
UNIVERSITI SAINS MALAYSIA

First Semester Examination
2013/2014 Academic Session

December 2013 / January 2014

RMT 552 – Economics and Financial Management
(Ekonomi dan Pengurusan Kewangan)

Duration: 3 hours
(Masa: 3 jam)

Please check that this examination paper consists of SEVEN printed pages before you begin the examination.

Sila pastikan bahawa kertas peperiksaan ini mengandungi TUJUH muka surat yang tercetak sebelum anda memulakan peperiksaan ini.

Students are allowed to answer all questions either in English OR in Bahasa Malaysia.

Pelajar dibenarkan menjawab semua soalan dalam Bahasa Inggeris ATAU Bahasa Malaysia.

Answer **FOUR** questions only. Answer **TWO** questions from **SECTION A** and **TWO** questions from **SECTION B**. Question **ONE** in **SECTION A** is compulsory to be answered.

*Jawab **EMPAT** soalan sahaja. Jawab **DUA** soalan dari **BAHAGIAN A** dan **DUA** soalan dari **BAHAGIAN B**. Soalan **SATU** di dalam **BAHAGIAN A** adalah wajib di jawab.*

Please separate the answer book for each Section A and Section B.
Sila asingkan buku jawapan untuk setiap Bahagian A dan Bahagian B.

In the event of any discrepancies, the English version shall be used.

[Sekiranya terdapat sebarang percanggahan pada soalan peperiksaan, versi Bahasa Inggeris hendaklah diguna pakai].

SECTION A
BAHAGIAN A

1. Below is the expected cashflows of Project A and Project B. Outlay is given at year 0 while returns are given from year 1 to 4. You are required to analyse these two projects, using both Net Present Value (NPV) and Internal Rate of Return (IRR) methods with a criterion rate of return/target rate set at 8%.

Berikut adalah jangkaan aliran tunai Projek A dan Projek B. Perbelanjaan diberikan pada tahun 0 manakala pulangan diberikan dari tahun 1 hingga 4. Anda diminta untuk menganalisa kedua-dua projek ini menggunakan kaedah Nilai Kini Bersih (NKB) dan Kadar Pulangan Dalaman (KPD) dengan kadar kriteria pulangan/kadar sasaran yang ditetapkan pada 8%.

- (a) According to NPV which is the better project and should be chosen?

Menurut NKB, yang manakah merupakan projek yang lebih baik dan yang harus dipilih?

(10 marks/markah)

- (b) Will the outcome be the same for IRR?

Jika menurut KPD, adakah hasilnya akan sama?

(15 marks/markah)

- (c) How do we determine which of these two projects to invest in?

Bagaimana kita menentukan projek yang mana akan dipilih untuk dilaburkan?

(5 marks/markah)

	Project Projek A (RM)	Project Projek B (RM)
Year/Tahun 0	14000	8000
Year /Tahun1	7000	6000
Year/Tahun 2	5000	3000
Year/Tahun 3	4000	800
Year/Tahun 4	2000	500
NPV/NKB		
IRR/KPD		

2. When a firm is presented with a capital budgeting decision, one of its first tasks is to determine whether the project will prove to be profitable. Discuss these 3 methods: the Net Present Value (NPV), Internal Rate of Return (IRR) and Payback Period (PB) methods as they are the most common approaches to project selection.

Apabila firma dibentangkan dengan keputusan belanjawan modal, salah satu tugas pertama adalah untuk menentukan sama ada projek itu akan terbukti menguntungkan. Bincangkan 3 kaedah ini: Nilai Kini Bersih (NPV), Kadar Pulangan Dalaman (IRR) dan tempoh Bayaran Balik (PB) kerana pendekatan-pendekatan ini adalah yang paling biasa digunakan dalam pemilihan projek.

(20 marks/markah)

3. Based on the company Balance Sheet and Income Statement (attached) of Cahaya Sdn Bhd, please calculate and discuss the items as below;

Berdasarkan 'Balance Sheet' dan 'Income Statement' (dilampirkan) syarikat Cahaya Sdn Bhd, sila kira dan bincangkan item-item dibawah;

- (i) Quick Ratio/*Nisbah Cair*
- (ii) Debt Ratio/*Nisbah Berhutang*
- (iii) Operating Profit Margin/*Margin Keuntungan Operasi*
- (iv) Current Ratio/*Nisbah Semasa*

(20 marks/markah)

Cahaya Sdn Bhd
Balance Sheet
As at 31 December 2012

Asset	December	
	2012 (,000)	2011 (,000)
Current assets		
Cash	363	288
Marketable securities	68	51
Accounts receivable	503	365
Inventories	289	300
Total current assets	1,223	1,004
Gross fixed assets (at cost)		
Land and buildings	2,072	1,903
Machinery and equipment	1,866	1,693
Furniture and fixtures	358	316
Vehicles	275	314
Other (includes financial leases)	98	96
Total gross fixed assets (at cost)	4,669	4,322
Less: accumulated depreciation	2,295	2,056
Net fixed assets	2,374	2,266
Total assets	3,597	3,270
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Account payable	382	270
Notes payable	79	99
Accruals	159	114
Total current liabilities	620	483
Long term debt (includes financial leases)	1,023	967
Total liabilities	1,643	1,450
Stockholder equity		
Preferred stock-cumulative 55, \$100par, 2,00 shares	200	200
Common stock-\$2.50 par, 100,00 shares authorized, shares issued and outstanding in 2003: 76,262; in 2002; 76,244	191	190
Paid in capital in excess of par on common stock	428	418
Retained earnings	1,135	1,012
Total stockholders' equity	1,954	1,820
Total liabilities and stockholders' equity	3,597	3,270

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Cahaya Sdn Bhd
Income Statement
For The Year Ended 31 December 2012

	Dicember 31	
	2012	2011
	(,000)	(,000)
Sales revenue	3,074	2,567
Less: Cost of goods sold	<u>2,088</u>	<u>1,711</u>
Gross profits	<u>986</u>	<u>856</u>
Less: Operating expenses		
Selling expenses	100	108
General and administrative Expenses	194	187
Lease expense	35	35
Depreciation expense	<u>239</u>	<u>223</u>
Total operating expenses	<u>568</u>	<u>553</u>
Operating profits	418	303
Less: Interest expense	<u>93</u>	<u>91</u>
Net Profit before taxes	325	212
Less: Taxes (rate=29%)	<u>94</u>	<u>64</u>
Net profit after taxes	231	148
Less: Preferred stock dividends	<u>10</u>	<u>10</u>
Earnings available for common Stockholder	<u><u>221</u></u>	<u><u>138</u></u>

SECTION B
BAHAGIAN B

4. Free market economic fundamentals have always been dictated by supply and demand elements with little or no control from the government. While the dynamics of the buyer-seller relationship are often amiable between these two parties under a free market, there have been situations where the government had to intervene by imposing certain control measures in order to protect these parties. Based on your opinion, elaborate on government control measures normally undertaken within a market economy environment and state your stand whether this form of intervention is necessary or otherwise. All explanation, rationalization and justification should be centred and focused on the economic settings of the construction industry.

Asas-asas pasaran ekonomi bebas lazimnya ditentukan oleh elemen-elemen penawaran dan permintaan, dengan tiada atau hampir tiada kawalan oleh pihak kerajaan. Walaupun dinamik perhubungan di antara pihak penjual dan pembeli selalunya mesra, ada kalanya wujud situasi di mana pihak kerajaan terpaksa campur-tangan dengan memperkenalkan kaedah kawalan tertentu bagi maksud melindungi pihak-pihak ini. Berdasarkan pendapat anda, perelaskan kaedah kawalan kerajaan yang kebiasaannya diaplikasikan di dalam persekitaran pasaran terbuka serta nyatakan pendirian anda sama ada campur-tangan yang sebegini adalah perlu ataupun sebaliknya. Kesemua penjelasan, rasional dan wajaran perlulah didasarkan dan ditumpukan kepada ketetapan ekonomi industri pembinaan.

(25 marks/markah)

5. The selection of a proper project procurement method is often based on financial and market limitations. This also holds true for the option or desire for project privatization by governments. Without regard to the actual mode of privatization selected, list and discuss the key financial and market reasons that would drive a government to choose privatization as the most feasible means for project implementation.

Pemilihan kaedah perolehan projek yang sesuai adalah sering berdasarkan kepada kekangan-kekangan kewangan dan pasaran. Hal ini turut benar semasa pihak kerajaan membuat keputusan atau berhasrat untuk melaksanakan penswastaan projek. Tanpa mempertimbangkan mod penswastaan sebenar yang bakal dipilih, senaraikan dan bincangkan alasan dan sebab kewangan serta pasaran utama yang akan menuding sesebuah kerajaan untuk memilih penswastaan sebagai kaedah pelaksanaan projek yang paling berdaya maju.

(25 marks/markah)

6. The construction industry relies quite heavily on the element of financing and user purchasing power for its economic growth. This dependency has caused the property market to be susceptible to the effects and influence of both the macro and micro economic environments. Assuming yourself to be part of a government agency that oversees the provision of affordable residential units, explain how best to insulate this product segment from market uncertainties.

Industri pembinaan amat bergantung kepada elemen pembiayaan kewangan serta juga kuasa membeli pihak pengguna. Pergantungan ini telah menyebabkan pasaran harta tanah terlampau mudah terdedah kepada kesan-kesan dan pengaruh persekitaran ekonomi makro serta mikro. Dengan menganggapkan diri anda sebagai sebahagian dari satu agensi kerajaan yang memantau penyediaan unit-unit kediaman mampu milik, terangkan cara terbaik untuk melindungi segmen produk harta tanah ini daripada ketidaktentuan pasaran.

(25 marks/markah)