



FINAL EXAMINATION

COURSE : FINANCIAL MANAGEMENT

COURSE CODE : PFN1223

DURATION : 2 HOURS

INSTRUCTIONS TO CANDIDATES :

1. This question paper consists of **THREE (3)** questions.
2. Answer ALL questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of :
 - i. The Question Paper
 - ii. An Answer Booklet
 - iii. Appendix 1 - PVIF and PVIFA tables
 - iv. Appendix 2 - The Formula List
4. Do not bring any material into the examination hall unless permission is given by the invigilator.
5. Please write your answer using a ball-point pen.

MYKAD NO : _____

ID. NO. : _____

LECTURER : _____

SECTION : _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

The question paper consists of 07 printed pages

MAR2024/B/PFN1223

1. (25 points)

- a. Give **TWO (2)** advantages of using the Payback Period in making financial decisions. (2 points)
- b. The Director of Finance has asked you, as a financial manager for Daisy Property Berhad, to analyze two proposed capital investments. The company's cost of capital is 10%. The following information is available below:

Year	Project Alaska (RM)	Project Magika (RM)
0	500,000	500,000
1	150,000	100,000
2	110,000	100,000
3	70,000	100,000
4	90,000	100,000
5	50,000	100,000
6	100,000	100,000
7	250,000	100,000

Required:

- i. Calculate the payback period for each project. (3 points)
- ii. Calculate the net present value (NPV) for each project. (11 points)
- iii. Internal Rate of Return (IRR) for **Project Magika** only. (5 points)
- iv. Profitability Index (PI) for each project. (3 points)
- v. Based on the answer in **Part b(i)**, which project is to be selected by Daisy Property Berhad? (1 point)

2. (25 points)

Anggun Bhd. is the main distributor of office supplies. The management is considering opening a new branch to take advantage of rising demand in the northern region. The information about the expansion plans is as follows:

BOND	Coupon rate: 11%
	Current market price is RM1,200
	Corporate tax: 27%
	Maturity period: 10 years
	Floatation cost: RM600
PREFERENCE SHARES	The annual dividend is 12%
	Current market price is RM110
	Floatation cost is 5% of market price
COMMON SHARE	Last year, dividend paid was RM0.05
	Growth rate: 10%
	Current market price is RM0.80
	Floatation cost: RM0.30

The capital structure of company consists of RM420,000 debt, RM240,000 preferred shares and RM540,000 common equity.

Required:

- a. Calculate weighted of the company's capital structure (3 points)
- b. Calculate the cost of capital for each source of finance:
 - i. After tax cost of debt. (6 points)
 - ii. Preference shares. (2 points)
 - iii. Internal equity. (2 points)
 - iv. External equity. (2.5 points)

- c. Calculate the weighted average cost of capital (WACC) if the company decides to use internal common stock. (4.5 points)
- d. Kiangbang Berhad plans to issue 7% irredeemable bonds at RM980. The par value of the bond is RM1,000. The floatation costs of the new bonds will be 6% of their market value. If the corporate rate is 25%, calculate the after-tax cost of debt of the bond. (5 points)

(Total: 25 points)

3. (10 points)

Kasut I Sdn Bhd is a supplier of shoes in Kelantan. In 2023, they sold 1,500 pairs of shoes, with the selling price for one pair of shoes is RM70. The variables cost for a pair of shoes is RM30. The fixed operating cost is RM4,500, and the interest expenses for that year are RM1,200. The tax rate for 2023 is 15%.

- a. Construct a comprehensive income statement for the year 2023 for Kasut I Sdn Bhd. (5 points)
- b. Calculate:
 - i. Break-even point in Ringgit (RM) (2 points)
 - ii. Degree of operating leverage (DOL). (1 point)
 - iii. Degree of financial leverage (DFL). (1 point)
 - iv. Degree of combine leverage (DCL) (1 point)

END OF QUESTION PAPER

Present value interest factor of \$1 per period at i% for n periods, PVIF(i,n).																				
Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	14%	16%	18%	20%	21%	22%	23%	24%	25%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8772	0.8621	0.8475	0.8333	0.8264	0.8197	0.8130	0.8065	0.8000
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.7972	0.7695	0.7432	0.7182	0.6944	0.6830	0.6719	0.6610	0.6504	0.6400
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513	0.7118	0.6750	0.6407	0.6086	0.5787	0.5645	0.5507	0.5374	0.5245	0.5120
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6355	0.5921	0.5523	0.5158	0.4823	0.4665	0.4514	0.4369	0.4230	0.4096
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209	0.5674	0.5194	0.4761	0.4371	0.4019	0.3855	0.3700	0.3552	0.3411	0.3277
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645	0.5066	0.4556	0.4104	0.3704	0.3349	0.3186	0.3033	0.2888	0.2751	0.2621
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132	0.4523	0.3996	0.3538	0.3139	0.2791	0.2633	0.2486	0.2348	0.2218	0.2097
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4039	0.3506	0.3050	0.2660	0.2326	0.2176	0.2038	0.1909	0.1789	0.1678
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3606	0.3075	0.2630	0.2255	0.1938	0.1799	0.1670	0.1552	0.1443	0.1342
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855	0.3220	0.2697	0.2267	0.1911	0.1615	0.1486	0.1369	0.1262	0.1164	0.1074
11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505	0.2875	0.2366	0.1954	0.1619	0.1346	0.1228	0.1122	0.1026	0.0938	0.0859
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	0.3971	0.3555	0.3186	0.2567	0.2076	0.1685	0.1372	0.1122	0.1015	0.0920	0.0834	0.0757	0.0687
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897	0.2292	0.1821	0.1452	0.1163	0.0935	0.0839	0.0754	0.0678	0.0610	0.0550
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633	0.2046	0.1597	0.1252	0.0985	0.0779	0.0693	0.0618	0.0551	0.0492	0.0440
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394	0.1827	0.1401	0.1079	0.0835	0.0649	0.0573	0.0507	0.0448	0.0397	0.0352
16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2176	0.1631	0.1229	0.0930	0.0708	0.0541	0.0474	0.0415	0.0364	0.0320	0.0281
17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978	0.1456	0.1078	0.0802	0.0600	0.0451	0.0391	0.0340	0.0296	0.0258	0.0225
18	0.8360	0.7002	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799	0.1300	0.0946	0.0691	0.0508	0.0376	0.0323	0.0279	0.0241	0.0208	0.0180
19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2765	0.2317	0.1945	0.1635	0.1161	0.0829	0.0596	0.0431	0.0313	0.0267	0.0229	0.0196	0.0168	0.0144
20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2145	0.1784	0.1486	0.1037	0.0728	0.0514	0.0365	0.0261	0.0221	0.0187	0.0159	0.0135	0.0115
21	0.8114	0.6598	0.5375	0.4388	0.3589	0.2942	0.2415	0.1987	0.1637	0.1351	0.0926	0.0638	0.0443	0.0309	0.0217	0.0183	0.0154	0.0129	0.0109	0.0092
22	0.8034	0.6468	0.5219	0.4220	0.3418	0.2775	0.2257	0.1839	0.1502	0.1228	0.0826	0.0560	0.0382	0.0262	0.0181	0.0151	0.0126	0.0105	0.0088	0.0074
23	0.7954	0.6342	0.5067	0.4057	0.3256	0.2618	0.2109	0.1703	0.1378	0.1117	0.0738	0.0491	0.0329	0.0222	0.0151	0.0125	0.0103	0.0086	0.0071	0.0059
24	0.7876	0.6217	0.4919	0.3901	0.3101	0.2470	0.1971	0.1577	0.1264	0.1015	0.0659	0.0431	0.0284	0.0188	0.0126	0.0103	0.0085	0.0070	0.0057	0.0047
25	0.7798	0.6095	0.4776	0.3751	0.2953	0.2330	0.1842	0.1460	0.1160	0.0923	0.0588	0.0378	0.0245	0.0160	0.0105	0.0085	0.0069	0.0057	0.0046	0.0038

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Present value interest factor of an (ordinary) annuity of \$1 per period at i% for n periods, PVIFA(i,n).

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	14%	16%	18%	20%	21%	22%	23%	24%	25%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8772	0.8621	0.8475	0.8333	0.8264	0.8197	0.8130	0.8065	0.8000
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.6901	1.6467	1.6052	1.5656	1.5278	1.5095	1.4915	1.4740	1.4568	1.4400
3	2.9410	2.8839	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4018	2.3216	2.2459	2.1743	2.1065	2.0739	2.0422	2.0114	1.9813	1.9520
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.0373	2.9137	2.7982	2.6901	2.5887	2.5404	2.4936	2.4483	2.4043	2.3616
5	4.8534	4.7135	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6048	3.4331	3.2743	3.1272	2.9906	2.9260	2.8636	2.8035	2.7454	2.6893
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859	4.3553	4.1114	3.8887	3.6847	3.4976	3.3255	3.2446	3.1669	3.0923	3.0205	2.9514
7	6.7282	6.4720	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330	4.8684	4.5638	4.2883	4.0386	3.8115	3.6046	3.5079	3.4155	3.3270	3.2423	3.1611
8	7.6517	7.3255	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	4.9676	4.6389	4.3436	4.0776	3.8372	3.7256	3.6193	3.5179	3.4212	3.3289
9	8.5660	8.1622	7.7861	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.3282	4.9464	4.6065	4.3030	4.0310	3.9054	3.7863	3.6731	3.5655	3.4631
10	9.4713	8.9826	8.5302	8.1109	7.7217	7.3601	7.0236	6.7101	6.4177	6.1446	5.6502	5.2161	4.8332	4.4941	4.1925	4.0541	3.9232	3.7993	3.6819	3.5705
11	10.368	9.7868	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	5.9377	5.4527	5.0286	4.6560	4.3271	4.1769	4.0354	3.9018	3.7757	3.6564
12	11.255	10.575	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607	6.8137	6.1944	5.6603	5.1971	4.7932	4.4392	4.2784	4.1274	3.9852	3.8514	3.7251
13	12.134	11.348	10.635	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869	7.1034	6.4235	5.8424	5.3423	4.9095	4.5327	4.3624	4.2028	4.0530	3.9124	3.7801
14	13.004	12.106	11.296	10.563	9.8986	9.2950	8.7455	8.2442	7.7862	7.3667	6.6282	6.0021	5.4675	5.0081	4.6106	4.4317	4.2646	4.1082	3.9616	3.8241
15	13.865	12.849	11.938	11.118	10.380	9.7122	9.1079	8.5595	8.0607	7.6061	6.8109	6.1422	5.5755	5.0916	4.6755	4.4890	4.3152	4.1530	4.0013	3.8593
16	14.718	13.578	12.561	11.652	10.838	10.106	9.4466	8.8514	8.3126	7.8237	6.9740	6.2651	5.6685	5.1624	4.7296	4.5364	4.3567	4.1894	4.0333	3.8874
17	15.562	14.292	13.166	12.166	11.274	10.477	9.7632	9.1216	8.5436	8.0216	7.1196	6.3729	5.7487	5.2223	4.7746	4.5755	4.3908	4.2190	4.0591	3.9099
18	16.398	14.992	13.754	12.659	11.690	10.828	10.059	9.3719	8.7556	8.2014	7.2497	6.4674	5.8178	5.2732	4.8122	4.6079	4.4187	4.2431	4.0799	3.9279
19	17.226	15.678	14.324	13.134	12.085	11.158	10.336	9.6036	8.9501	8.3649	7.3658	6.5504	5.8775	5.3162	4.8435	4.6346	4.4415	4.2627	4.0967	3.9424
20	18.046	16.351	14.877	13.590	12.462	11.470	10.594	9.8181	9.1285	8.5136	7.4694	6.6231	5.9288	5.3527	4.8696	4.6567	4.4603	4.2786	4.1103	3.9539
21	18.857	17.011	15.415	14.029	12.821	11.764	10.836	10.017	9.2922	8.6487	7.5620	6.6870	5.9731	5.3837	4.8913	4.6750	4.4756	4.2916	4.1212	3.9631
22	19.660	17.658	15.937	14.451	13.163	12.042	11.061	10.201	9.4424	8.7715	7.6446	6.7429	6.0113	5.4099	4.9094	4.6900	4.4882	4.3021	4.1300	3.9705
23	20.456	18.292	16.444	14.857	13.489	12.303	11.272	10.371	9.5802	8.8832	7.7184	6.7921	6.0442	5.4321	4.9245	4.7025	4.4985	4.3106	4.1371	3.9764
24	21.243	18.914	16.936	15.247	13.799	12.550	11.469	10.529	9.7066	8.9847	7.7843	6.8351	6.0726	5.4509	4.9371	4.7128	4.5070	4.3176	4.1428	3.9811
25	22.023	19.523	17.413	15.622	14.094	12.783	11.654	10.675	9.8226	9.0770	7.8431	6.8729	6.0971	5.4669	4.9476	4.7213	4.5139	4.3232	4.1474	3.9849

APPENDIX 1 (2)

FORMULA LIST

$$Pp = \text{Initial Outlay} / \text{Constant annual cash flow}$$

$$Pp = \text{Year before recovery} + \left[\frac{\text{Unrecovered cost at beginning of year}}{\text{Cash flow during that year}} \right]$$

$$NPV = \text{Total PV} - \text{Initial Outlay}$$

$$IRR = a\% + [(x - y) / (x - z)] \times (b\% - a\%)$$

$$PI = 1 + (NPV / \text{Initial Outlay})$$

$$Kd = CP + \frac{\text{Par} - (\text{CMP} - \text{Other Costs})}{\frac{n}{2}}$$

$$Kdat = Kd (1 - T)$$

$$Kps = D / \text{CMP} - \text{Other Costs}$$

$$Ke = D1 / \text{CMP} + g$$

$$Kne = D1 / (\text{CMP} - \text{Other Costs}) + g$$

$$WACC = (Kd (1 - T) \times Wd) + (Ke \times We) + (Kps \times WPs)$$

$$DOL = \text{Contribution} / \text{EBIT}$$

$$DFL = \text{EBIT} / (\text{EBIT} - \text{Interest})$$

$$DCL = DOL \times DFL$$

APPENDIX 2