

FINAL
Examination Paper

(COVER PAGE)

Session : April 2019

Programme : Diploma In Finance (DIF)

Course : **FIN2152: FINANCIAL MARKET**

Date of Examination : 25th July 2019 (Thursday)

Time : 8:00am – 10:00am 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. All questions carry equal marks.

Materials permitted :

Non-Programmable Scientific Calculator

Materials provided :

NIL

Examiner(s) : **Ms. Eunice Mok Pei Sea**

Moderator : **Ms. Lim Tan Chin**

This paper consists of 4 printed pages, including the cover page.

**INTI INTERNATIONAL COLLEGE PENANG
DIPLOMA IN FINANCE (DIF)
FIN2152: FINANCIAL MARKET
FINAL EXAMINATION: APRIL 2019 SESSION**

Instructions: 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) Financial markets play an important role in the success and strength of an economy. Discuss the Four (4) important functions of financial markets. (16 marks)

- b) How can economies of scale help explain the existence of financial intermediaries? (5 marks)

- c) One of the reasons that economies in developing countries grow so slowly is that they do not have well-developed financial markets. Do you agree with this statement? (4 marks)

Question 2

- a) What is your understanding about the role of Non-Bank Financial Institutions in financial system particularly over commercial bank? And also to discuss the role of TWO (2) non depository institutions in Malaysia's financial system. (15 marks)

- b) Define the followings term and rank the following bank assets from most to least liquid:
 - i. Commercial Loans
 - ii. Securities
 - iii. Reserves
 - iv. Physical Capital(10 marks)

Question 3

- a) What characteristic define the money markets? Discuss the features of treasury bills and commercial papers. (13 marks)

- b) If you want to earn an annualized discount rate of 3.5%, what is the most you can pay for a 91-day Treasury bill that pays \$5,000 at maturity? (4 marks)
- c) The price of \$8,000 face value commercial paper is \$7,930. (i) If the annualized discount rate is 4%, when will the paper mature? (ii) If the annualized investment rate is 4%, when will the paper mature? (8 marks)

Question 4

- a) Define the below information about bonds:-
i. Par value
ii. Coupon interest
iii. Maturity Date (9 marks)
- b) Discuss the FIVE (5) points that distinguish stocks from bonds? (10 marks)
- c) Jacky Inc. has issued 20-year \$1,000 face value, 8% annual coupon bonds, with a yield to maturity of 10%. What is the current price of the bond? Are the bond selling at a discount, premium, or par? (6 marks)

Question 5

- a) Explain the THREE (3) forms efficient market hypothesis (EMH). What do you think of our Malaysia stock market? (15 marks)
- b) Harvey Company is just paid a cash dividend of \$0.25 per share. Investors require a 12% return from investment such as this. Dividend is expected to grow at steady 5% per year
- i. What is the current value of the equity? (5 marks)
- ii. What will the equity be worth in five years' time? (5 marks)

Question 6

- a) The following table lists foreign exchange rates between U.S. dollars and British pounds during April:

Date	U.S. Dollars per GBP	Date	U.S. Dollars per GBP
4/1	1.9564	4/18	1.7504
4/4	1.9293	4/19	1.7255
4/5	1.914	4/20	1.6914
4/6	1.9374	4/21	1.672
4/7	1.961	4/22	1.6684
4/8	1.8925	4/25	1.6674
4/11	1.8822	4/26	1.6857
4/12	1.8558	4/27	1.6925
4/13	1.796	4/28	1.7201
4/14	1.7902	4/29	1.7512
4/15	1.7785		

- i) Which day would have been the best day to convert \$200 into British pounds and how much pounds will you get? (4 marks)
- ii) Which day would have been the worst day? What would be the difference in pounds compare with (i)? (6 marks)
- b) "A country is always worse when its currency is weak (falls in value)." Is this statement true? Explain your answer. (5 marks)
- c) Explain the impact of an appreciation in the domestic currency on the competitiveness of the following with relevant example
- (i) Exporters (5 marks)
- (ii) Importers (5 marks)

- The End -
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