



PENINSULA
COLLEGE
GEORGETOWN DK266-03(P)

FINAL EXAMINATION

Semester	:	SEPTEMBER 2025 SEMESTER
Programme Name	:	CERTIFICATE IN BUSINESS STUDIES
Course Code & Name	:	CBS1134 INTRODUCTION TO FINANCE
Duration	:	3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY**.
2. The question paper consists of **Section A, B and C**.
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 accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from Peninsula College Georgetown.

(This booklet contains 10 printed pages including this page)

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

Section A:

Multiple Choice

[15 marks]

1. Every financial market has the following characteristic: (1 mark)
 - a) It determines the level of interest rates.
 - b) It allows common stock to be traded.
 - c) It allows loans to be made.
 - d) It channels funds from lenders-savers to borrowers-spenders.

2. Financial markets have the basic function of _____. (1 mark)
 - a) bringing together people with funds to lend and people who want to borrow funds.
 - b) assuring that the swings in the business cycle are less pronounced.
 - c) assuring that governments need never resort to printing money.
 - d) both (a) and (b) of the above.

3. Which of the following can be described as involving indirect finance? (1 mark)
 - a) A corporation takes out loans from a bank.
 - b) People buy shares in a mutual fund.
 - c) A corporation buys commercial paper in a secondary market.
 - d) All of the above

4. A corporation acquires new funds only when its securities are sold _____. (1 mark)
 - a) in the secondary market by an investment bank
 - b) in the primary market by an investment bank.
 - c) in the secondary market by a stock exchange broker.
 - d) in the secondary market by a commercial bank.

5. Intermediaries who link buyers and sellers by buying and selling securities at stated prices are called _____. (1 mark)
 - a) investment bankers.
 - b) traders.
 - c) Brokers.
 - d) dealers.

6. Which of the following financial intermediaries are depository institutions? (1 mark)
 - a) A savings and loan association.
 - b) A commercial bank.
 - c) A credit union.
 - d) All of the above

7. Which of the following are not investment intermediaries? (1 mark)
 - a) A life insurance company.
 - b) A pension fund
 - c) A mutual fund
 - d) Only (A) and (B) of the above

8. Financial markets improve economic welfare because _____. (1 mark)
- a) they allow funds to move from those without productive investment opportunities to those who have such opportunities.
 - b) they allow consumers to time their purchases better.
 - c) they weed out inefficient firms.
 - d) Only (A) and (B) of the above
9. Net working capital is the difference between _____. (1 mark)
- a) Current assets and current liabilities
 - b) Fixed asset and current liabilities
 - c) Shareholders investment and cash
 - d) Total assets and total liabilities
10. The longer the firm's accounts payable period, the: _____. (1 mark)
- a) Shorter the firm's inventory period.
 - b) Longer the firm's cash conversion period.
 - c) Less the firm must invest in working capital.
 - d) More the delay in the accounts receivable period.
11. Working capital is important for all the following reasons except that it: (1 mark)
- a) affects a firm's liquidity and profitability.
 - b) consists of a large portion of a firm's total assets.
 - c) consists of those assets that are most manageable.
 - d) consumes a small portion of the financial manager's time.
12. The primary objective of working capital management is to: (1 mark)
- a) achieve a balance between risk and return.
 - b) maximize the company's total current assets.
 - c) minimize the company's total current liabilities.
 - d) balance the amount of current assets and current liabilities.
13. The length of time between payment for inventory and the collection of cash is referred to as: _____. (1 mark)
- a) cash conversion cycle.
 - b) operating cycle.
 - c) payables deferral period.
 - d) receivables conversion period.
14. An objective of cash management is to _____. (1 mark)
- a) Maximize the cash balance to avoid the risk of illiquidity.
 - b) Minimize the cash balance to maximize the return from idle cash.
 - c) Reserve as much cash as possible for potential investment opportunities.
 - d) Invest cash for a return while retaining sufficient liquidity to satisfy future needs.
15. An increase in the firm's collection period means _____. (1 mark)
- a) the firm's current ratio is increasing.
 - b) the firm's collection expenses have fallen.
 - c) the firm's receivables turnover ratio is increasing.
 - d) the firm has become less efficient in the collection of its receivables.

Section B:

State (**TRUE / FALSE**)

[10 marks]

1. The inventory turnover rate indicates how quickly inventory sells. (**TRUE / FALSE**)
(1 mark)

2. In a classified balance sheet, assets are subdivided into current assets, plant and equipment and other assets while liabilities are all classified as current. (**TRUE / FALSE**)
(1 mark)

3. A company should carry the amount of working capital necessary to conduct operations not necessarily maximize it's working capital. (**TRUE / FALSE**)
(1 mark)

4. From a creditor's point of view, the lower the debt ratio, the safer the creditors' position. (**TRUE / FALSE**)
(1 mark)

5. The inventory turnover rate indicates how quickly inventory sells. (**TRUE / FALSE**)
(1 mark)

6. A company should carry the amount of working capital necessary to conduct operations and not necessarily maximize its working capital. (**TRUE / FALSE**)
(1 mark)

7. The current ratio may be less than, equal to, or greater than the quick ratio. (**TRUE / FALSE**)
(1 mark)

8. The more pessimistic investors' expectations regarding a company's future performance the lower the p/e ratio is likely to be. (**TRUE / FALSE**)
(1 mark)

9. The return on equity may be either higher or lower than the return on assets. (**TRUE / FALSE**)
(1 mark)

10. Net income stated as a percentage of sales is one means of evaluating a company's ability to control its expenses. (**TRUE / FALSE**)
(1 mark)

Section C:

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

[75 marks]

1. a) Define "risk" and "return" in the context of finance. (5marks)

 - b) Discuss **FIVE (5)** main types of financial risk faced by businesses in financial management. (10 marks)

 - c) Differentiate between systematic and unsystematic risk and support your answer with an example for each point. (10 marks)
- Total: [25 marks]
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2. a) Mr. A deposits RM10,000 in a savings account that pays an annual simple interest rate of 5%. Calculate the total interest earned and the total amount after 3 years. (5 marks)

 - b) A principal of RM8,000 is invested in a bank account that offers an annual compound interest rate of 6%. Calculate the total amount after 2 years if the interest is compounded annually. (5 marks)

 - c) Ms. B plans to invest RM5,000 in a fixed deposit account that offers an annual interest rate of 4%. Calculate the future value of the investment after 4 years if the interest is compounded annually. (5 marks)

 - d) A company plans to pay RM12,000 to a supplier 5 years from now. If the annual discount rate is 3%, calculate the present value of this payment. (5 marks)

 - e) Explain the differences between simple interest and compound interest. (5 marks)
- Total: [25 marks]

3. Given below are comparative balance sheets and an income statement for the Dynamic Corporation:

Dynamic Corporations Balance Sheet - 2008			Dynamic Corporations Income Statement for the year ended 2008	
	31st Dec	1st Jan		RM
	RM	RM		
Cash	30,000	30,000	Sales	520,000
Accounts Receivable	90,000	74,000	Cost of goods sold	<u>324,000</u>
Inventory	64,000	70,000	Gross Profit on sales	196,000
Equipment (net)	110,000	128,000	Operating expenses	<u>114,700</u>
	RM294,000	RM302,000	Operating income	81,300
			Interest expense and income	<u>24,750</u>
Accounts Payable	50,000	56,000	Net Income	<u>56,550</u>
Dividends payable	16,000	8,000		
Long Term payable	28,000	28,000		
Capital Stock	140,000	140,000		
Retained Earnings	60,000	70,000		
	RM294,000	RM302,000		

- a) All sales were made on account. Cash dividends declared during the year totaled \$66,550.
Calculate the following: (10 marks)

i) Average accounts receivable turnover	_____ times
ii) Average inventory turnover	_____ times
iii) Earnings per share of capital stock	\$ _____
iv) Book value per share of capital stock at year end	\$ _____
v) Current ratio at year end	_____ to 1
vi) Quick ratio at beginning of year	_____ to 1
vii) Debt ratio at beginning of year	_____ %
viii) Operating expenses ratio	_____ %
ix) Return on assets	_____ %
x) Return on common stockholder's equity	_____ %

- b) The following balances are extracted from the books of the Chandigarh Medical Store for the year ending 31st March 2020:

Particulars	RM	Particulars	RM
Capital	360,000	Salaries	60,000
Machinery	70,000	General expenses	20,000
Sales	820,000	Rent	50,000
Purchases	400,000	Purchase return	5,000
Sales return	10,000	Debtors	300,000
Opening Stock	100,000	Cash	40,000
Drawings	40,000	Carriage outwards	20,000
Freight Wages	100,000	Advertising	20,000
Carriage inwards	5,000	Creditors	50,000

On 31st March 2020 the stock was valued at RM 200,000.

Required:

- i) Prepare Trading, Profit & Loss Account as of 31st March 2020. (7 marks)
 - ii) Prepare Balance Sheet as at 31st March 2020. (8 marks)
- Total: [25 marks]

- END OF QUESTIONS -

Formulas

1. Liquidity Ratios	Current Ratio	= Current Assets ÷ Current Liabilities
	Quick Ratio (Acid-Test)	= (Current Assets – Inventory) ÷ Current Liabilities
	Cash Ratio	= Cash and Cash Equivalents ÷ Current Liabilities
	Working Capital	= Current Assets – Current Liabilities
2. Profitability Ratios	Gross Profit Margin	= (Gross Profit ÷ Sales) × 100
	Operating Profit Margin	= (Operating Profit ÷ Sales) × 100
	Net Profit Margin	= (Net Profit ÷ Sales) × 100
	Return on Assets (ROA)	= (Net Profit ÷ Total Assets) × 100
	Return on Equity (ROE)	= (Net Profit ÷ Shareholders' Equity) × 100
3. Efficiency (Activity) Ratios	Inventory Turnover	= Cost of Goods Sold ÷ Average Inventory
	Receivables (Debtors) Turnover	= Credit Sales ÷ Average Accounts Receivable
	Payables (Creditors) Turnover	= Credit Purchases ÷ Average Accounts Payable
	Total Assets Turnover	= Sales ÷ Total Assets

Simple Interest

$$I = Prt$$

Future Value / Maturity Value

$$F = P + I_s$$

$$F = P(1 + rt)$$

Present Value

$$P = \frac{F}{(1 + rt)}$$

Compound Interest

$$A = P \left(1 + \frac{r}{n}\right)^{nt}$$

$$I_c = F - P$$

Future Value / Maturity Value

$$F = P(1 + r)^t$$

Present Value

$$P = \frac{F}{\left(1 + \frac{r}{n}\right)^{nt}}$$

Annuity Table

Future Value of \$1

Periods	4%	6%	8%	10%	12%	14%	16%	18%	20%
1	1.040	1.060	1.080	1.100	1.120	1.140	1.160	1.180	1.200
2	1.082	1.124	1.166	1.210	1.254	1.300	1.346	1.393	1.440
3	1.125	1.191	1.260	1.331	1.405	1.482	1.561	1.643	1.728
4	1.170	1.263	1.361	1.464	1.574	1.689	1.811	1.939	2.074
5	1.217	1.338	1.469	1.611	1.762	1.925	2.101	2.288	2.488
6	1.265	1.419	1.587	1.772	1.974	2.195	2.437	2.700	2.986
7	1.316	1.504	1.714	1.949	2.211	2.502	2.827	3.186	3.583
8	1.369	1.594	1.851	2.144	2.476	2.853	3.279	3.759	4.300
9	1.423	1.690	1.999	2.359	2.773	3.252	3.803	4.436	5.160
10	1.480	1.791	2.159	2.594	3.106	3.707	4.412	5.234	6.192

Future Value of a Series of \$1 Cash Flows

Periods	4%	6%	8%	10%	12%	14%	16%	18%	20%
1	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2	2.040	2.060	2.080	2.100	2.120	2.140	2.160	2.180	2.220
3	3.122	3.184	3.246	3.310	3.374	3.440	3.506	3.572	3.640
4	4.247	4.375	4.506	4.641	4.779	4.921	5.067	5.215	5.368
5	5.416	5.637	5.867	6.105	6.353	6.610	6.877	7.154	7.442
6	6.633	6.975	7.336	7.716	8.115	8.536	8.977	9.442	9.930
7	7.898	8.394	8.923	9.487	10.089	10.730	11.414	12.142	12.916
8	9.214	9.898	10.637	11.436	12.300	13.233	14.240	15.327	16.499
9	10.583	11.491	12.488	13.580	14.776	16.085	17.519	19.086	20.799
10	12.006	13.181	14.487	15.938	17.549	19.337	21.321	23.521	25.959

Present Value of \$1

Periods	4%	6%	8%	10%	12%	14%	16%	18%	20%
1	.962	.943	.926	.909	.893	.877	.862	.847	.833
2	.925	.890	.857	.826	.797	.769	.743	.718	.694
3	.889	.840	.794	.751	.712	.675	.641	.609	.579
4	.855	.792	.735	.683	.636	.592	.552	.516	.482
5	.822	.747	.681	.621	.567	.519	.476	.437	.402
6	.790	.705	.630	.564	.507	.456	.410	.370	.335
7	.760	.665	.583	.513	.452	.400	.354	.314	.279
8	.731	.627	.540	.467	.404	.351	.305	.266	.233
9	.703	.592	.500	.424	.361	.308	.263	.225	.194
10	.676	.558	.463	.386	.322	.270	.227	.191	.162

Present Value of a Series of \$1 Cash Flows

Periods	4%	6%	8%	10%	12%	14%	16%	18%	20%
1	0.962	0.943	0.926	0.909	0.893	0.877	0.862	0.847	0.833
2	1.886	1.833	1.783	1.736	1.690	1.647	1.605	1.566	1.528
3	2.775	2.673	2.577	2.487	2.402	2.322	2.246	2.174	2.106
4	3.630	3.465	3.312	3.170	3.037	2.914	2.798	2.690	2.589
5	4.452	4.212	3.993	3.791	3.605	3.433	3.274	3.127	2.991
6	5.242	4.917	4.623	4.355	4.111	3.889	3.685	3.498	3.326
7	6.002	5.582	5.206	4.868	4.564	4.288	4.039	3.812	3.605
8	6.733	6.210	5.747	5.335	4.968	4.639	4.344	4.078	3.837
9	7.435	6.802	6.247	5.759	5.328	4.946	4.607	4.303	4.031
10	8.111	7.360	6.710	6.145	5.650	5.216	4.833	4.494	4.192