



STAMFORD COLLEGE
SCHOOL OF BUSINESS
DIPLOMA IN CORPORATE ADMINISTRATION
(SEMESTER 5)

DCA 208: FINANCIAL MANAGEMENT

Date : 23 July 2007 (Monday)

Time : 2.00 PM – 4.00 PM

Duration: 2 hours

Instructions to Candidates

Question 1 from Section A is compulsory. Answer TWO out of FOUR questions from Section B.

Please ensure that this examination paper contains FIVE questions on FOUR printed pages before you start the examination.

Books, papers and other written materials are not allowed to be brought into the examination hall. A candidate who violates the examination rules of Stamford College or commits a malpractice will be disqualified from the examination.

Candidates may use calculators provided the calculators give no printout, have no work display facilities, are silent and cordless.

Write your Examination Index Number on each page of your answer booklet.

SECTION A (COMPULSORY)**Question 1**

- (a) Outline FIVE principal functions of a financial manager. (5 marks)
- (b) List any FIVE stakeholders in a company. (5 marks)

(Total = 10 marks)

SECTION B

Answer TWO out of FOUR questions.

Question 2

A company is considering two projects, Project A and Project B. Both projects are for similar product line and are expected to run for four years. Only one project can be accepted. The cash investments and cash income involved are as follows:

	Project A	Project B
	RM	RM
Initial investment	200,000	200,000
Year 1	35,000	218,000
Year 2	80,000	10,000
Year 3	90,000	10,000
Year 4	75,000	4,000

The company estimates its cost of capital to be 10% per annum.

	Discount factor	
	10%	20%
Year 1	0.909	0.833
Year 2	0.826	0.694
Year 3	0.751	0.579
Year 4	0.683	0.482

Required:

- (a) Calculate the Net Present Value (NPV) and Internal Rate of Return (IRR) for both projects. (14 marks)
- (b) Recommend, with reasons, which Project you will undertake. (4 marks)
- (c) State TWO other methods of assessing investment opportunities other than NPV and IRR. (2 marks)
- (Total = 20 marks)

Question 3

The following is the financial statements of Financial Sdn Bhd, a company with an accounting year ending on 31 December:

Summarised Balance Sheet

	2005		2006	
	RM'000	RM'000	RM'000	RM'000
Tangible fixed assets (at cost less depreciation)		4,995		12,700
Current assets:				
Stocks	40,145		50,455	
Debtors	40,210		43,370	
Cash at bank	<u>12,092</u>		<u>5,790</u>	
		<u>92,447</u>		<u>99,615</u>
Creditors – Amounts falling due within one year:				
Trade creditors	32,604		37,230	
Taxation	2,473		3,260	
Proposed dividend	<u>1,785</u>		<u>1,985</u>	
		<u>36,862</u>		<u>42,475</u>
Net current assets		<u>55,585</u>		<u>57,140</u>
Total assets less current liabilities		60,580		69,840
Creditors – Amount falling due after more than one year:				
10% debentures		<u>19,840</u>		<u>19,840</u>
		<u>40,740</u>		<u>50,000</u>
Capital and reserves:				
Called up share capital of RM0.25 per share		9,920		9,920
Profit and loss account		<u>30,820</u>		<u>40,080</u>
Shareholders' funds		<u>40,740</u>		<u>50,000</u>

Summarised Profit and Loss Accounts

	2005 RM'000	2006 RM'000
Turnover	<u>486,300</u>	<u>583,900</u>
Operating profits	17,238	20,670
Interest payable	1,984	1,984
Profit on ordinary activities before taxation	<u>15,254</u>	<u>18,686</u>
Tax on profit on ordinary activities	5,734	7,026
Profit for the financial year	<u>9,520</u>	<u>11,660</u>
Dividends	2,240	2,400
	<u>7,280</u>	<u>9,260</u>
Retained profits brought forward	23,540	30,820
Retained profits carried forward	<u>30,820</u>	<u>40,080</u>

Required:

- (a) Calculate, for each year, two ratios for each of the following user groups, which are of particular significance to them:
- (i) shareholders (8 marks)
- (ii) trade creditors (8 marks)
- (b) Briefly Comment on the changes between the two years, in the ratios calculated in (a). (4 marks)
- (Total = 20 marks)

Question 4

- (a) Describe the differences between debt financing and equity financing. (10 marks)
- (b) Briefly explain FIVE types of bonds. (10 marks)
- (Total = 20 marks)

Question 5

The management accountant of Budget Sdn Bhd is presented with the following budgeted data for the period January 2006 to August 2006. It has been extracted from the functional budgets that have already been prepared.

	Jan 2006 RM	Feb 2006 RM	Mar 2006 RM	Apr 2006 RM	May 2006 RM	June 2006 RM	July 2006 RM	Aug 2006 RM
Sales	100,000	120,000	130,000	150,000	160,000	170,000	180,000	200,000
Purchases	60,000	80,000	100,000	110,000	130,000	150,000	160,000	170,000
Wages	30,000	32,000	36,000	40,000	44,000	48,000	52,000	56,000
Overheads	30,000	30,000	35,000	35,000	35,000	40,000	40,000	40,000
Dividends		40,000						60,000
Capital expenditure			50,000			60,000		

Additional information is as follows:

- Sales are 50% cash and 50% credit. Credit sales are paid two months after the month of sale.
- Purchases are paid the month following purchases.
- 80% of wages are paid in the current month and 20% the following month.
- Overheads are paid the month after they are incurred.
- Dividends are paid three months after they are declared.
- Capital expenditure is paid two months after it is incurred.
- The opening cash balance is RM35,000.

The Managing Director has arranged for a bank overdraft with a ceiling of RM200,000 to accommodate the increased in stock level and wage bills for overtime worked.

Required:

- Prepare a cash budget for the six-month period March 2006 to August 2006. (16 marks)
 - Comment on your results and offer advice. (4 marks)
- (Total = 20 marks)

– END OF PAPER –