UNIVERSITI TUN HUSSEIN ONN MALAYSIA

FINAL EXAMINATION
SEMESTER II
SESSION 2015/2016

COURSE NAME	:	PROJECT FINANCIAL MANAGEMENT
COURSE CODE	:	BFP 40503
PROGRAMME	:	BFF
EXAMINATION DATE	:	JUNE / JULY 2016
DURATION	:	3 HOURS
INSTRUCTION	:	ANSWER **ALL** QUESTIONS

THIS QUESTION PAPER CONSISTS OF **SIX (6)** PAGES

BFP 40503

Q1 (a) There are two main types of finance which are equity and debt. Equity is money subscribed by investors or shareholders. The shareholders get returns from dividends and capital growth in the value of their equity. Describe details about debt.

(8 marks)

(b) Farid invests RM2,000 now and he is promised by the Bank to receive RM100 payment every year for 3 years, plus RM2,500 in the 3rd year. Bank A offers an interest rate at 10% while Bank B offers an interest rate at 6%. Calculate the Net Present Value (NPV) and determine which bank offers better investment.

(12 marks)

(c) Due to increased in demand, the management of Rani Supply & Rental Company is considering to purchase a new equipment to increase the production and revenues. The useful life of the equipment is 10 years and the company's maximum desired payback period is 4 years. The inflow and outflow of cash associated with the new equipment is given in **Table Q1** below:

Table Q1: Inflow and outflow of cash

The initial cost of equipment	RM 37,500
Annual cash inflow: Sales	RM 75,000
Annual cash outflow: Cost of ingredients Salaries expenses Maintenance expenses	RM 45,000 RM 13,500 RM 1,500

Use payback method to determine whether Rani Supply & Rental Company should purchase the new equipment or not.

(5 marks)

Q2 Fatia had a one-time investment of RM10,000. Calculate total money from her account if she withdraws the money after 30 years;

(a) At 12% simple interest rate

(3 marks)

(b) At 12% interest compounded yearly

(3 marks)

2

(c)   At 12% interest compounded quarterly

(3 marks)

(d)   Determine the best investment from the answers in **Q2 (a)**, **Q2 (b)** and **Q2 (c)** and explain your reasons.

(3 marks)

(e)   Draw cash flow diagram for every 10 years from the answer in **Q2 (d)**.

(9 marks)

(f)   Calculate the annual effective interest rate from the answer in **Q2 (d)** and explain the result.

(4 marks)

Q3   (a)   **Table Q3 (a)** contains the cash flows associated with a decision to purchase a machine, with the net cash flows listed for each of the next five years. Determine the discount factor using Parry's Valuation shown in **Figure Q3 (a)** which assumes the existence of an 8% interest rate through the five-year period and calculate the Net Present Value (NPV).

Table Q3 (a): Cash Flow

Year	Cash Flow (RM)
0	-120,000
1	35,000
2	35,000
3	35,000
4	25,000
5	25,000

(13 marks)

(b)   Give definition of Life Cycle Cost (LCC) Analysis

(2 marks)

(c)   Discuss detail steps in the completion of the LCC analysis of a project alternative.

(10 marks)

Q4 Exide Company is a supplier company. The current assets and current liabilities as on 31 December, 2012 are given in **Table Q4 (a).** The YXM Sdn. Bhd. is a consultant company with current assets and current liabilities as on 31 December 2012 are given in **Table Q4 (b).**

(a) List the current assets for Exide Company and YXM Sdn. Bhd.

(8 marks)

(b) Calculate the working capital turnover ratio for Exide Company and YXM Sdn. Bhd.

(8 marks)

(c) Compare and explain calculation results from **Q4 (b).**

(5 marks)

(d) Calculate the return of the capital if Exide Company gets RM 100,000.00 profits a year with RM 250,000.00 investments.

(2 marks)

(e) Explain why calculating the working capital cost is important.

(2 marks)

- END OF QUESTIONS –

FINAL EXAMINATION

SEMESTER/SESSION: SEM II/2015/2016   PROGRAMME CODE: BFF
COURSE NAME   : PROJECT FINANCIAL MANAGEMENT   COURSE CODE: BFP 40503

Table A Present value of £1

Years Hence	1%	2%	4%	6%	8%	10%	12%	14%	15%	16%	18%	20%	22%	24%	25%	26%	28%	30%	35%	40%	45%	50%
1	0.990	0.980	0.962	0.943	0.926	0.909	0.895	0.877	0.870	0.862	0.847	0.833	0.820	0.806	0.800	0.794	0.781	0.769	0.741	0.714	0.690	0.667
2	0.980	0.961	0.925	0.890	0.857	0.826	0.797	0.769	0.756	0.743	0.718	0.694	0.672	0.650	0.640	0.630	0.610	0.592	0.549	0.510	0.476	0.444
3	0.971	0.942	0.889	0.840	0.794	0.751	0.712	0.675	0.658	0.641	0.609	0.579	0.551	0.524	0.512	0.500	0.477	0.455	0.406	0.364	0.328	0.296
4	0.961	0.924	0.855	0.792	0.735	0.683	0.636	0.592	0.572	0.552	0.516	0.482	0.451	0.423	0.410	0.397	0.373	0.350	0.301	0.260	0.226	0.198
5	0.951	0.906	0.822	0.747	0.681	0.621	0.567	0.519	0.497	0.476	0.437	0.402	0.370	0.341	0.328	0.315	0.291	0.269	0.223	0.186	0.136	0.132
6	0.942	0.888	0.790	0.705	0.630	0.564	0.507	0.456	0.432	0.410	0.370	0.335	0.303	0.275	0.262	0.250	0.227	0.207	0.165	0.133	0.108	0.088
7	0.933	0.871	0.760	0.665	0.583	0.513	0.452	0.400	0.376	0.354	0.314	0.279	0.249	0.222	0.210	0.198	0.178	0.159	0.122	0.095	0.074	0.059
8	0.923	0.853	0.731	0.627	0.540	0.467	0.404	0.351	0.327	0.305	0.266	0.233	0.204	0.179	0.168	0.157	0.139	0.123	0.091	0.068	0.051	0.039
9	0.914	0.837	0.703	0.592	0.500	0.424	0.361	0.308	0.284	0.263	0.225	0.194	0.167	0.144	0.134	0.125	0.108	0.094	0.067	0.048	0.035	0.026
10	0.905	0.820	0.676	0.558	0.463	0.386	0.322	0.270	0.247	0.227	0.191	0.162	0.137	0.116	0.107	0.099	0.085	0.073	0.050	0.035	0.024	0.017
11	0.896	0.804	0.650	0.527	0.429	0.350	0.287	0.237	0.215	0.195	0.162	0.135	0.112	0.094	0.086	0.079	0.066	0.056	0.037	0.025	0.017	0.012
12	0.887	0.788	0.625	0.497	0.397	0.319	0.257	0.208	0.187	0.168	0.137	0.112	0.092	0.076	0.069	0.062	0.052	0.043	0.027	0.018	0.012	0.008
13	0.879	0.773	0.601	0.469	0.368	0.290	0.229	0.182	0.163	0.145	0.116	0.093	0.075	0.061	0.055	0.050	0.040	0.033	0.020	0.013	0.008	0.005
14	0.870	0.758	0.577	0.442	0.340	0.263	0.205	0.160	0.141	0.125	0.099	0.078	0.062	0.049	0.044	0.039	0.032	0.025	0.015	0.009	0.006	0.003
15	0.861	0.743	0.555	0.437	0.345	0.239	0.183	0.140	0.123	0.108	0.084	0.065	0.051	0.040	0.035	0.031	0.025	0.020	0.011	0.005	0.004	0.002
16	0.853	0.728	0.534	0.394	0.292	0.218	0.163	0.123	0.107	0.093	0.071	0.054	0.042	0.032	0.028	0.025	0.019	0.015	0.008	0.005	0.003	0.002
17	0.844	0.714	0.523	0.371	0.270	0.198	0.146	0.108	0.093	0.080	0.060	0.045	0.034	0.026	0.023	0.020	0.015	0.012	0.006	0.003	0.002	0.001
18	0.836	0.700	0.494	0.350	0.250	0.180	0.130	0.095	0.081	0.069	0.051	0.038	0.028	0.021	0.018	0.016	0.012	0.009	0.005	0.002	0.001	0.001
19	0.828	0.686	0.475	0.331	0.232	0.164	0.116	0.083	0.070	0.060	0.043	0.031	0.023	0.017	0.014	0.012	0.009	0.007	0.003	0.002	0.001	
20	0.820	0.673	0.456	0.312	0.215	0.149	0.104	0.073	0.061	0.051	0.037	0.026	0.019	0.014	0.012	0.010	0.007	0.005	0.002	0.001	0.001	
21	0.811	0.660	0.439	0.294	0.199	0.135	0.095	0.064	0.053	0.044	0.031	0.022	0.015	0.011	0.009	0.008	0.006	0.004	0.002	0.001		
22	0.803	0.647	0.422	0.278	0.184	0.123	0.083	0.056	0.046	0.038	0.026	0.018	0.013	0.009	0.007	0.006	0.004	0.003	0.001	0.001		
23	0.795	0.634	0.406	0.262	0.170	0.112	0.074	0.049	0.040	0.035	0.022	0.015	0.010	0.007	0.006	0.005	0.005	0.002	0.001			
24	0.788	0.622	0.390	0.247	0.158	0.102	0.066	0.043	0.035	0.028	0.019	0.013	0.008	0.006	0.005	0.004	0.003	0.002	0.001			
25	0.780	0.610	0.375	0.235	0.146	0.092	0.059	0.038	0.030	0.024	0.016	0.010	0.007	0.005	0.004	0.003	0.002	0.001	0.001			
26	0.772	0.598	0.361	0.220	0.135	0.084	0.053	0.033	0.026	0.021	0.014	0.009	0.006	0.004	0.003	0.002	0.002	0.001				
27	0.764	0.586	0.347	0.207	0.125	0.076	0.047	0.029	0.023	0.018	0.011	0.007	0.005	0.003	0.002	0.002	0.001	0.001				
28	0.757	0.574	0.333	0.196	0.116	0.069	0.042	0.026	0.020	0.016	0.010	0.006	0.004	0.002	0.002	0.002	0.001	0.001				
29	0.749	0.563	0.321	0.185	0.107	0.063	0.037	0.022	0.017	0.014	0.008	0.005	0.003	0.002	0.002	0.001	0.001	0.001				
30	0.742	0.552	0.308	0.174	0.099	0.057	0.033	0.025	0.015	0.012	0.007	0.004	0.003	0.002	0.001	0.001	0.001					
40	0.672	0.453	0.208	0.097	0.046	0.022	0.011	0.005	0.004	0.003	0.001	0.001										
50	0.608	0.372	0.241	0.054	0.021	0.009	0.005	0.004	0.001	0.001												

Figure Q3 (a): Parry's Valuation

FINAL EXAMINATION

Table Q4 (a)

Exide Company	
Cost of goods sold	RM300,000
Accounts payable	RM60,000
Inventory	RM40,000
Accounts receivables	RM50,000
Notes receivables	RM10,000
Cash	RM20,000

Table Q4 (b)

YXM Sdn. Bhd.	
Current debt	RM40,000
Accounts payable	RM80,000
Inventory	RM40,000
Accounts receivables	RM20,000
Accrued expenses	RM30,000
Cash	RM200,000
Securities	RM100,000
Cost of goods sold	RM500,000