



**PENINSULA**  
**COLLEGE**  
GEORGETOWN

## FINAL SEMESTER EXAMINATION

Student NRIC : \_\_\_\_\_

Student ID : \_\_\_\_\_

Programme	:	<b>DIPLOMA IN BUSINESS STUDIES (MQA/FA9259)</b> <b>DIPLOMA OF ACCOUNTANCY (MQA/FA10069)</b>
Intake	:	<b>SEPTEMBER 2020</b>
Course	:	<b>BUSINESS FINANCE</b>
Course Code	:	<b>DBFN3013</b>
Duration	:	<b>3 hours</b>

### INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY**.
2. This question paper consists of **FOUR (4)** questions
3. Answer **ALL** questions in the question paper.
4. Answers to the questions are to be written into the examination booklet.
5. Electronic dictionaries, lecture notes, files or any unauthorised materials except writing equipment are strictly prohibited.

This question paper must be submitted along with all used and/or unused rough papers and/ or graph papers (if any). Candidates are **NOT ALLOWED** to take any examination paper(s) used or unused out of the examination hall.

### WARNING:

The Examination Board of Peninsula College Georgetown regards cheating as a very serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in the accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from Peninsula College Georgetown.

*(This booklet contains 3 printed pages including this page)*

**DO NOT OPEN THIS BOOKLET UNTIL YOU ARE ALLOWED TO DO SO**

For examiner's use only

QUESTION NO.	MARKS
1	/ 25
2	/ 25
3	/ 25
4	/ 25
<b>Total</b>	<b>/ 100</b>

Answer **ALL** questions on the separate sheet provided.

**[100 marks]**

1. a) Explain **FOUR (4)** types of mechanisms that can be used to motivate managers to act in the shareholders' best interest. (10 marks)

- b) Discuss **FOUR (4)** general roles of financial intermediaries. (10 marks)

- c) Briefly explain **FIVE (5)** functions of Bank Negara Malaysia as a central bank. (5 marks)

Total: [25 marks]

2. a) Tom's brother has deposited RM15,000 today at 10% interest per annum for 10 years. Tom would like to have just as much money at the end of next 10 years as his brother. However, his investment earns only 8% interest per annum.

Compute and advise Tom on how much more money must he deposits today compared to his brother if he is to have the same amount of money as his brother at the end of the 10th year. (9 marks)

- b) Lenny is planning for her retirement. She is fifty years old today and would like to have RM2,600,000 when she turns sixty. She estimates that she will be able to earn a 12% rate of return compounded quarterly on her retirement investment over the time. Therefore, she wants to set aside a constant amount of money at the beginning of every quarter in order to achieve her objective.

Compute and advise the amount that Lenny must invest at the beginning of every quarter until her retirement in order to realise her goal of RM2,600,000 at the age of sixty. (5 marks)

- c) Calculate the value of RM20,000 deposited into a bank at a 4% simple interest at the end of six years? (5 marks)

- d) Explain if you as an investor, you had a choice of daily, monthly or quarterly compounding, which one do you prefer? (2 marks)

- e) List **FOUR (4)** different financial applications of the time value of money. (4 marks)

Total: [25 marks]

3. a) Briefly explain **FOUR (4)** differences between ordinary shares and preferences shares. (8 marks)
- b) Explain **THREE (3)** advantages and **THREE (3)** disadvantages of factoring. (12 marks)
- c) Describe **FIVE (5)** characteristics of small and medium-sized enterprises. (5 marks)  
Total: [25 marks]

4. a) The directors of Premium Sdn. Bhd. resolved at a board meeting to increase the production of "Superb" by proposing to acquire a new machine. They have identified two mutually exclusive machines, machines A and B.

You have been asked to evaluate the financial viability of these two machines based on the following data:

	Machine A RM	Machine B RM
Cost	80,000	60,000
Expected cash inflows:		
Year 1	20,000	10,000
Year 2	30,000	25,000
Year 3	25,000	15,000
Year 4	40,000	35,000

The cost of capital of Premium Sdn. Bhd. is 10%.

Required:

Calculate the following for each of the machines:

- i) Net present value (8 marks)
- ii) Internal rate of return (13 marks)
- iii) Payback period (2 marks)
- b) Explain which of the two machines should be recommended to be purchased based on your answer in part (a) above. (2 marks)  
Total: [25 marks]

**- END OF QUESTIONS -**