



**UNIVERSITI KUALA LUMPUR  
Malaysia France Institute**

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**FINAL EXAMINATION  
SEPTEMBER 2013 SESSION**

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**SUBJECT CODE** : FVB30903  
**SUBJECT TITLE** : INTRO TO BUSINESS ACCOUNT AND FINANCE  
**LEVEL** : BACHELOR  
**TIME / DURATION** :  
(3 hours)  
**DATE** :

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**INSTRUCTIONS TO CANDIDATES**

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1. Please read the instructions given in the question paper CAREFULLY.
  2. This question paper is printed on both sides of the paper.
  3. Please write your answers on the answer booklet provided.
  4. Answer should be written in blue or black ink except for sketching, graphic and illustration.
  5. This question paper consists of TWO (2) sections. Section A and B. Answer all questions in Section A. For Section B, answer three (3) question only.
  6. Answer all questions in English.
  7. Formula is provided.
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**THERE ARE 9 PAGES OF QUESTIONS, EXCLUDING THIS PAGE.**

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**SECTION A (Total: 40 marks)**

**INSTRUCTION: Answer all questions.**

**Please use the answer booklet provided.**

**Question 1**

APM Automotive Holdings Berhad is one of the leading automotive component suppliers to motor manufacturers and assemblers in Malaysia. Complete the balance sheet and sales information in the table 1 below by using the following financial data in figure 1 :

**Figure 1 : Financial data for APM Automotive Holdings Berhad**

Debt ratio : 50%
Quick ratio : 0.80x
Total assets turnover : 1.5x
Days sales outstanding : 36.5 days
Gross profit margin on sales : (Sales-Cost of Goods Sold)/Sales : 25%
Inventory turnover ratio : 5x

**Table 1 : Balance Sheet and Sales information for APM Automotive Holding Berhad**

Cash	_____	Accounts payable	_____
Accounts	_____	Long-term debt	RM 60,000
Receivable			
Inventories	_____	Common stock	_____
Fixed assets	_____	Retained earnings	RM 97,500
Total assets	<u>RM 300,000</u>	Total liabilities	_____
		and equity	
Sales	_____	Cost of goods sold	_____

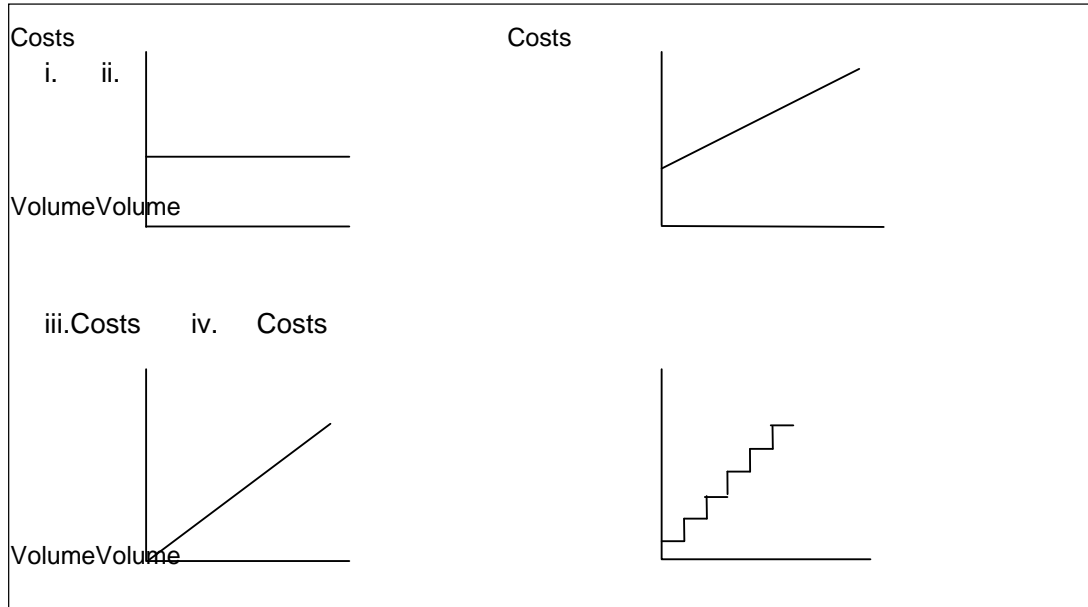
(10 marks)

**Question 2**

The following graphs relate to the behavior of certain costs involved in the operation of a mechanical engineering course offered by a local corporation in a program of adult education.

You are required :

a. Title and briefly explain each graph to show the type of cost it describe



(5 marks)

b. From the list of costs as listed below, select those that each graph describes.

- i. Cost of raw materials used by students
- ii. Depreciation of machinery and equipment used
- iii. Cost of blueprints and manuals. Extra copies must be acquired for every 6 students who enroll over the minimum number of 24
- iv. Utilities and maintenance. Utilities remain constant each month, but maintenance tends to vary with the usage of machinery and equipment

(5 marks)

**Question 3**

You are to evaluate a proposed machine for R&D department. The basic price is \$140,000 and it would cost another \$30,000 to modify the equipment for special use by the firm. The equipment will be depreciated in 3 years and would be sold after 3 years for \$60,000. The applicable depreciation rates are 33, 45, 15 and 7 percent. The equipment would require an \$8000 increase in working capital, and the project has no effect on revenues but would save the firm \$50,000 per year before-tax labor costs. The firm is subjected to 40 percent tax rate.

- a. What is the net cost of the machine, or what is the Year 0 project cash flow?  
(2 marks)
  
- b. What are the operating cash flows in Years 1, 2 and 3?  
(5 marks)
  
- c. What is the terminal cash flow?  
(5 marks)
  
- d. If the WACC is 12 percent, should the machine be purchased?  
(8 marks)

**SECTION B (Total: 60 marks)**

**INSTRUCTION: Answer three(3) questions only.**

**Please use the answer booklet provided.**

**Question 5**

The Daimler Company Limited, was an independent British motor vehicle manufacturer founded in London by H J Lawson in 1896, which set up its manufacturing base in Coventry. As of 2013, the brand appears to be dormant. In Table 2 below are financial statements of The Daimler Company Limited for years December 31, 2003 and 2004. Based on the statements, answer the questions provided.

**Table 2 : Financial Statement of The Daimler Company Limited for year ending December,31 2003 and 2004**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	10	15
Short-term investments	0	65
Accounts receivable	375	315
Inventories	615	415
<b>Total current assets</b>	<b>1,000</b>	<b>810</b>
<b>Non-current assets</b>		
Net plant and equipment	1,000	870
<b>TOTAL ASSETS</b>	<b><u>2,000</u></b>	<b><u>1,680</u></b>
<b>LIABILITIES ANDEQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	60	30
Notes payable	110	60
Accruals	140	130
<b>Total current liabilities</b>	<b>310</b>	<b>220</b>
Long-term bonds	754	580
<b>Total liabilities</b>	<b>1,064</b>	<b>800</b>
Preferred stock (400,000 shares)	40	40
Common stock (50,000,000 shares)	130	130
Retained earnings	766	710
Total common equity	896	840
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>2,000</u></b>	<b><u>1,680</u></b>

<b>Income Statement</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Net sales	3,000	2,850
Operation costs excluding depreciation and amortization)	<u>2,616.20</u>	<u>2,497</u>
Earnings before interest, taxes, depreciation and amortization (EBITDA)	<u>383.80</u>	<u>353</u>
Depreciation	100	90
Amortization	<u>0</u>	<u>0</u>
Depreciation and amortization	<u>100</u>	<u>90</u>
Earnings before interests and taxes (EBIT or operating income)	283.80	263
Less interest	<u>88</u>	<u>60</u>
Earnings before taxes (EBT)	195.80	203
Taxes (40%)	<u>78.30</u>	<u>81.20</u>
Net income before preferred dividends	117.50	121.80
Preferred dividends	<u>4.0</u>	<u>4.0</u>
<b>Net income</b>	<b><u>113.50</u></b>	<b><u>117.80</u></b>
Common Dividends	57.5	53
Additional to retained earnings	56	64.8

a. Calculate the following ratios for the financial year 2004 and 2003. Define each ratio and evaluate the ratios in relation to the industry averages.

i. Liquidity Ratio

- Current Ratio (Industry average 4.2x)
- Quick Ratio (Acid test) Industry average 2.1x)

ii. Profitability Ratios

- Return on Total Assets (ROA) (Industry average 9%)
- Return on Common Equity (ROE) (Industry average 15%)

iii. Debt Management Ratios

- Debt Ratio (Industry average 40%)
- Times-interest-earned (TIE) ratio (Industry average 6.0x)

iv. Asset Management Ratios

- Inventory Turnover Ratio (Industry average 9.0x)
- Total Assets Turnover Ratio (Industry average 1.8x)

(20 marks)

**Question 6**

Doyle's Candy Company is a wholesale distributor of candy. The company services groceries and convenience store in a large metropolitan area. Small but steady growth in sales has been achieved over the past few years while candy prices have been increasing. The company is formulating its plans for the coming fiscal year. Presented in Table 3 below, are the data used to project the current year's after-tax net income of RM264,960.

**Table 3 : Doyle's Candy Company financial data**

Average selling price	RM9.60 per box
Average variable costs	
Candy production	RM4.80 per box
Selling expense	RM0.96 per box
<b>Total</b>	<b>RM5.76 per box</b>
Annual fixed costs :	
Selling	RM384,000
Administrative	RM672,000
<b>Total</b>	<b>RM 1,056,000</b>
Expected annual sales volume	390,000 boxes
Tax rate	40%

Manufacturers of candy have announced that they will increase prices of their products an average 15% in the coming year due to increases in raw materials (sugar, cocoa, peanuts, etc) and labor costs. Doyle's Candy Company expects that all other costs will remain at the same rates or levels as the current year.

- a. What is Doyle's Candy Company's break-even point in boxes of candy for the current years?
- b. What selling price per box must Doyle's Candy Company charge to cover the 15% increase in variable production costs of candy and still maintain the current contribution margin percentage?
- c. What volume of sales in RM must Doyle's Candy Company achieve in the coming year to maintain the same net income after taxes as projected for the current year if selling price of candy remains RM9.60 per box and the variable production costs of candy increase 15%?

**Question 7**

During the last three-month period Pesona Ltd showed a net loss of RM20,000 and the directors are holding a meeting to discuss what action to take. Each Director has a proposal for consideration and you have been invited to attend and submit figures showing the result of each proposal. The one matter on which all the directors agree is a profit target of RM40,000 for the next period.

You have the following information in respect of the last period and also for the period immediately preceding it.

	<i>Last period</i>	<i>Preceding period</i>
Production and sales	9,000 unit	11,000 unit
Revenue	RM630,000	RM770,000
Total Costs	RM650,000	RM750,000
<b>Result</b>	<b>RM 20,000 loss</b>	<b>RM 20,000 profit</b>

Both of the above output were within the normal range of activity. It is estimated, however that if the output exceeds 12,000 units the variable cost will increase by RM10 for each unit in excess of 12,000.

The following proposal are put forward :

1. Improve packaging of the product at a cost of RM2.50 per unit in an effort to increase sales
2. Launch an advertising campaign costing RM20,000 in an effort to increase sales
3. Reduce selling price by RM2.50 per unit
4. By more efficient machinery which will reduce the variable costs per unit by RM10. Fix costs at present include RM40,000 per annum depreciation in respect of the machinery to be replaced.

You are required :

- a. Show how the figures for fixed and variable costs could be calculated.

(4 marks)

- b. Assuming that the variable costs were RM50 per unit and the fix costs were RM200,000, show the increases in sales necessary under each of the first three proposals to achieve the profit target



(10 marks)

- c. Show the amount which could be invested in new machinery under proposal 4, assuming that depreciation of 20 per cent per annum will be provided and that output will remain at 9,000 units.

(6 marks)

**Question 8**

- a. Define a budget and how is the budget different from a forecast?

(5 marks)

- b. What is the relationship between the budget and the business objective?

(5 marks)

- c. What are the four (4) uses of budgets and who should be responsible for setting long-term plans and budgets?

(5 marks)

- d. What are the steps involved in the budgeting process?

(5 marks)

**END OF QUESTION**