



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) :

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Student ID (in Words) :

---

---

Course Code & Name : **FIN1013 INTRODUCTION TO FINANCE**  
Semester & Year : SEPTEMBER-DECEMBER 2020  
Lecturer/Examiner : Nur Afiqah  
Duration : 2 Hours

---

**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of:  
**PART A (100 marks) : FOUR (4) compulsory 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 = 5 (Including the cover page)**

**PART A : COMPULSORY QUESTIONS (100 MARKS)**

**INSTRUCTION (S)** : There are **FOUR (4)** questions in this section. Write your answers in the Answer Booklet(s) provided.

---

**QUESTION 1**

- (a) Discuss the differences between wealth maximation and profit maximation. (4 marks)
- (b) Explain the importance of finance in organization. (9 marks)
- (c) Define the purpose of issuing bonds by a corporation and discuss **FOUR (4)** characteristic in buying bonds. (12 marks)

**[Total:25 marks]**

**QUESTION 2**

- (a) Differentiate **FOUR (4)** characteristics of common stock and preferred stock. (12 marks)
- (b) Winter Corp. pays an annual dividend of RM 44.50 for each preferred shares and the investor required rate of return is 12%. Calculate the value of the preferred stock. (3 marks)
- (c) An investor plans to hold ABC's shares for two years. The company expects to pay its shareholders a RM 0.90 per share over the next two years. Investors projected that the ABC shares will close the end of that time period at RM 4.00 per share. Given the rate of return of 10%, calculate the time value of ABC at the end of two year period. (3 marks)
- (d) Leman plans to have the ZZZ shares for 4 years. The final dividend was RM 30. If the rate of return is 11%, calculate the value of the shares at the end of the 4 year period. The following is the dividend growth rate:
  - 7% in the first 2 years.
  - 3% thereafter.

(7 marks)

**[Total:25 marks]**

**Question 3**

(a) The Roronoa Corporation is considering two mutually exclusive projects. The cash flows associated with those projects are as follows:

Year	Project A	Project B
0	-60,000	-60,000
1	16,000	0
2	16,000	0
3	16,000	0
4	16,000	0
5	16,000	100,000

The required rate of return of these projects is 12%.

- i. Calculate each project's payback period? (3 marks)
- ii. Calculate each project's net present value? (7 marks)
- iii. Discuss the investment decision should be made by the company and why. (3 marks)

(b) Yuyu has just bought a new Full Spec Picanto that costs RM 89,000. She took a 9-year loan from Affin Bank that requires her to pay 10% of the cost, as down payment. Determine amount of Yuyu's annual payment if the Affin Bank interest is 4% per annum.

(2 marks)

(c) Gemilang Corp. is considering an investment in one of the two common shares. Given the information below, which investment is better, calculate the expected rate of return and recommend which investment is preferred.

COMMON SHARE A		COMMON SHARE B	
Probability	Return	Probability	Return
0.30	12%	0.20	-6%
0.40	16%	0.30	7%
0.30	20%	0.30	15%
0	0	0.20	23%

(10 marks)

**[Total:25 marks]**

**Question 4**

The following are the financial statement (extract) for Ray Enterprise:

<b>Statement of Comprehensive Income (Extract) for year ended 30 June 2020</b>		
	<b>RM</b>	<b>RM</b>
Revenue		650,000
(-) COST OF GOODS SOLD		
Opening Inventory	60,000	
(+) Purchases	286,400	
(-) Closing Inventory	(57,400)	289,000
Gross Profit		361,000
(+) Revenues		
Dividend Received	27,998	-
Rental Received	16,000	43,998
(-) Expenses		
Administrative Expenses	64,240	
Selling Expenses	47,180	
Financial Expenses	50,888	(162,308)
		242,690
Net Profit		
<b>Statement of Financial Position (Extract) as at 30 June 2020</b>		
	<b>RM</b>	<b>RM</b>
<u>Non-Current Assets</u>		
Building	70,000	
Vehicle	20,000	90,000
<u>Current Assets</u>		
Cash	10,800	
Bank	12,000	
Closing Inventory	57,400	
Account Receivables	132,000	212,200
<u>Current Liabilities</u>		
Account Payable	97,202	

Financial ratios for the financial year ending 30 June 2019 are as follows:

**Ray Enterprise**

Current Ratio	1.2
Acid test ratio	1.08
Average Inventory Turnover Ratio (no of times)	4 times
Account Receivables Collection Period	70 days
Net profit margin	30%

**Required:**

Compute and comment on each of the following ratios for Ray Company:

- a. Current Ratio (5 marks)
- b. Acid test ratio (5 marks)
- c. Average Inventory Turnover Ratio (no of times) (5 marks)
- d. Account Receivables Collection Period (5 marks)
- e. net profit margin (5 marks)

**[Total: 25 marks]**

**END OF QUESTION PAPER**