UNIVERSITY COLLEGE TATI (UCTATI)

FINAL EXAMINATION QUESTION BOOKLET	
COURSE CODE	: BBM 1103
COURSE	: FINANCIAL MANAGEMENT
SEMESTER/SESSION	: 1- 2022/2023
DURATION	: 3 HOURS

Instructions:

1. This booklet contains 5 questions. Answer **ALL** questions.
2. All answers should be written in answer booklet.
3. Write legibly and draw sketches wherever required.
4. If in doubt, raise your hands and ask the invigilator.

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

THIS BOOKLET CONTAINS 7 PRINTED PAGES INCLUDING COVER PAGE

QUESTION 1

Asyaf and Faiz are opening a restaurant to be named Syaiz Kopitiam. They need outside capital to buy tools and equipment and also to run day-to-day business. As a management consultant, they come to you for advice. You are required to:

a) Explain to them at least **FIVE (5)** alternative sources of finance available for the business. (10 marks)

b) Suggest **TWO (2)** best alternative sources for Syaiz Kopitiam. Justify your answer with appropriate analysis on pros and cons of each alternative sources. (10 marks)

QUESTION 2

Accounting reports and financial statements are as revealing of the HEALTH OF A BUSINESS as pulse rate and blood pressure reports are in revealing the health of a person.

By considering the above statements, analyse the important of different financial statements for different users of financial information. (20 marks)

QUESTION 3

Zuria Holding is evaluating two mutually exclusive projects that require an initial investment of RM 50,000. Only one of which may be selected:

Expected cash inflow:

	Project Y (RM)	Project Z (RM)
Year 1	10,000	15,000
Year 2	20,000	15,000
Year 3	26,000	15,000
Year 4	25,000	15,000
Year 5	15,000	15,000

The cost of capital is 15%.

a) Calculate the Payback period for both projects. Which project is preferred according to this method? (4 marks)

b) Calculate the Net present value for both projects. Which project is preferred according to this method? (4 marks)

c) Calculate the Internal Rate of return for both projects. (4 marks)

d) Produce an analysis of the pros and cons of payback and the Net Present Value method. (8 marks)

QUESTION 4

Falah Net System in the process of estimating its cash requirement for its project in Madagascar. The firm's forecasted sales in 2023 are as follows:

July	RM 120,000
August	RM 110,000
September	RM 90,000
October	RM 110,000
November	RM 120,000
December	RM 100,000
January	RM 110,000

i) The collection of sales is as follows:
- 50% is collected in the month of sales
- 40% is collected in the month after sales
- 10% is collected two months after sales

ii) Purchases are 70% of sale and are made one month before sales. Payment of purchases is made equally in the month of purchase and one month after.

iii) The monthly rent is RM 5,000 and total salary is RM 15,000. Operating expenses will be 10% of the monthly sales. The firm will also incur RM 500 monthly depreciation cost.

iv) Dividends amounting to RM 5,000 will be paid in December 2023.

v) The beginning cash balance for October 2023 is RM 10,000.

You are required to prepare a cash budget for the last three months of 2023

(20 marks)

QUESTION 5

The management of cash resources should not be only in a position to afford liquidity but also it should not require the firm to keep the cash resources simply idle; which should be invested in the marketable securities to earn some rate of return whenever the firm feel excessive holding of cash resources.

Based on the above statements, outline the following:

a) Motives of holding cash (8 Marks)

b) Objectives of Cash Management (4 marks)

c) Basic Problems of Cash Management (8 Marks)

----------End of question----------

APPENDIX

FORMULAE

$$NPV = \frac{FV_1}{(1+r)^1} + \frac{FV_2}{(1+r)^2} + \frac{FV_3}{(1+r)^3} + \frac{FV_n}{(1+r)^n} - I_0$$

where FV = future value of an investment
n = no. of years
r = Rate of return available on an equivalent risk security in the financial market
I_0 = initial investment

$$IRR = L + \frac{P}{P-N}(H-L)$$

Where L = Discount rate of the low trial
H = Discount rate of the high trial
P = NPV of cash flows of the low trial
N = NPV of cash flows of the high trial

APPENDIX B-1 Present value of RM1: $PVIF_{k,n} = (1 + k) - n$

n	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9345	0.9259	0.9174	0.9091
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855
11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	0.3971	0.3555	0.3186
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394
16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2176
17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978
18	0.8360	0.7002	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799
19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2765	0.2317	0.1945	0.1635
20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2145	0.1784	0.1486

n	12%	14%	15%	16%	18%	20%	24%	28%	32%	36%
1	0.8929	0.8772	0.8696	0.8621	0.8475	0.8333	0.8065	0.7813	0.7576	0.7353
2	0.7972	0.7695	0.7561	0.7432	0.7182	0.6944	0.6504	0.6104	0.5739	0.5407
3	0.7118	0.6750	0.6575	0.6407	0.6086	0.5787	0.5245	0.4768	0.4348	0.3975
4	0.6355	0.5921	0.5718	0.5523	0.5158	0.4823	0.4230	0.3725	0.3294	0.2923
5	0.5674	0.5194	0.4972	0.4761	0.4371	0.4019	0.3411	0.2910	0.2495	0.2149
6	0.5066	0.4556	0.4323	0.4104	0.3704	0.3349	0.2751	0.2274	0.1890	0.1580
7	0.4523	0.3996	0.3759	0.3538	0.3139	0.2791	0.2218	0.1776	0.1432	0.1162
8	0.4039	0.3506	0.3269	0.3050	0.2660	0.2326	0.1789	0.1388	0.1085	0.0854
9	0.3606	0.3075	0.2843	0.2630	0.2255	0.1938	0.1443	0.1084	0.0822	0.0628
10	0.3220	0.2697	0.2472	0.2267	0.1911	0.1615	0.1164	0.0847	0.0623	0.0462
11	0.2875	0.2366	0.2149	0.1954	0.1619	0.1346	0.0938	0.0662	0.0472	0.0340
12	0.2567	0.2076	0.1869	0.1685	0.1372	0.1122	0.0757	0.0517	0.0357	0.0250
13	0.2292	0.1821	0.1625	0.1452	0.1163	0.0935	0.0610	0.0404	0.0271	0.0184
14	0.2046	0.1597	0.1413	0.1252	0.0985	0.0779	0.0492	0.0316	0.0205	0.0135
15	0.1827	0.1401	0.1229	0.1079	0.0835	0.0649	0.0397	0.0247	0.0155	0.0099
16	0.1631	0.1229	0.1069	0.0930	0.0708	0.0541	0.0320	0.0193	0.0118	0.0073
17	0.1456	0.1078	0.0929	0.0802	0.0600	0.0451	0.0258	0.0150	0.0089	0.0054
18	0.1300	0.0946	0.0808	0.0691	0.0508	0.0376	0.0208	0.0118	0.0068	0.0039
19	0.1161	0.0829	0.0703	0.0596	0.0431	0.0313	0.0168	0.0092	0.0051	0.0029
20	0.1037	0.0728	0.0611	0.0514	0.0365	0.0261	0.0135	0.0072	0.0039	0.0021