

## Set 1 Questions & Answers 010808

### Set 1

- 1) An investor can obtain loan from a financial institution for the purpose of investing in UT. Mr. B wants to invest RM 80,000 in Equity UTS. Assuming he has borrowed up to the maximum margin of financing, what would be the amount he needs to invest on his own?

- A. 27,400  
B. 26,400  
C. RM28,400  
D. RM29,400

#### **Answer B**

Maximum loan to valuation = 67%

Balance from own pocket money = 33%

$33\% \times \text{RM } 80,000 = \text{RM } 26,400$

- 2) The following are the roles of UTC, except;
- A. Inform the investor about the structure of UTS and what their rights as unitholders are.
  - B. To be responsible to the customer's request with honesty and dignity.
  - C. Force sell to the customer in order to get benefit from their investment.
  - D. Fine-tune their product knowledge.

#### **Answer C**

UTC should not do force selling in order to get the investor to invest with them and benefited from the investor's investment

- 3) Which of the following can be used to measure UTS in Malaysia?
- I. Benchmarks
  - II. Total Return over Various Time Periods
  - III. Performance tables
  - IV. Asset allocation

- A. I and II
- B. I, II and III
- C. I, III and IV
- D. All of the above

#### **Answer B**

Asset allocation is not one of the ways to measure performance of UTS in Malaysia. It is the practice of spreading a portfolio of investments across a range of investment assets, to reduce the level of risk to match the risk tolerance of investor.

- 4) All those entering the unit trust industry with the intention of marketing and distributing unit trust are required to meet the requirement by FMUTM. Based on the Guidelines on Marketing and Distribution of Unit Trust Funds, which of the following statement is not valid?
- A. Without the UTS prospectus a registered person is not allowed to market or distribute unit trust.
  - B. Persons registered with the UTMC and upon receiving the authorization card by the UTMC, are allowed to start selling the unit trust fund.
  - C. The registered persons must bring along together with them the authorization card when they go to see their prospect.
  - D. Persons who wish to market and / or distribute units must be at least 21 years of age.

#### **Answer B**

UTC must be registered with FMUTM and upon receiving the authorization card by FMUTM only they are allowed to start selling.

- 5) To further reduce risks to investors in UTS, the Securities Commission specifies the maximum exposure of a UTS's portfolio to specific investments. The limit can be in form of exposure to a single issuer, class of securities or group of companies. Investment restriction on the maximum exposure in a single company is to;

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- A. Specify the maximum amount that the fund is allowed to invest in any one group of companies.
- B. Maximize the pool of Malaysian resources that is invested in Malaysia.
- C. Limit the downside of investing in any one single stock.
- D. Restrict all the amounts of the fund to be invested in overseas market.

### Answer C

In limiting exposure, the portfolio of the UTS is inadvertently diversified over a wide spread of investments. (Chapter 2, page 2-11)

- 6) The following are the characteristics of Syariah UTS except;
- A. The main objective of Syariah UTS (or Islamic UTS) is to provide an alternative investment options for investors who is sensitive to Syariah Principle.
  - B. The returns of Syariah UTS will also avoid the incidence of riba or usury interest.
  - C. The stocks of Syariah UTS will exclude companies involved in activities, products or services related to conventional banking, insurance, financial services, gambling, alcoholic beverage and non-halal food products.
  - D. The Syariah fee is borne by the investor themselves in investing in Syariah UTS.

### Answer D

Syariah fee is not borne by the investor but it is borne by the Management.

- 7) “Leveraging” into an investment means
- A. Borrowing funds to invest to gain maximum exposure, expecting that the rate of return on investment will exceed the borrowing cost, thus giving rise to additional profit.
  - B. Lowering the risk of investing especially in unit trust.

- C. Using the dollar cost averaging method to lower down the cost per unit.
- D. Lending money to investors who wish to gain maximum exposure to make sure the growth of the assets.

### Answer A

To maximize potential investment returns, some investors investing in UTS borrow the application money to invest, expecting the rate of return from investing in UTS will exceed the borrowing cost, thus giving rise to additional profit. This is known as leveraging investment in UTS. (Chapter 1, page 1-6)

- 8) The statements below are about Management Expense Ratio (MER) of a particular fund in UTS except
- A. In calculating MER, auditor fee is considered as one of the expenses of the fund.
  - B. MER shows the fees and expenses that the fund incurred in the year.
  - C. Formula of  $MER = \frac{\text{fees} + \text{recovered expenses}}{\text{Average Fund Size}} \times 100\%$
  - D. The lower the MER, the lower the return that the investor will get from that fund.

### Answer D

The low MER indicates that the UTMC may be managing its operating costs efficiently for its fund size. (Chapter 1, page 1-32)

- 9) Compounded annual return is an annual compound rate of return achieved by an investment over its holding period. Assuming an investor has put in lump sum of RM 250,000 capital to invest in UTS X that produced 80% total return over 10 years. Calculate what is compounding rate p.a. for UTS X for the past 10 years?
- A. 6.05 %
  - B. 7.02%
  - C. 9.05%
  - D. 8.02%

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**Answer A**

Capital = RM 250,000

Profit (80%) = RM200, 000

Where FV = Future Value, RM 450,000

PV = Present Value, RM 250,000

$i$  = rate of return

$n$ =period, 10 years

$$FV = PV (1+i)^n$$

$$RM 450,000 = RM250,000 (1 + i)^{10}$$

$$1.8 = (1 + i)^{10}$$

$$^{10}\sqrt{1.8} = (1 + i)$$

$$1.0605 = 1 + i$$

$$i = 6.05\%$$

- 10) During the year-end of Fund S, the fund managers sold investments with gross proceeds of RM 2,653,843 and purchased additional investments at a gross cost of RM 946,632. The average fund size during the year was RM 5,244,789. Calculate the PTR for the year-ended 31 December 200X.

A. 0.26 times

B. 0.33 times

C. 0.34 times

D. 0.25 times

**Answer C**

$$PTR = \frac{\frac{1}{2} \times [\text{total investment acquisitions} + \text{total investment disposal}]}{\text{Average Fund Size}}$$

$$PTR = \frac{\frac{1}{2} \times [946,632 + 2,653,843]}{5,244,789}$$

$$= 0.34 \text{ times (34\%)}$$

- 11) UTMC is entitled under the deed of UTS to receive an annual management fee. What is an annual management fee?

- A. A fee based on the Selling Price of the Fund paid by the unit holder to the unit trust manager for ongoing management of the unit trust fund.
- B. A fee based on the Gross Net Asset Value of the fund paid by the unit holder to the trustee for ongoing management.
- C. A fee based on the Gross Net Asset Value of the Fund paid by the unit holder to the unit trust manager for ongoing management of the unit trust fund.
- D. A fee based on the Net Asset Value of the Fund paid by the unit holder to the trust manager for ongoing management of the unit trust fund.

**Answer C**

UTMC are usually entitled under the deed of UTS to receive an annual management fee calculation on the Gross NAV of UTS. The fee is paid out of UTS assets and is therefore borne by investors on the basis of the number of units each hold. (Chapter 1, page 1-30)

Question 12 and 13

- 12) Net Asset Value is RM250,000 while units in circulation is 1,000,000 units for fund ABC. Calculate the NAV per unit for Fund ABC.

A. RM0.25

B. RM0.27

C. RM0.24

D. RM0.23

**Answer A**

$$\begin{aligned} \text{NAV/unit} &= \text{RM}250,000 / 1,000,000 \\ &= \text{RM}0.25 \end{aligned}$$

- 13) Assume that Mr. Z wants to invest RM32,000 into Fund ABC. Calculate the number of units he will get from the investment. (Service charge paid separately).

A. 118,518.52 units

B. 128,000.00 units

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- C. 133,333.33 units
- D. 139,130.43 units

**Answer B**

$$\begin{aligned} \text{No. of units held upon investment} &= \frac{\text{Investment Amount}}{\text{NAV/unit}} \\ &= \frac{\text{RM}32,000}{\text{RM}0.25} \\ &= 128,000.00 \text{ units.} \end{aligned}$$

- 14) Compute the Trustee fee from the MER calculation of Fund A.

Auditor's fee	RM 200
Management fee	RM15, 000
Printing annual report	RM 500
Printing interim report	RM 500
Other expenses	RM 5,000
Trustee fee	?

Average fund size is RM 1,500,000 and the MER is 1.47%.

- A. RM 800
- B. RM850
- C. RM700
- D. RM750

**Answer B**

$$\begin{aligned} \text{MER} &= \frac{[\text{fees} + \text{recovered expenses}]}{\text{Average Fund Size}} \times 100 \\ 1.47\% &= \frac{[\text{RM} 200 + 15,000 + 500 + 500 + 5,000 + \text{Trustee fee}]}{\text{RM} 1,500,000} \\ 1.47\% &= \frac{[\text{RM} 21,200 + \text{Trustee fee}]}{\text{RM} 1,500,000} \\ 22,050 &= 21,200 + \text{Trustee Fee} \end{aligned}$$

$$\begin{aligned} \text{Trustee Fee} &= 22,050 - 21,200 \\ \text{Trustee fee} &= \text{RM} 850 \end{aligned}$$

- 15) A UTMC declared a unit split of 1:10. The NAV pre unit split is RM 500,000,000. Units in the circulation pre unit split are 250,000,000 units. What is the NAV per unit after the split?

- A. RM 1.71
- B. RM 1.70
- C. RM1.80
- D. RM1.82

**Answer D**

NAV before the split	RM 500,000,000
Units in circulation before the split	250,000,000 units
NAV per unit	RM 2.00

NAV after the split	RM 500,000,000
Units in circulation after the split (250,000,000 + 25,000,000)	275,000,000 units
NAV per unit	RM 1.82

- 16) \_\_\_\_\_ is a fee charged by a UTMC to an investor in UTS who sells his or her units in the UTS.

- A. Exit Fee
- B. Initial offer price
- C. Initial service charge
- D. Annual management fee

**Answer A**

- 17) The NAV is RM380,000 while units in circulation is 1,400,000 units for Fund XYZ. Assume that Mr. B wants to sell his units, calculate the amount that he will receive if he sells 15,000 units. (Use 3 decimal points for calculation)

- A. RM3,750
- B. RM4,065
- C. RM3,600
- D. RM3,450

**Answer B**

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NAV/unit = RM380,000/1,400,000  
= RM0.271 (3 decimal points)  
Repurchase amount = units repurchased x NAV/unit  
= 15,000 units x RM0.271  
= RM4,065.00

- 18) “This UTS is having at least 75% exposure in the investment of real estate, single-purpose companies, real estate-related assets or liquid assets; with at least 50% of assets to be invested in real estate or single-purpose companies and the remaining 25% of assets invested in other real estate-related assets, non-real estate-related assets or asset-backed securities”  
Which of the following UTS best suit to the illustration above?

- A. Managed Funds                      C. Islamic Funds  
B. Listed REIT                          D. Equity Funds

### Answer B

Listed REIT (Real estate investment trust) is the UTS that best suit to the illustration of the paragraph. (Chapter 2, 2-13)

- 19) What are the eligibility requirements for an authorized person who is an individual?
- I at least 21 years of age  
II has attained at least Grade 3 in SPM (or its equivalent as determined by a body approved by the SC or a recognized self-regulatory organization))  
III obtain a pass on a qualifying examination conducted by a body approved by the SC or a recognized self-regulatory organization.  
IV must not be an insurance agent or life insurance agent
- A. I,II,III                                  C. I and III  
B. I,II,IV                                 D. All of the above

### Answer A

A UTC can be an insurance agent and it is not the requirement from the Federation. (Chapter 2, page 2-22)

- 20) UTC Y knows that providing superior service to his clients is of paramount importance. The success of his relationship can be measured in qualitative terms which are reflected by the actions listed below except:
- A. The high quality of on going reporting and customer care  
B. Not responding to requests and complaints made by investor  
C. The ease with which transactions can be made  
D. The depth of knowledge of customer service staff of UTMC, IUTA, and UTC

### Answer B

It should be – the responsiveness to requests and complaints made by investor (Chapter 1, page 1-37)

- 21) Unitholder F is a first-time investor and has purchased UTS XYZ from UTC B, on Tuesday, 2 May 2006. After returning home, he met some friends who have experiences in UTS investment. Prior to his discussion with his friends, he started to feel that he did not fully understand the purchase and he also felt that UTC B has misled him by focusing more on past performance of UTS XYZ. What is your advice to Unitholder F?
- A. Unitholder F cannot do anything at all as the purchase has been made.  
B. Unitholder F should wait for the right time to repurchase all his units  
C. Unitholder F can exercise his “cooling-off” right which is an opportunity to reconsider his purchase.  
D. Unitholder F should terminate UTC B’s services immediately.

### Answer C

As a safeguard to an investor who may have purchased units without fully understanding the UTS purchased, or who may have been misled

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by UTC, SC has imposed upon UTMC an obligation to provide an investor with an opportunity to reconsider his/her purchase ('cooling-off' right) (Chapter 3, page 3-6)

- 22) Unitholder Z received an Annual Report on the performance of UTS B which he invested in. Listed below are the major contents of the Annual Report which he will come across except:
- I. Average Annual Return over one, three and five years, and since launch.
  - II. UTS B's investment objectives and policies.
  - III. Auditor's Report
  - IV. Risk Disclosure Statement.
  - V. Cooling-Off Right.
- A. II and IV only  
B. I, II, III only  
C. III, IV, V only  
D. IV and V only

### Answer D

Risk Disclosure Statement is signed by a client as to prove that he is fully explained and understood the risks involved in leveraging his investment. UTC are required to attach the original Risk Disclosure Statement signed by the investor to the application of units, after which it is to be filed by UTMC for record and inspection purposes, and to forward a copy to the investor. (Chapter 3, page 3-10, 3-21 & 3-22)  
Cooling-Off Right are not included in Annual Report, instead must be disclosed in the prospectus of UTS. (Chapter 3, page 3-6)

- 23) The UTMC will determine (with trustee's approval), the total amount of income of UTS to be distributed. The amount available for distribution from UTS may include only realised income/gains and after deducting expenses and taxation. Which of the following is realised income/gains?
- A. Dividend and interest income received.

- B. Other income received.  
C. Realised capital gains from the sale of investments.  
D. All of the above

### Answer D

Realised income or gains comprises of dividend income received (derived from investment in quoted and unquoted shares of company), interest income received (derived from investments in quoted and unquoted fixed income securities, money market instruments and placement), other income received and realized capital gains from the sale of investments. (Chapter 3, page 3-11)

### Question 24 and 25

- 24) Before 1 January 2007, Azmi has RM189,345 in A/C 1. RM94,672.50 in A/C 2, and RM31,557.50 in A/C 3. After 1 January 2007, each sub-account has:
- A. Account 1 : 220,902.50 ; Account 2 : 94,672.50  
B. Account 1 : 284,017.50 ; Account 2 : 31,557.50  
C. Account 1 : 189,345.00 ; Account 2 : 126,230.00  
D. Account 1 : 157,787.50 ; Account 2 : 157,787.50

### Answer C

Account 1: 189,345; Account 2 : 94,672.50 + 31,557.50 = 126,230

- 25) Azmi has been approached by UTC F from UTMC Z to transfer his savings from EPF to UTS C managed by UTMC Z on 3 February 2008. He is 28 years old and the basic savings for him is RM14,000. However, the savings he has in account 1 is RM20,000. How much is the maximum amount can he invest from EPF?
- A. RM6,000.00  
B. RM1,200.00  
C. RM14,000.00  
D. RM20,000.00

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**Answer B**

Account 1 balance	:	RM20,000
Baisc Savings	:	RM14,000
Eligible amount	:	RM6,000
Maximum amount to be transferred to UTS (20% of eligible amount)	:	RM1,200

26) Upon agreeing to transfer his amount from Account 1 balance to UTS C, what are the documents which Azmi has to provide UTMC Z?

- I. the completed EPF application form [Form KWSP 9F (AHL)].
- II. one certified true copy of the client's identity card (IC) photocopied on A4-sized paper, with both the front and reverse of the IC photocopied on the same face of the paper.
- III. the client right and left thumbprints affixed on the above photocopy.
- IV. completed application form from UTMC Z for UTS C.
- V. Risk Disclosure Statement signed by investor.

- A. I, II, IV only
- B. I, II, III only
- C. I, II, III, IV only
- D. All of the above

**Answer C**

Investor has to provide the documents as stated in I, II, III, IV. Risk Disclosure Statement is not needed as investor is investing through the EPF Investment Scheme and not loan financing.

27) After a few years of investment, Azmi wishes to sell his units in UTS C. Which of the following is false?

- A. The repurchase proceeds paid by UTMC Z will be directly credited into member's Account 1.
- B. Proceeds from the disposal of units will be repaid to investor.

- C. Investor holding units in UTS acquired with EPF-source application money is able to sell units at any time and in the normal manner, without the completion of EPF Form KWSP 9F(3).
- D. Any distributions accruing to unitholders from EPF-source application money are automatically reinvested.

**Answer B**

Proceeds from the disposal of units cannot be repaid to investor as it is paid directly to the EPF to be re-credited to member's Account 1.

28) As an investor, Lily is aware of other investment opportunities that exist besides UT investment and as a UTC, your role is to advise Lily on the features of each investment. Choose the correct statement which describe them.

- I. Cash and Fixed Deposits – not suitable for medium to long-term investment and usually offer lower relative returns due to lower risk.
- II. Direct Share Investment – requires sound financial knowledge and time in order to gain profit.
- III. Direct Investment in Property – small investor having difficulty to gain exposure to it as large amounts of capital are required.
- IV. International investments – investment is affected by tax and other regulations, costs of managing and accounting for currency exposure.
- V. Financial Derivative Products – an avenue to earn potentially very high returns (or losses) without large capital outlays but small investor is not really equipped to analyze derivative products as sound knowledge and understanding is needed.

- A. I, II, III only
- B. I, II, III, IV only
- C. II, III, IV, V only
- D. All of the above

**Answer D**

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All of the alternative investment tools and their features are correctly explained. (Chapter 3, page 3-25 to 3-27)

- 29) An investment in UTS can be used to meet longer term needs except
- A. For home purchase.
  - B. To meet children's future education costs.
  - C. Can make fortune overnight as in direct share investment.
  - D. To build up a retirement fund.

**Answer C**

Longer term needs including home purchase, meeting children's future education costs and building up a retirement fund. Making fortune overnight is not a longer term need. (Chapter 3, page 3-30)

- 30) As required by SC, the content of the annual report of UTS should include the following except;
- A. Financial Statements of UTS
  - B. Manager's Report
  - C. Unitholder's right
  - D. Auditor's Report

**Answer C**

Not required in Annual Report

- 31) If a customer is unsatisfied with UTC 's marketing ethics, a customer can direct their complaints through these channels except;
- A. UTMC
  - B. FMUTM
  - C. Ministry of Finance
  - D. Securities Commission

**Answer C**

- 32) As a registered UTC, Charles is aware of the importance in complying to regulations, procedures and rules, and compliance is

the responsibility of everyone in the organization. He benefits in many ways from compliance except

- A. An enhanced reputation and easier to attract clients and increase business.
- B. A reduced risk of litigation by clients.
- C. The opportunity for UTC to update their knowledge of legal and other relevant obligations.
- D. An increase in client complaints.

**Answer D**

It should be a reduction in client complaints.

- 33) As a UTC, Shirley has to adhere to the UTC Code of Ethics which outlined by the followings except:
- I. Honesty, Dignity and Integrity
  - II. Appropriate Designation or Title
  - III. Advertisements and Promotional Materials
  - IV. Appointment of qualified persons
  - V. Fair Dealing
- A. I, II, III only
  - B. II, III, IV only
  - C. III, IV, V only
  - D. All of the above

**Answer B**

Appropriate Designation or Title, Advertisements and promotional materials, appointment of qualified persons are the Standards of Professional Conduct for UTC. (Chapter 4, page 4-9 & 4-10)

- 34) A complaint may be referred by the FMUTM's Executive Director to the FMUTM Council. The Council may within \_\_\_\_\_ refer the complaint to an appointed Investigating Committee to ascertain if the complaint is valid or has any substance.



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- A. 14 business days
- B. 6 business days
- C. 14 calendar days
- D. 6 calendar days

**Answer A**

The FMUTM Council may within 14 business days refer the complaint to an appointed Investigating Committee. (Chapter 4, page 4-10)

35) Why is compliance an advantage to UTC?

- A. Enable them to update their knowledge as well as further enhanced their reputation
- B. So that UTS investment will perform better
- C. Enable them to be promoted
- D. In order for them to pass the exam

**Answer A**

(Chapter 4, page 4-2)

36) Below are the parties registered with FMUTM except;

- I. UTMC
- II. UTC
- III. IUTA
- IV. Investor

- A. I, II, & III
- B. IV only
- C. I, II & III
- D. None of the above

**Answer B**

Investor is not registered with FMUTM. (Chapter 4, page 4-5)

37) Which of the following are the benefits of an effective financial planning?

- I. Protect an individual's assets from the effects of inflation
- II. Ensure an adequate income, when it is needed
- III. It gives an individual "peace of mind" in regard to financial situation
- IV. It guarantees higher return for an individual in the future.

- A. I, II, III
- B. I, II, IV

- C. I, III, IV
- D. II, III, IV

**Answer A**

IV. Financial planning can't guarantee higher return for an individual. (Chapter 5, page 5-2)

38) UTC plays an important role in investment planning for the clients. Thus, what SHOULD NOT be the UTC's role in order to reduce clients' confusion and concern about investment decisions?

- A. Educating clients that investment decisions are preceded and based on investment strategies that are established to meet financial goals within a certain time frame
- B. Advising clients to invest by loan financing if they have no money
- C. Advising clients on the investment strategies such as dollar-cost averaging to build up their investment
- D. Discussing and recommending investment classes or specific investments

**Answer B**

UTC can't directly or indirectly encourage clients to invest with loan financing, and should educate clients about the risk of loan financing. (Chapter 1, page 1-6)

39) Identify the key elements in relation to the concept of personal financial planning

- I. It is a process
- II. Is comprehensive

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- III. Seeks maximum utility
- IV. Recognises the individual
- V. Maximising the returns for agents
- VI. Acknowledges the cycles of life

- A. I, III, IV, V, VI
- B. I, II, III, IV, VI
- C. I, II, IV, V, VI
- D. II, III, IV, V, VI

**Answer B**

Refer to page 5-2 for features of personal financial planning. (Chapter 5, page 5-2)

For question 40 and 41,

Tax rate	: 20%
Inflation rate	: 4.5%
Rate of return	: 11%

40) What is the effective rate of return after tax and inflation?

- A. 4.5%
- B. 4%
- C. 4.3%
- D. 4.2%

**Answer C**

$$\begin{aligned} \text{Return after tax} &= 11\% - (11\% \times 20\%) \\ &= 11\% - 2.2\% \\ &= 8.8\% \end{aligned}$$

$$\text{Effective rate of return after tax and inflation} = 8.8\% - 4.5\% = 4.3\%$$

41) Assume that the inflation rate raise up to 4.8%, what is the effective rate of return?

- A. 4.5%
- B. 4%
- C. 4.3%
- D. 4.2%

**Answer B**

$$\text{Return after tax} = 11\% - (11\% \times 20\%)$$

$$\begin{aligned} &= 11\% - 2.2\% \\ &= 8.8\% \end{aligned}$$

$$\text{Effective rate of return after tax and inflation} = 8.8\% - 4.8\% = 4\%$$

42) Based on questions 42 and 43, what is/are the conclusion(s) that can be made?

- I. Inflation rate will erode the effective rate of return
- II. Tax rate will not erode the effective rate of return
- III. In order to have a positive effective rate of return, one has to ensure that the rate of return after tax is greater than inflation rate

- A. I, III
- B. III only
- C. I, II
- D. I, IV

**Answer A**

Tax and inflation will erode the effective rate of return, to have a positive effective rate of return, have to ensure that the return after tax is greater than the inflation rate.

(Chapter 5, page 5-12)

43) A house costs RM 150,000 in year 1990 but increased to RM 300,000 in year 2006. What is the inflation rate after these 15 years?

- A. 4.8%
- B. 4.3%
- C. 4.5%
- D. 4.6%

**Answer A**

$$\frac{72}{15} = 4.8\%$$

44) What is the difference between the value of RM135,500 in 4 years' and 5 years' time with an inflation of 4.5% pa.?

- A. RM7,374.85
- B. RM7,271.38
- C. RM7,438.78
- D. RM7,598.59

**Answer B**

	4 years	5 years
Compounding factor	$(1+i)^n$ $= (1+4.5\%)^4$ $= (1+0.045)^4$ $= 1.192519$	$(1+i)^n$ $= (1+4.5\%)^5$ $= (1+0.045)^5$ $= 1.246182$
Real value after	$RM135,500 \times (1+4.5\%)^4$ $= RM135,500 \times (1+0.045)^4$ $= RM161,586.27$	$RM135,500 \times (1+4.5\%)^5$ $= RM135,500 \times (1+0.045)^5$ $= RM168,857.65$
Difference	$RM168,857.65 - RM161,586.27$ $= RM7,271.38$	

For questions 45 and 46.

Lump sum investment : RM120,000.00  
 Initial entry cost : 6%  
 On-going management fee : 1.4%  
 Rate of return : 12%

$$\begin{aligned}
 FV &= PV (1 + i)^n \\
 &= RM113,207.55(1 + 10.6\%)^5 \\
 &= RM113,207.55(1 + 0.106)^5 \\
 &= RM187,348.85
 \end{aligned}$$

Value of the investment after 5 years is RM187,348.85

45) What is the value of the investment after 5 years?

- A. RM187,348.85
- B. RM186,674.39
- C. RM183,544.34
- D. RM185,647.93

**Answer A**

Using the formula FV = PV (1 + i)<sup>n</sup>  
 PV, Working money = RM120,000/(1+6%)  
 = RM113,207.55

i, Effective rate of return = 12% - 1.4%  
 = 10.6%  
 n, no. of years = 5

46) Assumed that the on-going management fee is 1.5% instead of 1.4%, what is the value of investment after 5 years?

- A. RM185,831.99
- B. RM186,831.89
- C. RM185,342.77
- D. RM186,503.41

**Answer D**

Using the formula FV = PV (1 + i)<sup>n</sup>  
 PV, Working money = RM120,000/(1+6%)  
 = RM113,207.55

i, Effective rate of return = 12% - 1.5%  
 = 10.5%  
 n, no. of years = 5



Set 1 Questions & Answers 010808

- 50) Which of the following statement regarding “Syariah-non compliance risk” is valid?
- A. This risk occurs when the UTMC accidentally invests in Syariah-non compliant securities.
  - B. This risk occurs when the Syariah-compliance security reclassified as Syariah-non compliant security
  - C. This risk occurs when the UTMC do not invest according to the Syariah requirements
  - D. This risk occurs when the conventional UTS invests in Syariah-compliant securities

**Answer B**

Syariah-non compliance risk specifically occurs when a Syariah-compliant security is reclassified as a Syariah-non compliant security. (Chapter 6, page 6-8)

- 51) Which is/are the risk(s) that will impact only for Syariah-based UTS rather than conventional UTS?
- I. Risk of non compliance
  - II. Market risk
  - III. Country risk
  - IV. Default risk
- A. I only  
B. III, IV  
C. I, III  
D. IV only

**Answer A**

This risk will only impact Syariah-based UTS, and it occurs when a Syariah compliant security is reclassified as a Syariah-non compliant security. (Chapter 6, page 6-8)

- 52) Which of the following statement is false?
- A. The appointment of the member of the Syariah Committee/Syariah Adviser must be approved by SC

- B. Members of Syariah Committees must possess the necessary qualifications, expertise and experience, particularly in fiqh muamalah and Islamic jurisprudence
- C. All of the members of Syariah Committees must be employed as full-time officers to be responsible for Syariah matters relating to the funds
- D. Syariah Committee Members/Adviser must consists at least three members who are individuals and independent of the management company

**Answer C**

A minimum of one Syariah committee must employed as full time officer in order to responsible for Syariah matters relating to the Syariah-based UTS. (Chapter 6, page 6-11)

- 53) Which of the following statement regarding Syariah Compliance Review is false?
- A. The SC will gather the information from annual financial reports, survey forms, and through inquiries made to the respective company’s management before determining the company’s status from the Syariah perspective
  - B. The SC will revised every three months on the classification of compliance securities and non-compliance securities
  - C. The companies which their core activities involved in conventional insurance will classified as non-compliant securities
  - D. Subject to certain conditions, companies whose activities are not contrary to Syariah principles will be classified as compliant securities.

**Answer B**

The SC will revise every six months ( last Friday of April and October every year). (Chapter 6, page 6-13)

## Set 1 Questions & Answers 010808

54) When was the first Islamic bond launched in Malaysia?

- A. 1990
- B. 1989
- C. 1988
- D. 1992

**Answer A**

It was first launched by Shell MDS Sdn Bhd in the year 1990. (Chapter 6, page 6-3)

55) What is the meaning of Musyarakah in Syariah contracts?

- A. It is a contract between investor (unitholders) and fund manager to deal with specified investment at the agreed profit-sharing ratio
- B. It is a contract among investors (unitholders) to deal with specified investment at the agreed profit-sharing ratio
- C. It is a contract for fund manager to deal with specified investment at the agreed profit-sharing ratio
- D. It is a contract for trustee to deal with specified investment at the agreed profit-sharing ratio

**Answer B**

Musyarakah contract exist between the investors (unitholders) to deal with specified investment, with the view that the profit derived would be shared among them according to capital contribution or any other agreed profit-sharing ratio (Chapter 6, page 6-7)

56) What is the major duty of Syariah Committee/ Adviser?

- A. Syariah committee are allowed to act on fund's manager behalf and to decide which investment that the UTS should invest in
- B. Syariah committee need to report to SC regularly every 3 months
- C. Syariah committee need to ensure that the fund is managed and administered in accordance with Syariah Principle
- D. Syariah committee should handle any complaint raised by the unitholders

**Answer C**

Syariah Committee needs to ensure that the fund is managed and administered in accordance with Syariah Principles. (Chapter 6, page 6-12)

57) Which of the following items is not the responsibility for Syariah Committee / Syariah Adviser in order to ensure that the management of the Syariah-based UTS complies with Syariah requirement?

- A. Annual and interim report
- B. Deed
- C. Prospectus
- D. Unitholders information

**Answer D**

Unitholders information are not the item which Syariah Committee is responsible for checking. (Chapter 6, page 6-12)

58) What is the Syariah contract – BAI means in relation to unitholders and UTMC?

- A. Contract of sale and purchase executed between Trustee and Unitholders
- B. Contract of sale and purchase executed between UTMC and Unitholders
- C. Contract of sale and purchase executed between Trustee and UTMC
- D. None of the above

**Answer B**

BAI simply means the contract of sale and purchase executed between the unitholders and the UTMC, which is usually on cash payment basis (Chapter, page 6-7)

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- 59) Ms. Alyssa received a Distribution Warrant as following:  
 Trustee Company Bhd.  
 Trustee of DEF Balanced Fund  
 Distribution Warrant

Warrant No	No of Units	Year Ended	Distribution No	Payment Date
765432	12,000.00	30 August 200X	78	6 October 200X

TAXABLE INCOME	TAX		NON ALLOWABLE EXPENSES	NON TAXABLE	DISTRIBUTION EQUALISATION	NET PAYABLE
	MALAYSIAN	FOREIGN				
32.00	8.96	-	17.00	305.75	(a)	(b)

Calculate the Distribution Equalisation (a) amount if Undistributed Income for DEF Balanced Fund is RM175,000 and NAV of the Fund is RM70,000,000.

- A. RM30.00      C. RM3,000.00  
 B. RM300.00    D. RM30,000.00

**Answer A**

$$\begin{aligned} \text{Distribution Equalisation} &= \frac{\text{Undistributed Income}}{\text{NAV}} \\ &= \frac{\text{RM175,000}}{\text{RM70,000,000}} \\ &= \text{RM0.0025/unit} \end{aligned}$$

(for every unit sold, RM0.0025 will be set aside to equalize the earlier unitholders' distribution)

Thus, RM0.0025/unit x 12,000 units = RM30.00

- 60) Calculate the Net Payable (b) which will be received by Ms. Alyssa.

- A. RM341.79  
 B. RM611.79  
 C. RM3,311.79  
 D. RM30,311.79  
 E.

**Answer A**

Taxable Income	32.00
(Malaysian tax)	(8.96)
(Non Allowable Expenses)	(17.00)
Non Taxable	305.75
Distribution Equalisation (if any)	30.00
	<u>341.79</u>