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**UNIVERSITI TUN HUSSEIN ONN MALAYSIA**

**FINAL EXAMINATION  
(TAKE HOME)  
SEMESTER II  
SESSION 2019/2020**

COURSE NAME : PRINCIPLES OF FINANCE FOR  
REAL ESTATE MANAGEMENT

COURSE CODE : BPE 22802

PROGRAMME CODE : BPD

EXAMINATION DATE : JULY 2020

DURATION : 24 HOURS

INSTRUCTION : ANSWER ALL QUESTIONS  
**OPEN BOOK EXAMINATION**

THIS QUESTION PAPER CONSISTS OF TWO (2) PAGES

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**TERBUKA**

**Q1** Ramli, a government officer is considering to make a property investment on a new development project near his residential area. He expects the investment to give him a 7% annual interest for the next 15 years before he retires. This new investment requires him to come up with an initial investment of RM580,000. Upon retirement, Ramli expects to sell his new investment to and keep the proceeds in a bank that offers a 9% return so he can support his lifestyle a minimum of RM250,000 per year for the next 10 years (after retirement).

In making this investment, Ramli is contemplating selling one of his property which he bought 20 years ago at RM180,000 (assume 6% growth rate). He is willing to add more money in order to meet the new investment requirement.

(a) Determine how much money does Ramli have to add to make the new investment. (8 marks)

(b) Justify whether Ramli should proceed with his investment plan using the available resources. (17 marks)

**Q2** Mr. Kumar is intending to invest in a property development project in Klang Valley as he estimates the property market will increase post-COVID-19 in the next 3 years. He looked up for a few potential projects and laid down all the information he gathered on potential development projects in Klang Valley for the same period as in **Table Q2**.

**Table Q2: Information on investment**

Initial Investment	Project A	Project B	Project C	Project D
	RM900,000	RM4,900,000	RM2,000,000	RM2,400,000
Cost of capital	8%	4%	12%	15%
Year	<i>Cash Inflows</i>			
1	200,000	1,500,000	750,000	1,200,000
2	250,000	1,500,000	750,000	1,000,000
3	300,000	1,500,000	750,000	800,000
4	350,000	1,500,000	750,000	600,000
5	400,000	-	750,000	-
Payback Period	3.33 years	3.27 years	2.67 years	2.25 years
Net Present Value (NPV)	RM267,164	RM544,843	RM703,582	RM268,687
Internal Rate of Return (IRR)	17.43%	8.62%	25.41%	21.16%
Profitability Index (PI)	1.30	1.11	1.35	1.11

Advise Mr. Kumar by explaining which investment he should consider with reasons.

(25 marks)

**- END OF QUESTIONS -**