

**UNIVERSITY COLLEGE TATI (UCTATI)****FINAL EXAMINATION QUESTION BOOKLET**

COURSE CODE	: BBM 1103
COURSE	: FINANCIAL MANAGEMENT
SEMESTER/SESSION	: 2- 2024/2025
DURATION	: 3 HOURS

Instructions:

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

Syafiq and Syakir are opening a restaurant to be named Kejora Restaurant. They need outside capital to buy tools and equipment and run day-to-day business. As a management consultant, they come to you for advice. Write a report explaining the following:

- a) The difference between debt financing and equity financing. (4 marks)
- b) **FIVE (5)** alternative sources of finance available for the business. (10 marks)
- c) The best sources of finance for Kejora Restaurant. (4 marks)

QUESTION 2

Using the information below, prepare a cash budget for the second quarter of the Year 2024, for Aisyah Trading Company. (18 marks)

	Apr	May	Jun	Jul	Aug	Sep	Oct
Sales RM (000)	160	120	140	170	185	190	205

- i) The collection of sales is as follows:
 - 40% is collected in the month of sales.
 - 40% is collected in the month after sales.
 - 20% is collected two months after sales.
- ii) Purchases of raw materials are 80% of sales and are made one month in advance. Payment is made equally in the two months after purchase.
- iii) Operating expenses will be 10% of the monthly sales.
- iv) Other fixed monthly expenses:

Rental	RM	4,500
Salaries	RM	25,000
Depreciation	RM	12,500
Insurance	RM	2,000
- v) Tax repayment of RM 8,000 is made at the beginning of each quarter.
- vi) A quarterly dividend of RM 30,000 will be received from Sunshine Corporation in March, June, August, and December.
- vii) Ending cash balance in March 2024 is RM 10,000.
- viii) Interest on the RM 50,000 loan at 12% is payable every month.

QUESTION 3

Nana 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

- Calculate the Payback period for both projects. Which project is preferred according to this method? (3 marks)
- Calculate the Net present value for both projects. Which project is preferred according to this method? (8 marks)
- Analyse the pros and cons of each method that has been used in this investment appraisal. (8 marks)

QUESTION 4

The following information has been extracted from Azwan Limited for the year to January 2021.

Azwan Limited		
<u>Income Statement for the year to 31 January 2021</u>		
	RM '000	RM'000
Sales (all credit)		100
<u>Less: COGS</u>		
Opening stock	15	
Purchases	<u>65</u>	
	80	
(-) closing stock	10	<u>70</u>
Gross profit		30
 Less: Expenses		
Administrative expenses		<u>16</u>
 Net profit		<u>14</u>

Azwan Limited		
<u>Statement of the Financial Position as at 31 January 2021</u>		
	RM '000	RM'000
FIXED ASSETS (net book value)		29
 CURRENT ASSETS		
Stock	10	
Debtors	12	
Cash	<u>3</u>	
	25	
 Less: CURRENT LIABILITIES		
Creditors	<u>6</u>	<u>19</u>
		<u>48</u>
 <u>FINANCED BY:</u>		
Capital as at 1 February 2020		40
Add: Net profit	14	
Less: drawings	<u>6</u>	<u>8</u>
		<u>48</u>

Required

a) Calculate the following accounting ratios:

- i. Grosse profit (3 marks)
- ii. Return on capital employed (3 marks)
- iii. Current ratio (3 marks)
- iv. Acid test ratio (3 marks)
- v. Stock turnover (3 marks)
- vi. Debtors collection period (3 marks)

b) Briefly comments on the company's liquidity, efficiency, and profitability performance. (9 marks)

QUESTION 5

- a) Illustrate the meaning of valuation and provide at least **FIVE (5)** reasons why valuation is required. (10marks)
- b) Outline at least **FOUR (4)** main objectives of corporate valuation. (8 marks)

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

FORMULA

Gross Profit: = Sales - Cost of Goods Sold (COGS)

Net Profit = Gross Profit - Expenses

ROCE = (Net Profit / Capital) * 100

Current Ratio = Current Assets / Current Liabilities

Acid Test Ratio = (Current Assets - Stock) / Current
Liabilities

Stock Turnover = COGS / Average Stock

Debtors Collection Period = (Debtors / Sales) * 365

