

SULIT



**BAHAGIAN PEPERIKSAAN DAN PENILAIAN
JABATAN PENDIDIKAN POLITEKNIK
KEMENTERIAN PENDIDIKAN TINGGI**

JABATAN PERDAGANGAN

PEPERIKSAAN AKHIR

SESI JUN 2016

APA8033: FINANCIAL MANAGEMENT 1

TARIKH : 31 OKTOBER 2016

MASA : 08.30 AM - 11.30 AM (3 JAM)

Kertas ini mengandungi **SEPULUH (10)** halaman bercetak.
Esei (4 soalan)

Dokumen sokongan yang disertakan : Formula & Jadual PVIF

JANGAN BUKA KERTAS SOALAN INI SEHINGGA DIARAHKAN

(CLO yang tertera hanya sebagai rujukan)

SULIT

ESSAY (100 marks)

Instructions: This section consists of 4 questions. Answer **ALL** questions.

QUESTION 1

- CLO1
C1 (a) Explain **THREE (3)** functions of financial intermediaries and their uses to the private investor. **(6marks)**
- CLO1
C1 (b) Explain the **THREE (3)** main functions of a finance manager. **(6 marks)**
- CLO1
C1 (c) Explain **THREE (3)** main aims of a government's economic policy. **(6 marks)**
- CLO1
C1 (d) Explain how a government can use its fiscal policy to influence the economy. **(4 marks)**
- CLO1
C3 (e) ABC Co. has earned RM 90,000 before interest and taxes deduction. Its total assets is RM 800,000 and the current liabilities is RM500,000. Calculate the return on capital employed (ROCE) for ABC Co. **(3 marks)**

QUESTION 2

CLO 1
C1

- a) Explain the firm's *cash conversion cycle* and the financial manager's goal with regard to it. Justify your answer.

(5 marks)

- b) The following figures have been extracted from the annual accounts of Ramli:

Issued share capital: 1,000,000 ordinary shares of RM1 each, fully paid.

Issued debt capital: RM250,000 10% debentures.

Reserves

Capital (share premium reserve) RM200,000

Accumulated profits RM800,000

Profit and distributions

Profit for the year RM600,000 (before interest and tax)

Ordinary dividend payments RM0.20 per share

The current market price of Ramli's equity share is RM3.20 each. Its debenture is priced at RM90 per cent. The company's rate of corporation tax (income tax) is 25%.

RequiredCLO 1
C2

Calculate the equity ratios that are likely to be of interest to an investor or potential investor in Ramli.

(10 marks)

c)

Syarikat Teras Kejayaan Bhd.

| | 2010 | 2009 |
|--------------------------|---------|---------|
| | RM'000 | RM'000 |
| Sales revenue | 2,065.0 | 1,788.7 |
| Cost of sales | 1,478.6 | 1,304.0 |
| Gross profit | 586.4 | 484.7 |
| <hr/> | | |
| Current assets | | |
| Inventories | 119.0 | 109.0 |
| Accounts receivable | 400.9 | 347.4 |
| Short-term investments | 4.2 | 18.8 |
| Cash at bank and in hand | 48.2 | 48.0 |
| | 572.3 | 523.2 |
| <hr/> | | |
| Current liabilities | | |
| Loans and overdrafts | 49.1 | 35.3 |
| Corporation taxes | 62.0 | 46.7 |
| Dividend | 19.2 | 14.3 |
| Accounts payable | 370.7 | 324.0 |
| | 501.0 | 420.3 |
| <hr/> | | |
| Net current assets | 71.3 | 102.9 |
| <hr/> | | |

RequiredCLO 2
C4

Calculate *liquidity, working capital and cash operating cycle* ratios from the following accounts of a manufacturer of products for the construction industry. Justify your answer by giving reasons for each ratio.

(10 marks)

QUESTION 3

- a) Assume you have a product with the following parameters:

Annual Demand = 360 units

Holding cost per year = RM1.00 per unit

Order cost = RM100 per order

Assuming 300-day work year

- i) Calculate the EOQ for this product.
- ii) Calculate the number of orders should be processed per year.
- iii) Compute the expected time between the orders.
- iv) Calculate the total cost for the inventory policy used in.
- v) Based on the parameter given, what would the cost be if the demand was actually higher than estimated units (i.e., 500 units instead of 360 units), calculate the new EOQ and the actual annual total cost.
- vi) If demand for an item is 3 units per day, and delivery lead-time is 15 days, compute a simple re-order point should be used.

(15 marks)

- b) A company has annual sales of RM20 million and all the customers are given credit of 60 days. Gross profit on sales is 40%. Currently bad debts are 1.5% of sales. The cost of capital for the company is 10%. Management is concerned about the high level of bad debts and they estimate that by reducing credit terms to 30 days for all customers, bad debts can be reduced to 0.5% of sales. However total sales revenue is likely to fall by 5% as a consequence of making the credit terms less generous.

Required

Calculate the estimated effect on annual profit of reducing the credit terms from 60 days to 30 days.

(10 marks)

QUESTION 4

Syarikat Sentosa Bhd. is reviewing investment proposal that have been submitted by divisional managers. The investment funds of the company are limited to RM 800,000 in the current year. Details of two possible investments, none of which can be delayed, are given below.

Project 1

An investment of RM 300,000 in work station assessments. Each assessment would be on an individual employee basis and would lead to savings in labour costs from increased efficiency and from reduced absenteeism due to work-related illness. Saving in labour costs from these assessments in monetary terms are expected to be as follow:

| Year | 1 | 2 | 3 | 4 | 5 |
|---------------------|----------|----------|----------|----------|----------|
| Cash flows (RM'000) | 85 | 90 | 95 | 100 | 95 |

Project 2

An investment of RM 450,000 in new ticket machines. Net cash savings of RM 120,000 per annum are expected in current price term and these are expected to increase by 3.6% per annum due to inflation during the five-year life of the machines.

Syarikat Sentosa Bhd. has money cost of capital at 12% and taxation should be ignored.

CLO3 Required:

- C2 (a) Determine the best way for Syarikat Sentosa Bhd. invest the available funds and calculate the resultant NPV:
- i. On the assumption that each of the three projects is divisible
 - ii. On the assumption that none of the projects are divisible
- (10 marks)**
- CLO3 (b) Explain how the NPV investment appraisal method is applied in situations where capital is rationed.
- (3 marks)**

- (c) Discuss the reasons why capital rationing rise.

(7 marks)

CLO3

- C2 (d) Discuss the meaning of the term 'relevant cash flows' in the context of investment appraisal, by giving relevant examples to illustrate your discussion.

(5 marks)

END OF QUESTION