UNIVERSITI MALAYSIA TERENGGANU

FINAL EXAMINATION

SEMESTER I SESSION 2025/2026 (BACHELOR DEGREE)

COURSE	**:**	**FUNDAMENTALS OF FINANCIAL PLANNING**
COURSE CODE	**:**	**FNC3813**
DURATION	**:**	**3 HOURS**

MATRIC NO.	**:**	______________________
PROGRAMME	**:**	______________________
SEAT NO.	**:**	______________________

<u>INSTRUCTIONS TO CANDIDATES</u>

i. This paper consists of **TWO (2)** parts: Part A and Part B. Part A consists of 32 multiple choice questions while Part B consists of 3 structure questions. Answer **ALL** questions.

ii. Part A must be answered in the OMR form, while Part B must be written in the answer booklet provided.

DO NOT OPEN THE QUESTION PAPER UNTIL INSTRUCTED

THIS QUESTION PAPER CONSISTS OF TEN (10) PRINTED PAGES

PART A (40 Marks)

Please choose the most appropriate answer for each question in this part.

1. Apply your understanding of client behavioral tendencies to select the issue when a client repeatedly postpones creating a financial plan due to complexity and time requirements. (1.25 marks)

   A. Procrastination due to feeling overwhelmed.
   B. Family disagreement over goals.
   C. Lack of investment knowledge.
   D. Institutional delays.
   E. Decision paralysis resulting from information overload.

2. Assess how adopting a process approach, rather than a product approach, influences the quality of financial planning outcomes for clients. (1.25 marks)

   A. It results in a more holistic and client-focused plan based on comprehensive analysis of client needs.
   B. It minimizes the need for client input, allowing advisors to act independently.
   C. It focuses on achieving short-term sales targets rather than long-term goals.
   D. It limits recommendations to pre-selected financial products regardless of client circumstances.
   E. It encourages continuous review and adjustment of the financial plan as the client's circumstances evolve.

3. Classify which option **best** represents the concept of economic independence, where income from financial assets fully covers necessary living expenses. (1.25 marks)

   A. Relying on children to provide financial support in old age.
   B. When income from financial assets equals or exceeds living expenses.
   C. Eliminating all consumer debt and mortgage payments.
   D. Having one million ringgit in savings account.
   E. Generating passive income streams sufficient to sustain desired living standards without active employment.

4. Classify the client's primary concern of establishing a business succession plan and ensuring assets are transferred smoothly to beneficiaries into the appropriate key component of comprehensive financial planning. (1.25 marks)

   A. Personal Financial Management, as the focus is on cash flow management and liquidation of consumer debts.
   B. Tax Planning, as the goal is to utilize legal provisions to minimize tax burdens on wealth accumulation.
   C. Investment Management, as the primary objective is converting the business into a valuable retirement asset through accumulated funds.
   D. Estate Planning, as this component covers planning for all dispositions upon death, including wills, trusts, and business transition planning.
   E. Risk Management, as it involves protecting assets and ensuring continuity of wealth against unforeseen events.

5. FinSmart Consultancy is a partnership formed by three certified financial planners. They intend to provide financial advisory services to clients and wish to operate legally under the Financial Services Act 2013. According to the Act, which of the following statements best illustrates their situation? (1.25 marks)

   A. FinSmart Consultancy can directly apply for a financial adviser's license as a partnership.
   B. Only one of the partners needs to apply individually for the license.
   C. They must incorporate a company before applying for the financial adviser's license.
   D. They can operate without a license as long as all partners hold individual professional certifications.
   E. They can register as a licensed partnership only if they appoint a licensed principal responsible for regulatory compliance.

6. Demonstrate the primary functional outcome enabled by Corporate Unit Trust Adviser (CUTA) registration with FIMM that distinguishes it from the previous unit trust agency model. (1.25 marks)

   A. CUTA registration allows the firm to receive a full exemption from obtaining the Capital Market Services License (CMSL).
   B. CUTA registration guarantees the firm the ability to operate as a broker-dealer without needing to sign dealership agreements with vendors.
   C. CUTA registration enables the agent/firm to represent and handle products from more than one unit trust company.
   D. CUTA registration shifts the focus of the firm to strictly supporting representatives, preventing direct client interaction.
   E. CUTA registration allows the firm to manage compliance and reporting centrally for multiple representatives under a single license.

7. Assess the statements below and indicate those that **correctly** apply the single licensing regime under the Capital Market and Services Act 2007 (CMSA). (1.25 marks)

    i. A company can carry out multiple regulated activities under a single Capital Market Services License (CMSL).
    ii. Each regulated activity requires a separate license from the Securities Commission.
    iii. The single licensing regime reduces administrative compliance by consolidating licensing requirements for multiple activities.
    iv. Individual representatives no longer need to be licensed under the CMSL.

    A. i and iii only
    B. ii and iv only
    C. i, iii and iv only
    D. i, ii, and iii only
    E. All of the above

8. Assess whether Mr. Lim, a licensed accountant, can provide financial advisory services incidentally to his main professional practice under the Financial Services Act 2013. (1.25 marks)

    A. No, he must always hold a financial advisory license.
    B. Yes, because financial advisory services are incidental to his main professional practice.
    C. Yes, but only if he limits advice to insurance products.
    D. Yes, if he is also registered with the Malaysian Financial Planning Council.
    E. Yes, if he occasionally advises clients on financial matters.

9. Illustrate the difference between ethics and justice in financial planning by selecting the statement that **best** represents this distinction. (1.25 marks)

    A. Ethics depends on the law, while justice depends on personal conscience.
    B. Ethics is guided by internal conscience, while justice is imposed through external enforcement.
    C. Justice and ethics are interchangeable in professional practice.
    D. Justice focuses on moral reasoning, while ethics focuses on punishment.
    E. Ethics is only concerned with legal compliance, while justice ensures profits are maximized for all clients.

10. Choose the principle that should guide a person's ethical decision when faced with a moral dilemma involving the dynamics of life or the urge to survive. (1.25 marks)

    A. Choose the action that upholds life while avoiding harm to others as much as possible.
    B. Follow personal desires first since survival overrides all moral rules.
    C. Wait for legal or external authority to decide what action is right.
    D. Ignore ethical considerations if survival is at risk.
    E. Maximize personal advantage and disregard consequences for others, since survival justifies all actions.

11. Classify the ethical issue that represents a significant problem in the client-planner relationship. (1.25 marks)

    A. The regulator setting commission rates too high for most financial products.
    B. Planners recommending products based on the potential commission rather than the client's best interest.
    C. Clients refusing to disclose their full financial circumstances to the planner.
    D. Planners being legally required to offer products from every company in the industry.
    E. Clients always insisting that planners ignore professional advice in favor of popular investment trends.

12. Classify the statements that reflect the key professional attitude contrasting with self-centeredness. (1.25 marks)

    i. A financial planner prioritizes the client's welfare even when it reduces personal commission.
    ii. A consultant focuses solely on strategies that maximize their personal reputation and rewards.
    iii. A professional body encourages its members to act for the common good of society.

    A. i and iii only
    B. ii and iii only
    C. i and ii only
    D. i, ii and iii
    E. i only

13. Interpret the primary distinction between how assets are valued in a personal net worth statement versus a traditional accounting balance sheet. (1.25 marks)

    A. Personal statements value assets based on future income potential, while accounting uses book value.
    B. Personal statements use historical cost, while accounting uses current market value.
    C. Personal statements use current market value, while accounting uses historical cost.
    D. Personal statements only liquid assets, while accounting includes all assets.
    E. Personal statements ignore liabilities entirely, while accounting always deducts them.

14. Classify the case of rare painting purchased for the primary purpose of selling it for a future profit on an individual's net worth statement. (1.25 marks)

    A. As an investment asset
    B. As a cash or cash equivalent
    C. As a personal use asset
    D. As a contigent asset
    E. As a liability until sold

15. Compute the minimum amount Sarah should keep in her emergency fund if her monthly household expenses total RM4,000, according to general financial planning guidelines. (1.25 marks)

    A. RM4,000
    B. RM12,000 to RM24,000
    C. RM48,000
    D. RM10,000
    E. RM24,000 to RM48,0000

16. Interpret what the Debt Service Ratio compares as a key indicator of a person's ability to manage their loan payments. (1.25 marks)

    A. Total debt to total assets
    B. Annual debt payments to annual take-home pay
    C. Monthly savings to monthly gross income
    D. Liquid assets to total net worth
    E. Total outstanding loans to total credit card limits

17. Classify the type of debt represented when a client takes out a mortgage to buy a rental property and uses the rent to pay the loan, based on the debt classification system. (1.25 marks)

    A. Debt Red debt, because it involves the use of leveraging.
    B. Yellow debt, because it is secured by fixed real assets.
    C. Green debt, because the asset is intended to add value to net worth.
    D. Brown debt, since it is defined as mortgage debt or real estate debt
    E. Gray debt, because it carries a moderate risk without immediate benefits.

18. Assess which area of credit evaluation the bank would be most concerned about when a long-time customer with excellent payment history and high net worth faces temporary uncertainty in future cash flow. (1.25 marks)

    A. Character, since non-payment instances are observed.
    B. Collateral, as he should pledge assets to secure the loan.
    C. Capacity to pay, due to concerns regarding sufficient free income to meet new financial commitments and stable income.
    D. Capital position, as net worth is the primary determinant of borrowing ability
    E. Conditions, because external factors such as the contract affect the borrower’s ability to meet obligations.

19. Demonstrate which budgeting concept a household is applying when using the envelope system to control spending for dining and entertainment. (1.25 marks)

    A. Monitoring the personal inflation rate.
    B. Ensuring tax deductibility of expenses.
    C. Putting a lid on how much they will spend on that specific item of expenditure.
    D. Consolidating long-term loans into a shorter term The loan can be consolidated into a long-term mortgage.
    E. Creating a tangible method for tracking and enforcing spending limits.

20. Emily finds she spends excessively on her credit card every month. Apply the concept of 'control' to suggest which strategy she could use to manage her spending. (1.25 marks)

    A. The ability to keep the activity a secret from others.
    B. The ability to start something, continue its use, and stop its use.
    C. The ability to afford, justify, and profit from the activity.
    D. The ability to use the activity to relieve stress and anxiety.
    E. The ability to limit the activity to a safe or intended level.

21. Assess which factor would have the least direct influence on the interest rate a lender might charge. (1.25 marks)

    A. Central Bank monetary policy
    B. Borrowers' personal preference for current versus future consumption
    C. Inflation expectations
    D. Risk premium for potential default
    E. The borrower's preferred type of investment

22. Compute the total amount a student must repay if they purchase a car using a hire-purchase loan of RM 80,000 at a simple interest rate of 5% per annum for 4 years. (1.25 marks)

    A. RM 84,000
    B. RM 88,000
    C. RM 92,000
    D. RM 96,000
    E. RM94,000

23. Compute the future value of an ordinary annuity if a person contributes RM 13,800 at the end of each year for 20 years, assuming the account earns 5% per annum. (1.25 marks)

    A. RM 276,000
    B. RM 173,575
    C. RM 456,310
    D. RM 265,329
    E. RM 373,515

24. Predict the effect on the monthly payment if the loan term is extended from 20 to 30 years. (1.25 marks)

    A. The monthly payment remains the same, but the final payment is smaller.
    B. The monthly payment decreases significantly, by more than half.
    C. The monthly payment increases because more total interest is paid.
    D. The monthly payment decreases, but not substantially.
    E. The monthly payment stays nearly the same, but the total interest paid rises.

25. Classify the economic principle demonstrated when Malaysia's government regulates key industries, provides subsidies, and encourages foreign investment while allowing private businesses to operate freely. (1.25 marks)

    A. Pure capitalism
    B. Free market capitalism with government intervention
    C. Communism
    D. Commodity-based economy
    E. Mixed economy

26. A recent report shows that Malaysia's fastest-growing industries are finance, tourism, retail, and information and communication technology (ICT). Most new jobs are also being created in these sectors, while traditional industries like agriculture and mining employ fewer people and contribute less to GDP. Based on this information, classify which economic sector currently contributes most to GDP and employment. (1.25 marks)

    A. Agriculture
    B. Mining and Quarrying
    C. Manufacturing
    D. Services
    E. Construction

27. Classify the phase of the business cycle for Malaysia's economy, given that GDP has fallen for two consecutive quarters, consumer spending has dropped, businesses face lower sales, and several companies have announced layoffs. (1.25 marks)

    A. Expansion
    B. Peak
    C. Contraction
    D. Trough
    E. Recovery

28. Bank Negara Malaysia wants to reduce rising demand-pull inflation by using contractionary monetary policy through open market operations. Apply your knowledge of monetary policy to select which action would help achieve this. (1.25 marks)

    A. Buying government securities from the money market to put cash into the system.
    B. Reducing the Statutory Reserve Ratio (SRR) held by commercial banks.
    C. Lowering the Overnight Policy Rate (OPR) to reduce the base lending rate.
    D. Selling government securities in the money market, thereby reducing money available for private sector borrowing.
    E. Increasing the Statutory Reserve Ratio (SRR) to limit funds available for lending.

29. Classify the type of bias demonstrated when a person remembers hearing several news stories about insurance claims being denied and concludes that insurance companies rarely pay out. (1.25 marks)

    A. Availability Bias
    B. Evidence Bias
    C. Illusion of Control Bias
    D. Familiarity Bias
    E. Confirmation Bias

30. Classify the type of risk behavior exhibited by an individual who consistently prioritizes stability, focuses on potential negatives of investment, and chooses the sure outcome when faced with equal expected payoff choices. (1.25 marks)

    A. Risk Seeking, because they exhibit a partiality for uncertainty versus certainty.
    B. Risk Indifferent, because they are neither attracted nor repelled by risk.
    C. Thrill Seeker, because they despise routine and actively create risk to satisfy their thirst for excitement.
    D. Risk Averting, because they have a preference for certainty over uncertainty and tend to overestimate risk.
    E. Conservative Investor, because they consistently prioritize capital preservation over potential higher returns.

31. A financial planner looks at a client's past financial behaviors to estimate their future risk-taking ability. Which combination of behaviors most likely indicates a high comfort with uncertainty, suggesting the client is a risk taker? (1.25 marks)

    A. Mostly safe investments like unit trusts and time deposits, with high insurance coverage.
    B. High debt levels, frequent job changes, and large fluctuations in income.
    C. Stable government job and only accepting fixed, secure commissions.
    D. Exclusive investment in growth funds, but classified as highly risk averse due to age.
    E. Investing in a mix of high-growth and speculative assets while occasionally changing careers or roles to pursue new opportunities.

32. A client scores high on a quantitative risk assessment, indicating strong risk-taking, but their portfolio is mostly low-risk investments like savings accounts. Apply the client's risk assessment and portfolio information to illustrate the most appropriate next step in advising them. (1.25 marks)

    A. Recommend high-risk investments immediately, because the test score is definitive.
    B. Reassess and clarify with the client, since their stated tolerance does not match their financial behavior.
    C. Ignore the portfolio and classify the client as Risk Indifferent.
    D. Classify the client as risk averse, using past behavior as the primary guide.
    E. Explore the reasons behind the discrepancy, such as psychological factors or past experiences, before making any recommendations.

PART B (60 Marks)

Please answer all questions.

1. Portfolio diversification is an important concept in modern finance. Its foundation plays a vital role in providing mathematical background to gain optimal level of return given risk, and its concept is widely championed by mutual funds.

    a. Present **five (5)** ways you can diversify with stocks. (5 marks)
    b. Show **three (3)** ways you can diversify with bonds. (3 marks)
    c. Briefly interpret the following three investment strategies: active investing, buy-and-hold policy and portfolio diversification. (6 marks)

2. In any economy, taxation plays a vital role as it finances the national development, infrastructure, public services, and social programs, which collectively promote economic growth and enhance the quality of life for its citizens.

    a. Demonstrate how the chargeable income of a person, upon which tax is chargeable for a year of assessment, shall be ascertained in accordance with Section 5 of Act. (12 marks)
    b. Briefly classify **six (6)** categories of income under Section 4 of the Act. (6 marks)

3. Bankruptcy cases in Malaysia suggests the importance of risk management in financial planning. Likewise, estate and retirement planning are crucial for safeguarding financial stability, preserving assets, and facilitating a seamless transfer of wealth.

    a. Interpret in details the following **three (3)** common types of life insurance: term, whole life and endowment policies. (15 marks)
    b. Briefly interpret the meaning of estate. (1 mark)
    c. Present the **six (6)** steps estate planning process. (6 marks)
    d. Present the **three (3)** broad sources of funding for retirement an individual in Malaysia. (6 marks)

End of Question Paper