Universiti Tun Hussein Onn Malaysia

UNIVERSITI TUN HUSSEIN ONN MALAYSIA

FINAL EXAMINATION
SEMESTER II
SESSION 2017/2018

COURSE NAME	:	CONSTRUCTION FINANCIAL MANAGEMENT
COURSE CODE	:	BPD 22302
PROGRAMME CODE	:	BPC
EXAMINATION DATE	:	JUNE / JULY 2018
DURATION	:	2 HOURS
INSTRUCTION	:	ANSWER **ALL** QUESTIONS

THIS QUESTION PAPER CONSISTS OF **THREE (3)** PAGES

Q1 Private sector businesses have numerous tools available to assess risk and return for capital expenditures. The most effective of these is net present value (NPV). Government officials are faced with less straightforward methods when evaluating, choosing, and timing investments since returns are subjective.

(Sources: PMBOK Guide, 2013)

(a) Describe the present value and future value that used in the calculation of compound interest.

(5 marks)

(b) Discuss with examples the differences between the future value of an ordinary annuity (FVOA) and the present value of an ordinary annuity (PVOA).

(5 marks)

(c) Discuss with examples the difference between the future value of an annuity due (FVAD) and the present value of an annuity due (PVAD).

(5 marks)

(d) Demonstrate the situation that suits the use of an ordinary annuity or an annuity due in financial planning.

(10 marks)

Q2 Alaska has just graduated in Bachelor of Technology Management (Construction), he has worked for nearly 1 year in the industry. His assets and liabilities are shown in **Table Q2**.

Table Q2: Assets and Liabilities

Description	Amount
Net monthly salary	RM3,280.00
House loan payment	RM750.00
Savings account balance	RM2,500.00
Car loan payment	RM516.00
Clothing expense	RM150.00
Value of home computer	RM3,500.00
Groceries expense	RM220.00
Entertainment expense	RM130.00
Value of Cars	RM40,800.00
Student loan payment	RM212.00
Utilities expense	RM510.00
Laundry expense	RM50.00
Insurance	RM368.00

(a) Calculate the total assets, total liabilities, and nett worth.

(15 marks)

(b) Calculate the total income (cash inflows) and total expense items (cash outflows) according to the answer in **Q2 (a)**

(10 marks)

Q3 Starex Development Corporation estimates opportunity cost on investments at 9% compounded annually. As a financial analyst, you are asked to analyse the best investment opportunity based on the potential project investments.

- Option A-To receive RM1,000,000 today
- Option B-To receive RM4,000,000 at the end of 15 years
- Option C- To receive RM15,000 at the end of each month for 10 years compounded monthly
- Option D-To receive RM750,000 in 5 years and RM1,000,000 5 years later
- Option E-To receive RM750,000 in 5 years and RM1,750,000 10 years later

(a) Calculate the Present Value (PV) for each option.

(20 marks)

(b) Explain with reasons which option should be accepted.

(5 marks)

Q4 As a financial analyst for the Skynet Development Company. The director of capital budgeting is requesting you to analyse two proposed capital investments, Project A and B. Each project has a cost of RM1,000,000 and the cost of capital for each project is 12 percent. The projects' expected net cash flow are as shown in **Table Q4**.

Table Q4: Net Cash Flow

Year	Project A (RM)	Project B (RM)
2018	(1,000,000)	(1,000,000)
2019	650,000	300,000
2020	300,000	300,000
2021	300,000	300,000
2022	100,000	300,000

(a) Calculate the Net Present Value (NPV) for each project.

(10 marks)

(b) Calculate the Equivalent Annual Value (EAV) for each project.

(10 marks)

(c) Explain with reasons which project should be accepted.

(5 marks)

-END OF QUESTIONS-