



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN2133 CORPORATE FINANCE**
 Semester & Year : MAY – AUGUST 2020
 Lecturer/Examiner : MR.RAVINDRAN RAMAN
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
 PART A (25 marks) : Answer all THREE (3) short answer questions. Answers are to be written in the Answer Booklet provided.
 PART B (75 marks) : Answers only THREE (3) structure answer questions. Answer are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorised materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students’ Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 4 (Including the cover page)

PART A : SHORT ANSWER QUESTIONS (25 MARKS)

INSTRUCTION (S) : Answer **ALL** questions. Write your answers in the answer booklet(s) provided.

Question 1

Discuss **TWO (2)** roles of a financial manager in a firm.

(Total 10 marks)

Question 2

Explain the implication of agency theory from the financial management perspective.

(Total 10 marks)

Question 3

Explain the main objective of performing a financial analysis.

(Total 5marks)

(Total 25 marks)

END OF PART A

PART B : STRUCTURED QUESTIONS (75 MARKS)

INSTRUCTION (S) : Answer only **THREE (3)** questions. Write your answers in the answer booklet(s) provided.

Question 1

(a) Explain the strength and weakness of sensitivity analysis.

(10 marks)

(b) Red House Bhd is considering a major expansion of its product line and has estimated the following cash flow associated with such an expansion. The initial outlay associated with the expansion would be RM2,500,000 and the project would generate incremental free cash flow of RM750,000 per year for 6 years. The appropriate required rate of return is 11 percent. You are required to calculate the following:

- (i) Calculate the Net Present Value (NPV) (5 marks)
- (ii) Calculate the Profitability Index (PI) (4 marks)
- (iii) Calculate the Internal rate of return (IRR) (4 marks)
- (iv) Should this project be accepted? (2 marks)

(Total 25 marks)

Question 2

(a) Explain the effects of interest on rates of return.

(5 marks)

(b) Calculate a fair rate of return for Appollo (M) Bhd's common stock, which has a 1.2 beta. The risk free rate is 6% and the market portfolio based on Bursa Malaysia stock exchange has an expected return of 16%. Explain why does the rate is a fair rate.

(6 marks)

(c) Explain **TWO (2)** factors that determine the required rate of return for the investor who intends to participate in a business project.

(6 marks)

(d) Based on the rates indicated in the below table, find what would be the expected nominal rate of interest?

(8 marks)

Real Rate of Interest (%)	Expected Inflation Rate (%)
4.5	7.3
6.4	3.8

(Total 25 marks)

Question 3

(a) Distinguish the differences between cash dividend and bonus share.

(5 marks)

(b) Discuss the **FOUR (4)** types of dividend policy that a firm exercises.

(20 marks)

(Total 25 marks)

END OF QUESTION PAPER