return for the investor who intends to participate in a business project.

(6 marks)

(d) Based on the rates indicated in the below table, find what would be the expected nominal rate of interest?

(8 marks)

Real Rate of Interest (%)	Expected Inflation Rate (%)
4.5	7.3
6.4	3.8

**(Total 25 marks)**

### Question 4

(a) Define the term annuity.

(3 marks)

(b) Briefly discuss **FOUR (4)** types of annuities.

(16 marks)

(c) Calculate the accumulated compounded annuity of the following payments:

(i) RM35.00 a year for 7 years compounded annually at 7%

(3 marks)

(ii) RM25.00 a year for 3 years compounded annually at 2%

(3 marks)

**(Total 25 marks)**

**END OF QUESTION PAPER**