INTI International University & Colleges

FINAL
Examination Paper

(COVER PAGE)

Session	:	**APRIL 2019**
Programme	:	Diploma in Business (DIB)
Course	:	**FIN2155/FIN2152: Financial Market**
Date of Examination	:	1 August 2019, (Thursday)
Time	:	5:00pm – 7:00pm Reading Time : Nil
Duration	:	2 Hours

Special Instructions :

This paper consists of **SIX (6)** questions. Answer any **FOUR (4)** questions in the answer booklet provided.

Materials permitted :

Non-Programmable calculator

Materials provided :

Mathematical Table

Examiner(s)	:	**Abdullah Sholehin**
Moderator	:	Liew Wenn Hing

*This paper consists of **6** printed pages, including the cover page.*

DIPLOMA IN BUSINESS PROGRAMME (DIB)
FIN2155: FINANCIAL MARKET
FINAL EXAMINATION: APRIL 2019 SESSION

Instruction: This paper consists of **SIX (6)** questions. Answer any **FOUR (4)** questions in the answer booklet provided. All questions carry equal marks.

Question 1

a) Briefly explain the function of **FOUR** (4) financial and non-financial institution in Malaysia.

i. Offshore Bank

ii. Commercial bank

iii. Insurance companies

iv. Investment bank

(20 marks)

b) Discuss **TWO** (2) role of financial intermediaries in Malaysia.

(5 marks)

Question 2

a) Discuss any **TWO** (2) differences between Money Market and Capital Market.

(10 marks)

b) Explain **TWO** (2) types of Corporate Stock can be found in financial market.

(5 marks)

c) What would be your annualized discount rate % and annualized investment rate % on the purchase of a 182-day Treasury bill for $6,600 that pays $7,000 at maturity?

(5 marks)

d) You decide to purchase a 91-days treasury bill for $9,850. Now suppose that you decide to sell the Treasury bill 31 days before it mature. By selling before it matures, you will receive $9,948. What is the bill's annualized yield?

(5 marks)

Question 3

a) Explain **FIVE** (5) key characteristics of bond.

(10 marks)

b) Explain the following **TWO** (2) types of Bond in financial market.

i. Treasury bonds

ii. Corporate bonds

(5 marks)

c) Calculate the price of INTI's Bond

Bond	INTI
Maturity (Years)	10
Rate of Return	10%
Coupon Rate	15%
Term of payment	Semi-annually
Par Value	RM 1,000

(5 marks)

d) Calculate the yield to maturity for SEGI's bond

Bond	SEGI
Maturity (Years)	10
Coupon payment	160
Term of payment	Semi-annually
Price of bond	RM 1,300
Flotation cost	RM 30

(5 marks)

Question 4

a) Air Asia Berhad's dividend is expected to grow during the next five years as per the schedule below. After 5 years, the dividend will grow at a constant rate at 6% for the foreseeable future.

Year	1	2	3	4	5
Dividends	\$0.10	\$0.05	\$0.15	\$0.07	\$0.10

If your expected return on investment is 10%, how much would you pay for a share today (Year 0)?

(10 marks)

b) CIMB Bank intends to pay a $5.00 dividend per share next year and you expect this to increase by 10% per year thereafter. Your required rate of return on CIMB Bank stock is 15%. Currently, the company stock is trading at $20 per share. Calculate that the intrinsic value of one share of company stock and comment on its current share price.

(5 marks)

c) Briefly explain the types of share below.

i. Blue-chip shares

ii. Defensive shares

iii. Speculative shares

iv. Growth shares

v. Income shares

(10 marks)

Question 5

a) Briefly explain:

i. Spot rate

ii. Forward rate

iii. Market Exchange rate

iv. Conversion spreads

v. Money market hedge

(15 marks)

b) Assuming a Malaysia base company is required to make a payment of AUS$50,000 in 6 months' time. Its treasurer has collected the following information.

Exchange rates, AUS$/MYR (indirect quotation)

Spot rate	0.3704 – 0.3774
6-month forward rate	0.3620 – 0.3680

Explain the costs and foreign exchange risks for forward currency hedge, calculate and comment whether or not the Malaysia base company should use forward contract to hedge for the currency risk.

(10 marks)

Question 6

a) ALD Automotive is a France Company that manufactures marine equipment has signed a contract with Maritime College in London to supply the college with audio visual equipment for classrooms. The total value of the contract is €8 million. Payment to ALD Automotive will be on delivery which is expected in three months' time. The college's Finance decides to hedge €5million using a forward contract and the following forward rates have been by the local bank.

€/£	
Spot	1.2345
One month forward	1.2221
Three months forward	1.1345
One year forward	1.1100

Required:

Assume that the finance director hedges, using a three-month forward contract. Calculate the gain or loss if in three months' time the Spot Rates (€/£) are:

i. 1.8000

ii. 1.0300

(10 marks)

b) Briefly explain the terms below:

i. Call option

ii. Put option

iii. American option

iv. European option

(10 marks)

c) "A country is always worse when its currency is weak (falls in value)". Is this statement true? Explain your answer.

(5 marks)

- The End -