

FINAL ALTERNATIVE ASSESSMENT
Examination Paper

(COVER PAGE)

Session : April 2021

Programme : Diploma in Finance (DIF/DFIN)

Course : FIN1150: Finance Principles

Date of Examination : July 24, 2021 (Saturday)

Time : 8:00am – 10:30am Reading Time : Nil

Duration : 2 Hours 30 Minutes

Note: 30 minutes is added into the duration of the examination to factor in any connectivity matters and for you to scan and upload your scripts.

Special Instructions :

This paper consists of **FOUR (4)** questions. Answer **ALL** questions.

Materials permitted : Non-Programmable Calculator

Materials provided : NIL

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Moderator : Ms. Ainul Zariney binti Aziz

This paper consists of 5 printed pages, including the cover page

INTI INTERNATIONAL UNIVERSITY & COLLEGES

DIPLOMA IN FINANCE PROGRAM (DIF/DFIN)

FIN1150: FINANCE PRINCIPLES

FINAL ALTERNATIVE ASSESSMENT: APRIL 2021 SESSION

Instruction:

This paper consists of **FOUR (4)** questions. Answer **ALL** questions. All questions carry equal marks.

Question 1

- (a) Describe **TWO (2)** internal sources of finance. (4 marks)
- (b) Describe **TWO (2)** sources of short-term finance. (4 marks)
- (c) Compare **FIVE (5)** of the main characteristics of equity capital, against debt. (10 marks)
- (d) Explain the following terms:
 - (i) Rights issues. (2 marks)
 - (ii) Bonus issues. (2 marks)
- (e) Explain **THREE (3)** main differences between operating lease and finance lease. (3 marks)

(TOTAL = 25 marks)

Question 2

- (a) What the **THREE (3)** justifications for time value of money? (3 marks)
- (b) Identify the **TWO (2)** components of an investor's overall returns which reflect the time value of money. (3 marks)

- (c) Calculate the amount at the end of Year 3, if RM1 million is invested now for 3 years, and the rate of return % per year is;
- (i) 10% (3 marks)
- (ii) 20% (3 marks)
- (d) If you have RM1 million to invest for one year, which of the following 3 investment choices would you select?
- (i) Invest the monies at return of 12% per annum.
- (ii) Invest the monies at compound return of 11.8% per annum, compounded semi-annually.
- (iii) Invest the monies at compound return of 11.6% per annum, compounded quarterly. (10 marks)
- (e) Calculate the present value amount for an investment that is worth RM399,300 in 3 years' time, and the required rate of return is 10% per year. (3 marks)

(TOTAL = 25 marks)

Question 3

- (a) Brymo Ltd issued bonds a few years ago that pay interest on an annual basis at 8 per cent. The par value of the bonds was RM1,000. The bonds will be redeemed at par, in two years' time. A yield of 10 per cent is required by investors for such bonds. What is the expected market value of the bonds? (3 marks)
- (b) (i) Would convertible bonds be offered at the same coupon amount as similarly-rated straight bonds? Explain your answers. (2.5 marks)
- (ii) Would bonds with warrants be offered at the same coupon amount as similarly-rated straight bonds? Explain your answers. (2.5 marks)

- (c) Holland Co is a manufacturer of soft drinks, selling to pubs, restaurants and small supermarkets. It operates mainly in its home country which is considered a mature market. In recent years it has expanded locally by buying up smaller competitors. In year 2020, it opened a new factory in its neighbor country with a view to the whole South-East Asia. South-East Asia markets are seen as underdeveloped at present but are expected to grow. Further expansion in South-East Asia is planned in the next few years.

Holland Co: Income Statement for the year ended		
	30 Sept 2020	30 Sept 2019
	RM'000	RM'000
Revenue	30,000	29,000
Cost of sales	(18,600)	(17,400)
Gross profit	11,400	11,600
Selling & distribution costs	(4,000)	(3,600)
Administrative expenses	(6,000)	(4,000)
Operating profit	1,400	4,000
Finance cost	(900)	(640)
Profit on ordinary activities before tax	500	3,360
Taxation	(150)	(1,000)
Profit for the year	350	2,360

Required:

Statement of Financial Position as at	30 Sept 2020		30 Sept 2019	
	RM'	RM' 000	RM'	RM' 000
	000		000	
Non-current assets		26,560		19,600
Current assets				
Inventory	2,500		2,100	
Receivables	4,100		3,200	
Bank	-		100	
		6,600		5,400
Total assets		33,160		25,000
Equity				
Ordinary share capital		10,810		10,000
Retained earnings		4,350		4,000
		15,160		14,000
Non current liabilities				
8% Debentures 2022	8,000		8,000	
6% Debentures 2030	4,000	12,000	-	8,000
Current liabilities				
Payables	4,850		2,000	
Bank overdraft	1,000		-	
Taxation	150	6,000	1,000	3,000
Total equity and liabilities		33,160		25,000

- (i) Fill up the formula for, and calculate, the four financial ratios below:

	Formula	Year 2020	Year 2019
LIQUIDITY RATIOS			
Current ratio			
Acid test ratio			
GEARING RATIOS			
Gearing ratio (%)			
Interest cover			

(12 marks)

- (ii) Using the above computations of liquidity and gearing ratios, interpret the financial performance and results, of the two financial years.

(5 marks)

(TOTAL = 25 marks)

Question 4

- (a) Describe **TWO (2)** roles performed by the various financial institutions, and provide an example of each institution:

(i) Central banks

(2.5 marks)

(ii) Commercial banks

(2.5 marks)

(iii) Merchant banks

(2.5 marks)

(iv) Insurance companies

(2.5 marks)

- (b) Explain briefly the following two types of consumer credits:

(i) Closed-end

(3 marks)

(ii) Open-end

(3 marks)

- (c) Financial Planning requires knowing the difference between needs and wants. Explain the differences between needs and wants, and provide an example each of a need and want.

(4 marks)

- (d) Describe the **FIVE (5)** steps involved in Financial Planning.

(5 marks)

(TOTAL = 25 marks)

~THE END~