BERJAYA
UNIVERSITY COLLEGE

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures)   :

Student ID (in Words)   :

Course Code & Name	:	**FIN2133 Corporate Finance**
Trimester & Year	:	September – December 2018
Lecturer/Examiner	:	Leow Hon Wei
Duration	:	3 Hours

INSTRUCTIONS TO CANDIDATES

1. **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) structured answer 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 = 4 (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

Define the following:

(a)   Spot market and future market

(2 marks)

(b)   Money market and capital market

(2 marks)

(c)   Primary market and secondary market

(2 marks)

[Total: 6 marks]

Question 2

(a)   Provide **FOUR (4)** types of risk measurement and **THREE (3)** types of return.

(4 marks)

(b)   Market efficiency is essential for fund manager. Briefly explain the **THREE (3)** forms of market efficiency.

(6 marks)

[Total: 10 marks]

Question 3

(a)   Calculate the future value for a saving of lump sum RM5,000 today for 4 years with 8% interest.

(3 marks)

(b)   Calculate the present value for a total of RM5,000 in year 3 with 8% interest.

(3 marks)

(c)   Calculate the future value if yearly saving of RM1,500 made during the beginning of the year for 4 years with 8% interest.

(3 marks)

[Total: 9 marks]

[Total: 25 marks]

Cash Flow	MRT Project A	MRT Project B
Weighted Average Cost of Capital (WACC) = 10%		
Investment	- RM20,000	- RM20,000
Cash flow year 1	RM5,500	RM7,000
Cash flow year 2	RM6,500	RM7,000
Cash flow year 3	RM7,500	RM7,000
Cash flow year 4	RM8,500	RM7,000

Question 1
Part A

Compute the following capital budgeting for both MRT Project A and MRT Project B.

  a) Net Present Value (NPV)   (5 marks)
  b) Payback Period (PP)   (3 marks)
  c) Discount Payback Period   (3 marks)
  d) Internal Rate Of Return (IRR)   (5 marks)
  e) Modified Internal Rate Of Return (MIRR)   (5 marks)
  f) Profitability Index (PI)   (2 marks)

[Total = 23 marks]

Part B

Analyse the decision making from the capital budgeting for both MRT Project A and MRT Project B as calculate in Part A. Justify your answer by recommending which investment alternative would you recommend based on each technique.

  a) Net Present Value (NPV)   (4 marks)
  b) Payback Period (PP)   (4 marks)
  c) Discount Payback Period   (4 marks)
  d) Internal Rate Of Return (IRR)   (4 marks)
  e) Modified Internal Rate Of Return (MIRR)   (4 marks)
  f) Profitability Index (PI)   (4 marks)

[Total = 24 marks]

Question 2

Bond pricing is important for the issuer and investor. Analyse the below graph of the bond investment for the issuer and investor.
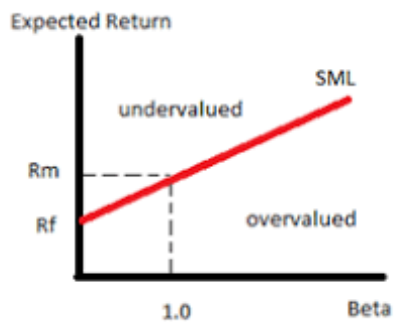
[Total = 15 marks]

Question 3

Security market line is important for fund manager when investing in share market. Based on the graph, analyse the relationship between risk and return for assets.

[Total = 13 marks]

[Total = 75 marks]

END OF QUESTION PAPER