



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN1314 FUNDAMENTALS OF FINANCE**
 Trimester & Year : SEPTEMBER – DECEMBER 2019
 Lecturer/Examiner : MR.RAVINDRAN RAMAN
 Duration : 2 Hours

INSTRUCTIONS TO CANDIDATES

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

Question 1

Explain the **THREE (3)** types of legal form of businesses which operates in the financial management.
(Total 13 marks)

Question 2

Distinguish **THREE (3)** differences between gross profits, operating profits and net income.
(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.

Question 1

(a) The discounting and compounding is a process that are related to each other. Explain this relationship and show the mathematical equations for both.

(9 marks)

(b) Assuming you were considering depositing your money in one of three banks, all of which pay 5% interest. Bank X compounds annually, Bank Y compounds semiannually and bank Z compounds daily. Justify the bank that you would choose.

(6 marks)

(c) Calculate the following investment amount accumulated based on annually compounded.

(10 marks)

Investment	Amount (RM)	Tenure (Years)	Rate (%)
AZ	5,000.00	10	10
BZ	8,000.00	7	8
CZ	775.00	12	12
DZ	30,000.00	5	5

(Total 25 marks)

Question 2

(a) Define investor's required rate of return.

(2 marks)

(b) Explain how you measure the riskiness of an asset.

(4 marks)

(c) Describe how a proposed measurement of a risk can be interpreted.

(7 marks)

(d) Bagus Biru Bhd is considering several investments. The rate of securities is currently 6.75%, and the expected return for the market is 12%. Using the Capital asset Pricing Model (CAPM), calculate the required rate of return for each of the securities below.

(12 marks)

SECURITY	BETA
AX	1.40
BX	0.72
CX	0.55
DX	1.12

(Total 25 marks)

Question 3

- (a) Explain **FIVE (5)** type of bonds which are available in the financial market. (10 marks)
- (b) Yellowstone Bhd's seven year RM1,000 par bonds pay 9 percent interest. Your required rate of return is 7 percent. The current market price for the bond is RM1,100. You are required to calculate the following:
- (i) Determine the expected rate of return. (5 marks)
 - (ii) Calculate the value of the bonds based on the required rate of return. (5 marks)
 - (iii) Justify whether you should purchase the bond at the current market price or not. (5 marks)
- (Total 25 marks)**

Question 4

- (a) Explain the importance of value of money and why it is so crucial in financial management. (5 marks)
- (b) Red Tone Bhd is considering a project with an initial cash outlay of RM80,000 and expected free cash flows of RM20,000 at the end of each year for 6 years. The required rate of return for this project is 10%. Calculate the following:
- (i) Calculate the project's payback and discounted payback period. (12 marks)
 - (ii) Calculate the Net Present Value. (3 marks)
 - (iii) Calculate the project's Profitability Index. (2 marks)
 - (iv) Calculate the project's Internal Rate of Return. (3 marks)
- (Total 25 marks)**

END OF QUESTION PAPER