

**FACULTY OF BUSINESS****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**  
Semester & Year : September – December 2020  
Lecturer/Examiner : Dr. Akram Al-Khaled  
Duration : 3 Hours

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**INSTRUCTIONS TO CANDIDATES**

- This question paper consists of 2 parts:**  
**PART A (25 marks) : Answer all TWO (2) short essay questions. Answers are to be written in the Answer Booklet provided.**  
**PART B (75 marks) : Answer only THREE (3) problem solving questions out of 4 questions given. Answers are to be written in the Answer Booklet provided.**
- Candidates are not allowed to bring any unauthorised materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.**
- 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.**
- 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 = 7 (Including the cover page)**

**PART A**

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

**INSTRUCTION(S)**

: Answer all **TWO (2)** questions. Answers are to be written in the Answer Booklet(s) provided.

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**Question 1**

- a. Describe **FOUR (4)** characteristics of a bond which require to be known by each investor prior to investing their fund in the bond market.

(8 marks)

- b. Explain **FIVE (5)** characteristics of a preferred stock.

(10 marks)

**(Total: 18 marks)**

**Question 2**

Differentiate between primary market and secondary market. Provide a relevant example for each to support your answer.

(7 marks)

**End of Part A**

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

**INSTRUCTION(S)** : Answer **ONLY THREE (3)** questions. Write your answers ON the Answer Sheet(s) provided.

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**Question 1**

a. You wish to accumulate RM100,000 in one year's time. If the interest rate is 8% p.a. compounded daily. Calculate how much must you deposit today to reach your objective.

(4 marks)

b. Calculate the present value of an offer of RM15,000 one year from now if the opportunity cost of capital (discount rate) is 12% per year nominal annual rate compounded monthly.

(5 marks)

c. You expect to earn RM100,000 in 2018 and RM130,000 in 2019. If you decided to consume RM80,000 in 2018 and market interest rates were 10% p.a. compounded semi-annually over the period. Calculate what is the most you could consume in 2019.

(4 marks)

d. Distinguish between the following investment appraisals techniques and discuss their decision criteria and **TWO (2)** advantages associated with them.

i. Net Present Value

(4 marks)

ii. Payback Period

(4 marks)

iii. Internal rate of return

(4 marks)

**(Total: 25 marks)**

## Question 2

Mario's Brothers, a game manufacturer, has a new idea for an adventure game. It can market the game either as a traditional board game or as an interactive DVD, but not both. Consider the following cash flows of the two mutually exclusive projects for Mario's Brothers.

Cash Flow	Board Game (RM)	DVD (RM)
Weighted Average Cost of Capital (WACC) = 10%		
Investment	- 10,000 RM	- 10,000 RM
Cash flow year 1	3,000	5,000
Cash flow year 2	4,000	5,000
Cash flow year 3	5,000	5,000
Cash flow year 4	6,000	5,000

### Required:

Calculate the capital budgeting techniques/methods for the Board Game and DVD respectively as stated underneath:

- Net Present Value (NPV) (5 marks)
- Payback Period (PP) (5 marks)
- Internal Rate of Return (IRR) (6 marks)
- Based on your answers in a, b, and c, propose to the management team of Mario's Brothers whether to accept or reject the two projects. Suggest your recommendation with justification. (9 marks)

**(Total: 25 marks)**

### Question 3

From the accounts of Roman Corporation shown below:

	31/12/2018 (RM)	31/12/2019 (RM)
Accumulated Depreciation	2,020	2,670
Accounts Payable	1,800	2,060
Accounts Receivable	2,480	2,690
Cash	1,300	1,090
Common Stock	4,990	4,990
Inventory	5,800	6,030
Long-Term Debt	7,800	8,200
Plant, Property & Equipment	8,400	9,200
Retained Earnings	1,370	1,090

**Required:**

a. Construct the statement of financial position for 2018 and 2019.

(10 marks)

b. Calculate the net working capital for the years ending 2018 and 2019.

(12 marks)

c. Calculate the change in net working capital for the year 2019.

(3 marks)

**(Total: 25 marks)**

## Question 4

- a. Appraise the financial performance of the following company by identifying **TWO (2)** strengths and **THREE (3)** weaknesses.

**COMPANY: Huawei**

<b>INCOME STATEMENT</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Revenue (RMmil.)	203,175.6	264,758.9	211,023.5
Gross Profit (RMmil.)	40,041.9	58,783.4	21,316.3
Operating Income (RMmil.)	20,631.7	25,009.7	(5,278.3)
Total Net Income (RMmil.)	13,948.0	17,300.8	(4,491.3)
Earnings Per Share (EPS)	10.89	10.89	(2.86)

(5 marks)

- b. Coles Supermarket is currently offering a platinum no annual fee master credit card with an interest rate of 19.99% per annum calculated daily on purchases and cash advances. However, with up to 62 days interest free on purchases if you pay off the full balance each month. If you buy RM 1000 of purchases at the outset of the cycle and pay the full amount when due 62 days later. Calculate how much interest charge you are going to avoid.

(5 marks)

- c. From the following statement of financial position of Mr. John Industries Ltd., as at 31st March 2019.

<b>Assets</b>	<b>31/03/2019 (RM)</b>	<b>Liabilities+ Owner's Equity</b>	<b>31/03/2019 (RM)</b>
Non-Current Assets	26,000	Equity Share Capital	10,000
		7% Preference Share Capital	2,000
Current Assets		Reserve and Surplus	8,000
Cash	1,000	6% Mortgage Debentures	14,000
Investment (10%)	3,000	Current Liabilities	
A/C Receivables	4,000	A/C Payable	1,200
Stock	6,000	Bill Payable	2,000
		Outstanding Expenses	200
		Tax Provision	2,600
<b>Total Assets</b>	<b>40,000</b>	<b>Liabilities+ Owner's Equity</b>	<b>40,000</b>

Other information:

1. Net sales RM60,000
2. Cost of goods sold RM51,600
3. Net income before tax RM4,000
4. Net income after tax RM2,000

Calculate the following ratios:

i. Current Ratio.

(3 marks)

ii. Liquid Ratio.

(3 marks)

iii. Working Capital Turnover Ratio.

(3 marks)

iv. Debt-Equity Ratio.

(3 marks)

v. Proprietary Ratio.

(3 marks)

**(Total: 25 marks)**

**END OF EXAMINATION PAPER**