



Private & Confidential

FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN1314 FUNDAMENTALS OF FINANCE**
Semester & Year : SEPTEMBER – DECEMBER 2021
Lecturer/Examiner : JAMES LIOW
Duration : 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (25 marks) : TWO (2) short essay questions. Answers are to be written in the Answer Booklet provided.
PART B (75 marks) : FOUR (4) problem solving 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 = 6 (Including the cover page)

PART A : SHORT ESSAY QUESTIONS (25 MARKS)

INSTRUCTION (S) : There are **TWO (2)** short essay questions in this section. Answer **ALL** questions in the Answer Booklet(s) provided.

QUESTION 1

- a) There are many forms of business structure in Malaysia. Describe **FIVE (5)** features of a limited company. (10 marks)
- b) Describe **TWO (2)** differences between a private company and a public company. (4 marks)
- [Total 14 marks]**

QUESTION 2

- a) Financial markets play a vital role in the allocation of resources and operation of modern economies. Describe **THREE (3)** main roles of financial markets. (6 marks)
- b) The word "market" can have many different meanings, but it is used most often as a catch-all term to denote both the primary markets and the secondary markets. Describe the difference between the two markets. (5 marks)
- [Total 11 marks]**

END OF PART A

PART B : PROBLEM SOLVING QUESTIONS (75 MARKS)

INSTRUCTION(S) : FOUR (4) problem solving questions. Answer ALL questions in the Answer Booklet(s) provided.

QUESTION 1

Maggie Lee Bhd prepared the following final accounts at 30 September 2021:

Maggie Lee Bhd		
Statement of Comprehensive Income for the year ended 30 September 2021		
	RM	RM
Sales		220,000
Less: Cost of goods sold		
Opening stock	29,600	
Purchases	132,800	
	162,400	
Closing stock	(30,400)	132,000
Gross profit		88,000
Less:		
Expenses	10,200	
Depreciation - vehicles	3,000	13,200
Net profit		74,800

Maggie Lee Bhd			
Statement of Financial Position as at 30 September 2021			
	RM	RM	RM
Non-Current Assets at net book value			
Land and buildings		88,000	
Motor vehicles		46,000	134,000
Current Assets			
Stock	30,400		
Accounts receivable	27,465		
Bank	29,135	87,000	
Current Liabilities			
Accounts payable		34,800	52,200
			186,200
Financed by:			
Ordinary share capital		153,800	
Retained earnings		32,400	
			186,200

Required

a) Using the above information, calculate the following ratios to **one** decimal place:

- (i) Gross profit margin
- (ii) Net profit margin
- (iii) Rate of average stock turnover (times)
- (iv) Return on capital employed as a percentage
- (v) Current ratio
- (vi) Acid test ratio
- (vii) Average time that the goods are carried in stock (months)
- (viii) Accounts receivable's collection period in days
- (ix) Accounts payable's settlement period in days

(18 marks)

b) State the effect (increase or decrease) in the following scenarios that will have upon the accounts receivable and accounts payable:

No.	Scenario	Collection/Settlement Period (Days)	Turnover Rate (times)
(i)	Slow in collecting the debts from accounts receivable		
(ii)	Pay the accounts payable before the credit terms		

(2 marks)

[Total 20 marks]

QUESTION 2

Yoshida Ahmed Bhd (YAB) is considering two alternative investment projects, both of which require the purchase of new equipment.

The following information relates to the two projects:

Project	Project A	Project B
Duration	4 years	3 years
	RM'000	RM'000
Purchase cost of equipment – Beginning of year	500	330
Estimated annual net cash inflows:		
Year 1	160	140
Year 2	160	140
Year 3	160	140
Year 4	140	-
Estimated disposal value of equipment	60	40

The following assumptions apply:

- (i) It is assumed that disposal value at the end of the useful life, would be written off using the straight-line method. The depreciation has not been deducted in the cash flows estimates above, which should be assumed to arise at each year end.

(ii) Assume that the company's required rate of return is at a discount rate of 10% per annum.

Required

- a) Calculate the following investment appraisal techniques for each of Project A and Project B:
 - (i) Accounting rate of return (5 marks)
 - (ii) Net present value (3 marks)
 - (iii) Internal rate of return (*suggest to select discount rate of 20%*) (7 marks)
 - (iv) Payback period (6 marks)

 - b) Based on the internal rate of return, recommend whether YAB should undertake this project, giving reasons based on the investment appraisal that you have calculated above. (3 marks)

 - c) Name the alternative method of payback period. (1 mark)
- [Total 25 marks]**

QUESTION 3

Maxwell Bhd is considering invest in the two securities: Alpha and Beta. The probability of the demand is categorised into strong, moderate and weak as shown below:

Security	Probability	Possible rates of return
Alpha		
Strong	0.40	90%
Moderate	0.35	15%
Weak	0.25	-60%
Beta		
Strong	0.20	45%
Moderate	0.55	19%
Weak	0.25	-10%

Required

- a) Calculate the following for both the securities:
 - (i) Expected rate of return
 - (ii) Standard deviation
 - (iii) Coefficient of variation

(12 marks)

- b) From the calculation obtained in item (a) above, recommend to Maxwell Bhd the most favourable security by commenting on the standard deviation and which investment is less risky and yield the actual outcome. (3 marks)

Last year, Maxwell Bhd had paid a dividend of RM4.00 for 10 million shares issued. The company expects the same rate of growth of 10% for foreseeable future. The company is reported a current market price of RM36.00.

Required

- c) Calculate the company cost of capital using the Gordon's dividend growth model. (5 marks)

[Total 20 marks]

QUESTION 4

- a) Khairuddin plans to buy a property in Klang Valley five years from today. It is estimated that he will need RM30,000 at that time for the purchase. Khairuddin would like to accumulate these funds by making equal annual deposits in his saving account, which pays 10% annually.

If Khairuddin makes his first deposits at the end of each year and he would like his account to reach RM30,000 when the final deposit is made.

Required

Calculate the amount he needs to deposit annually. (2 marks)

- b) Based on the same information as part (a) above, assume that Khairuddin decides to make a large lump-sum deposit today instead of the annual deposits.

Required

Calculate how large should the lump-sum deposit be? (Assume he can earn 10% on this deposit). (2 marks)

- c) The National Savings Fund promises a 12% per annum return if you deposit RM1,000 at the beginning of each year for 15 consecutive years.

Required

Calculate the amount he will be accumulated after those 15 years. (2 marks)

- d) Assume ABC Bhd is planning to issue a bond with a RM1,000 face value pays a 8% coupon rate with a maturity of 15 years if the market rate is 10%.

Required

Calculate the price of the bond and the bond discount. (4 marks)

[Total 10 marks]

END OF QUESTION PAPER