**BERJAYA
UNIVERSITY COLLEGE**

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures)   :

Student ID (in Words)   :

Course Code & Name	:	**FIN2213 Financial Management**
Semester & Year	:	September – December 2019
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) structure 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)

Question 1

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

(7 marks)

(b) Jackson invested RM5,000 in stock market; compute the required rate of return for his investment if risk free rate 4%; beta 1.0; and market return 10%. Explain your answer.

(5 marks)

(**Total: 12 marks**)

Question 2

Provide **TWO (2)** examples to differentiate the money market and capital markets for securities.

(4 marks)

Question 3

The Efficient Market Hypothesis (EMH) essentially says that all known information about investment securities, such as stocks, is already factored into the prices of those securities. Discuss the **THREE (3)** forms of market efficiency.

(9 marks)

[Total: 25 marks]

END OF PART A

Cash Flow	Project XYZ	Project ABC
Weighted Average Cost of Capital (WACC) = 12%		
Investment	- RM10,000	- RM10,000
Cash flow year 1	RM2,500	RM3,000
Cash flow year 2	RM3,500	RM3,000
Cash flow year 3	RM4,500	RM4,000
Cash flow year 4	RM4,500	RM4,000

Question 1

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)   (5 marks)
c)   Discount Payback Period   (5 marks)
d)   Internal Rate Of Return (IRR)   (5 marks)
e)   Modified Internal Rate Of Return (MIRR)   (5 marks)
f)   Profitability Index (PI)   (5 marks)

(Total: 30 marks)

Question 2

(a) Define the spot market and future market.

(4 marks)

(b) Define the money market and capital market.

(4 marks)

(c) Define the risk and return trade off in investment trading.

(5 marks)

(d) Calculate the future value for a saving of lump sum RM6,000 today for 5 years with 7% interest.

(6 marks)

(e) Calculate the present value for a total of RM7,000 in year 4 with 6% interest.

(6 marks)

(Total: 25 marks)

Question 3

Security Market Line (SML) shows the relationship between risk and return for assets and helps to make investment decision. Analyse the security market line for HT share and USR share.

(20 marks)

[Total: 75 marks]

END OF EXAM PAPER