



UNIVERSITY COLLEGE TATI (UC TATI)

**FINAL EXAMINATION QUESTION BOOKLET**

COURSE CODE	: BTE 3633
COURSE	: ENTREPRENEURIAL FINANCE
SEMESTER/SESSION	: 1 - 2022/2023
DURATION	: 3 HOURS

Instructions:

1. This booklet contains 5 questions. Answer **ALL** questions.
2. All answers should be written in answer booklet.
3. Write legibly and draw sketches wherever required.
4. If in doubt, raise your hand and ask the invigilator.

**DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO**

**THIS BOOKLET CONTAINS 3 PRINTED PAGES INCLUDING COVER PAGE**

**QUESTION 1**

- a) Explain the difference scopes of finance between accounting and economics. Provide an appropriate example. (6 marks)

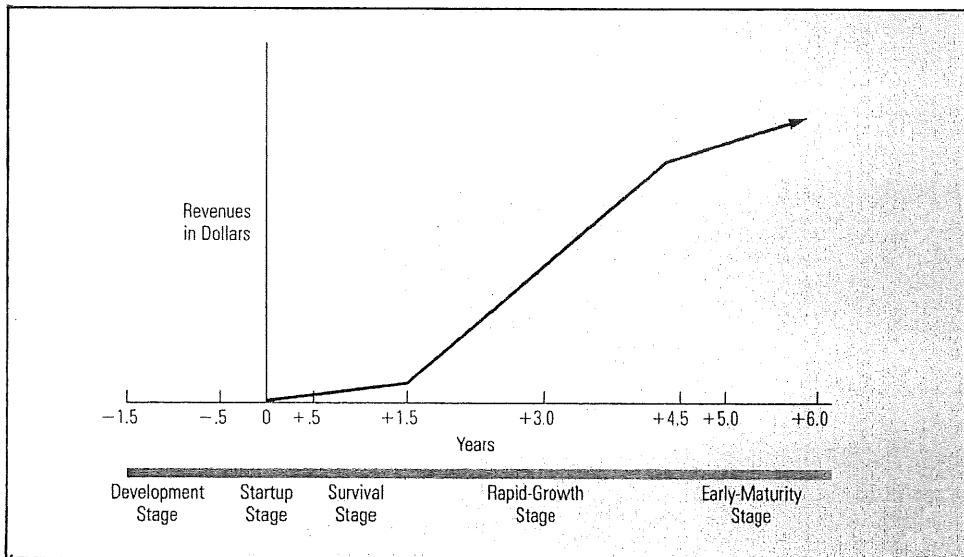


Figure 1: Life Cycle Stages of the Successful Venture

- b) By referring to Figure 1, discuss appropriate types of financing at each stage of venture life cycle. (16 marks)

**QUESTION 2**

- a) Define venture capital. (2 marks)
- b) Obtaining capital for a project through venture capital is very difficult. It involves many steps, which a prospective entrepreneur has to adopt when they approach an investor. Illustrate **FIVE (5)** venture capital funding process. (20 marks)

**QUESTION 3**

- a) Explain the scope of financial strategy (5 marks)
- b) Financial strategy has an interactive relationship with organizational strategy and product market strategy. Illustrate these **THREE (3)** strategies to influence the financial strategy in new venture. (12 marks)

**QUESTION 4**

Call options are financial contracts that give the option buyer the right, but not the obligation, to buy a stock, bond, commodity, or other asset or instrument at a specified price within a specific time period. Discuss **FOUR (4)** factors that affect the call option value.

(16 marks)

**QUESTION 5**

Fly High Accessories Sdn Bhd is considering the addition of a new brand of toy to its existing product line. In order to implement the plan, three alternative courses of action are available:

- a) Work overtime to meet the demand of the new toy. Overtime expenses are estimated RM20,000 per month.
- b) Install new equipment for which fixed expenses per month are expected at RM80,000
- c) Rent a machine at the rate of RM35,000 per month.

Variable cost associated with the above three alternatives are RM9, RM7 and RM8 per toy respectively. The price per unit of the toy is RM15. The expected demand for the toy is as given below:

- 10,000 pieces with a probability of 50%
- 20,000 pieces with a probability of 30%
- 50,000 pieces with a probability of 20%

Required: Use decision tree to find the most profitable alternative the company should adopt to manufacture the toy.

(23 marks)

----- End of question -----

