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UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EHB20403
COURSE TITLE	:	FINANCIAL MARKET AND INSTITUTIONS
PROGRAMME NAME	:	BACHELOR IN FINANCIAL TECHNOLOGY WITH HONOURS
DATE	:	26 JUNE 2026
TIME	:	9:00AM - 12:00PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consist of ONE sections.
4. Section A consist of five questions. Answer FOUR (4) questions only.
5. Please write your answer on the answer booklet provided.
6. Please answer all questions in English only.
7. Refer to the attached Formula/ Appendies. ☐ *Tick if applicable*

THERE ARE 7 PAGES OF QUESTIONS INCLUDING THIS PAGE

SECTION A (Total: 100 marks)

Answer FOUR (4) questions.

Please use the answer booklet provided.

Question 1

Please answer the following questions

(a) A municipal finance officer has RM20 million that may be needed within six months, while another RM30 million is reserved for a public-transport project that will begin only after five years. Analyze which financial market is more suitable for each fund and compare the risk-return characteristics of **TWO (2)** instruments from each market.

(8 marks)

(b) A retirement savings cooperative is considering lending members' savings directly to small businesses.

i. Analyze how using a licensed financial institution instead could reduce **monitoring cost** and **liquidity risk**.

(9 marks)

ii. The cooperative's members save small monthly amounts, but renewable-energy developers need large loans for projects lasting 10 to 15 years. Analyse how **maturity intermediation** and **denomination intermediation** solve this problem.

(8 marks)

Question 2

Please answer the following questions

(a) A securities lecturer presents three investors to a class. Amin buys shares only after finding repeated historical price patterns. Bella buys shares after studying audited annual reports, dividend announcements, and published industry forecasts. Chen is a senior manager who buys shares before his firm publicly announces a successful patent approval.

i. Analyze which form of market efficiency is being tested by each investor.

(4 marks)

ii. Analyze whether Bella can consistently earn abnormal returns if the market is semi-strong form efficient.

(4 marks)

iii. Analyse whether Chen's action is acceptable, and relate it to the strong form of market efficiency.

(4 marks)

(b) A central bank raises its overnight policy rate from **3.00% to 3.40%** after inflation expectations increase. At the same time, manufacturers are requesting more loans to expand production.

i. Explain how a central bank influences interest rates.

(2 marks)

ii. Justify **TWO (2)** reasons why market interest rates may rise.

(2 marks)

iii. Analyze the different impact of higher interest rates on borrowers and savers.

(2 marks)

(c) A listed company expects to pay suppliers in 90 days but currently has surplus cash. Describe the money market and explain why it is suitable for this situation.

(4 marks)

(d) Recommend **ONE (1)** money market instrument for the company and explain its usefulness.

(3 marks)

Question 3

Please answer the following questions

(a) Rimba Packaging Berhad has just paid a dividend of **RM1.60 per share**. The dividend is expected to grow at **4%** per year indefinitely. Investors require a return of **10.5%**.

i. Calculate the intrinsic value of the share using the constant-growth dividend discount model.

(4 marks)

ii. If the current market price **is RM22.80**, analyze whether the share appears underpriced or overpriced and recommend an action.

(4 marks)

iii. Justify why a small change in the required return or growth rate can significantly affect the value.

(4 marks)

(b) A bond analyst is comparing two bonds with a par value of **RM1,000.**
Refer Below - Table1 : Financial Information of bonds .

Table 1: Financial Information of bonds

Bond	Coupon Rate	Payment Frequency	Maturity	Required Return
Bond A	6.0%	Annually	5 years	7.4%
Bond B	5.5%	Semi-annually	10 years	4.8%

i. Calculate the fair price of Bond A and Bond B.

(9 marks)

ii. Justify whether each bond is selling at a premium, discount, or par value.

(4 marks)

Question 4

Please answer the following questions

(a) The government introduces a matched-savings scheme for households that place money into approved education savings accounts.

i. Demonstrate the likely effect on the supply of loanable funds.

(3 marks)

ii. At the same time, a new semiconductor park encourages firms to borrow for factories and machinery. Illustrate the likely effect on the demand for loanable funds.

(4 marks)

iii. Analyze the combined impact on equilibrium quantity and interest rate.

(6 marks)

(b) The following data are available for two banks.
Refer Below - Table2 : Financial Metric .

Table 2: Financial Metric

Financial Metric	Eastport Bank (RM millions)	Highland Bank (RM millions)
Net income	640	720
Total operating income	2,560	3,000
Total assets	64,000	75,000
Total equity	5,200	6,000

i. Calculate the profit margin (PM), asset utilization (AU), and return on assets (ROA) for both banks.

(4 marks)

ii. Calculate the equity multiplier (EM) and return on equity (ROE) for both banks.

(1 marks)

iii. Calculate the equity multiplier (EM) and return on equity (ROE) for both banks.

(1 marks)

iv. Analyze the relationship among ROA, Equity multiplier, and ROE.

(3 marks)

v. Based on the calculations, analyze which bank performs better. Justify your answer based from your analysis

(3 marks)

Question 5

Please answer the following questions

(a) A Malaysian importer must pay a European supplier in three months and is worried that the euro will appreciate against the ringgit.

i. Apply derivative-contract features to determine whether a forward contract or a futures contract is more suitable

(4 marks)

ii. Compare forwards and futures by analyzing contract customization, trading arrangement, and counterparty risk.

(4 marks)

(b) The importer must pay **EUR420,000** in three months. The current spot rate is **EUR/MYR5.08**, and the bank quotes a three-month forward rate of **EUR/MYR5.15**.

i. Analyze whether this forward rate is favorable or unfavorable compared with the current spot rate from the importer's perspective.

(2 marks)

ii. Determine whether the importer should take a long or short position in euro forwards and explain how it protects cash flow.

(4 marks)

iii. Calculate the MYR amount the importer will pay if it locks in the forward rate of EUR/MYR5.15.

(2 marks)

iv. Evaluate what the forward rate may imply about market expectations or interest-rate differentials.

(2 marks)

v. Three months later, the settlement-date spot rate is **EUR/MYR5.29**. Calculate the MYR cost under the forward contract.

(3 marks)

vi. Analyze whether the importer gained or lost compared with buying euros at the settlement-date spot rate.

(2 marks)

vii. Evaluate whether the importer made the correct hedging decision.

(2 marks)

END OF EXAMINATION PAPER