

IMPORTANT INFORMATION

Final Exam: **Wednesday, 28 April 2021 at 9:00 am**

- On-site exam ONLY
 - No remote exam
- Digital exam on Exemplify
 - **90 minutes** long; 36 MCQs
 - Open book/notes
 - NO internet
 - Randomized order
 - NO backward navigation
- A laptop & 2 calculators; NO Excel

Students who are unable to write this final exam on-site must file for **special consideration** together with valid supporting documents

- NUS Business School's Board of Examiners will decide the appropriate resolutions in line with NUS guidelines

2



IMPORTANT INFORMATION

Final Exam:

Wednesday, 28 April 2021 at 9:00 am

Exam venues: **MPSH 1 & 2**

Students will be assigned the venue and seat number by RO in personalized exam time-tables (check EduRec)

Please make plans to arrive early (30 minutes before the start of the exam) at the exam venue

3



Latecomer – NUS Business School Policy

Latecomers will **not** be compensated for lost time

- Latecomers' exam must end by the stipulated exam end time, even if not timed out by Exemplify
- Latecomers who refuse to stop when required to do so will get zero mark for the exam

This policy also applies to students who delay exam file download and subsequently encounter technical errors when downloading the file in the exam venue.

Latecomers will **not** be admitted into the exam venue after 10:00 am.

4



Basic items to bring to the exam

- Mobile phone with uNivUS App installed
 - Enter your temperature before leaving home
 - Show **Green Pass** before entering the exam venue
- Fully charged laptop that can last the whole duration of the exam
 - There will **not** be electrical plug at every seat
 - There will be some electrical plugs in the exam venues, but they will not be at your seat, and there will not be enough for every student
- Functioning laptop charger
- Physical NUS student matric card
- Two calculators
- Mask must be worn at all times.

5



Familiarize yourself with Exemplify

Visit: <https://wiki.nus.edu.sg/display/da/Student>

- Mock final exam file is now available for download to test Exemplify on your laptop
 - Password: **mockfinal123**
- The Exemplify exam file will be available for download 12 hours before the start of the exam.
 - Password will be released by your invigilators.
- At the end of the exam, use the **NUS WIFI at the exam venue** to upload Exemplify answers.

6



Academic Integrity and Honesty

You will be liable for disciplinary action which may result in expulsion from the University if you are found to have contravened any of the clauses below,

- Violation of the NUS Code of Student Conduct (in particular the part on Academic, Professional and Personal Integrity), NUS IT Acceptable Use Policy or NUS Examination rules.
- Possession of unauthorized materials/electronic devices.
- Bringing your mobile phone or any storage/communication device with you to the washroom.
- Unauthorized communication e.g., with another student.
- Reproduction of any exam materials outside of the exam venue.
- Photography or videography within the exam venue.
- Plagiarism, giving or receiving unauthorised assistance in academic work, or other forms of academic dishonesty.



Academic Integrity and Honesty (cont.)

This exam is taken under the Student Conduct Code, which stipulates:

- *The University takes a strict view of cheating in any form, deceptive fabrication, plagiarism and violation of intellectual property and copyright laws. Any student who is found to have engaged in such misconduct will be subject to disciplinary action by the University.*
- *It is important to note that all students share the responsibility of protecting the academic standards and reputation of the University. This responsibility can extend beyond each student's own conduct, and can include reporting incidents of suspected academic dishonesty through the appropriate channels.*
- *Academic dishonesty is any misrepresentation with the intent to deceive or failure to acknowledge the source or falsification of information or inaccuracy of statements or cheating at examinations/tests or inappropriate use of resources.*



FIN 2704/X

Week 13 Module Recap

9

LEADING FROM ASIA



1. Financial Management

Finance

- A discipline concerned with **determining value** and **making decisions based on that value assessment**
- Business & personal finance

Main areas of finance

1. Investments
2. Financial Markets and Intermediaries
3. Corporate Finance (or Business Finance)

10



1. Financial Management (cont.)

Forms of business organizations

1. Sole proprietorship
2. Partnership
3. Corporation



Financial markets

- Money Markets vs. Capital Markets
- Primary Market vs Secondary Market

11



2. Financial Statements

- Annual report
- Financial statements:
 - Balance sheet
 - Assets = Liabilities + Equity**
 - Income statement
 - Statement of Retained Earnings
 - Statement of Cash Flows
- Standardized Financial Statements

12



2. Financial Statements (cont.)

- Cash is king
 - In Finance, we care about cash generated from operations over the life of the asset/investment
- Cash Flow From Assets (CFFA[^]) =**
- Operating Cash Flow (OCF)
 - Net Capital Spending (NCS)
 - Changes in NOWC (Net Operating Working Capital)
- Ratio Analysis
 - Useful to compare over time or with others
 - Analysts should also consider **qualitative factors** when evaluating a company

13



3. Time Value of Money

**A dollar paid today is worth more than
a dollar paid tomorrow**

- Present value (PV): Discounting
- Future value (FV): Compounding
 - EAR, APR, period rate
- Annuity
- Perpetuity

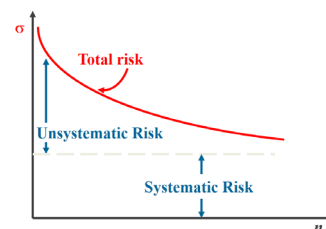
- Different types of loan (self study)

14



4. Risk and Return

- Returns
 - Historical vs. prospective
 - Expected returns
- Risk
- Portfolio
 - Diversifiable vs. non-diversifiable risks



**Total risk = company-specific risk (unsystematic risk)
+ market risk (systematic risk)**

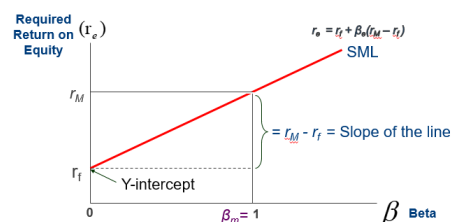
- Arithmetic vs. geometric average return (self study)

15

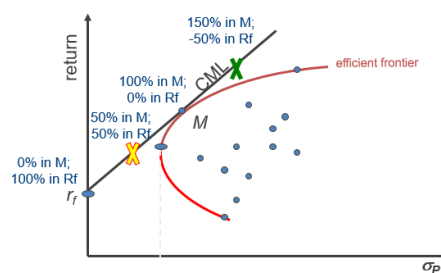
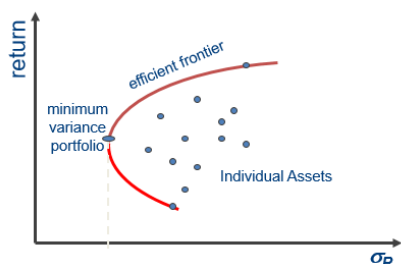


5. Risk and Return (cont.)

- Measure of market risk: Beta
- Capital Asset Pricing Model (CAPM)



- Markowitz Portfolio Theory



16



6. Bonds

- “**Fixed-income**” investments
- Bond terminologies
- Bond valuation

$$\text{Bond Value} = \text{PV of coupons} + \text{PV of par}$$

- Yield to Maturity (YTM)
- Bond prices are “pulled to par”
- Bond Pricing Theorem
- Credit risk -- bond rating
- Interest rate risk – bond prices fluctuate as interest rates change
- Term structure of interest rates

17



7. Common Stocks

- Cash from buying a share of stock: dividends & when you sell your shares
- Stock valuation:
 - Dividend Growth Model
 - Corporate Value Model
- Market equilibrium: Expected return = Required return
- Preferred stock

18



8. Capital Budgeting

Accept if: $\text{Cost} \leq \text{Benefit}$

Reject if: $\text{Cost} > \text{Benefit}$

- Net Present Value (NPV)
- Payback & discounted payback
- Internal Rate of Return (IRR) & Modified IRR (MIRR)
- Average Accounting Return (AAR)
- Profitability Index

19



9. Capital Budgeting (cont.)

- Relevant cash flows
- **Incremental** project cash flows
 - Net initial investment outlay
 - Future cash flows from assets (operations)
 - Cash outflows required later
 - Terminal year cash outflows
- Weighted Average Cost of Capital (WACC)
- Unequal lives projects
 - Equivalent Annual Annuities (EAA)

20



10. Long Term Financial Planning

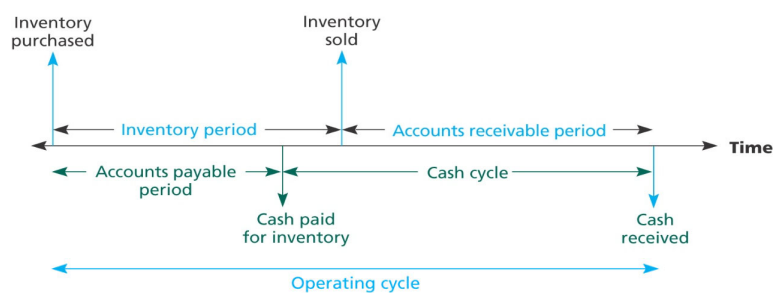
- Pro-forma financial statements
- Financial planning:
 - Elements
 - Ingredients
- Percent of Sales method
- External Funds Needed equation
- Growth rates:
 - Internal growth rate
 - Sustainable growth rate

21



11. Short Term Financial Planning

- Working capital
- Operating cycle and cash conversion cycle



- Cash management
- Receivable management

22



12. Option

- Derivative instruments:
 - Payoffs contingent on the value of some underlying asset
- Options terminologies:
 - Call option, Put option
 - European option, American option
 - Holder, seller/writer
- Option payoff (at maturity)
- Option value / premium
 - Intrinsic value – (in-/at-/out-of)-the-money
 - Time value of option (before maturity)
- Bounds
- Determinants of option value

23

