



## FACULTY OF BUSINESS

## FINAL EXAMINATION

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **FIN3133 Strategic Corporate Finance**  
Semester & Year : January – April 2022  
Lecturer/Examiner : Mr Muhammad Firdaus  
Duration : 3 Hours

**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 2 parts:  
PART A (40 marks) : TWO (2) essay questions. Answer ALL questions. Answers are to be written in the Answer Booklet provided.  
  
PART B (60 marks) : THREE (3) long questions. Answer ALL questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized 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, except for 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 = 5 (Including the cover page)**

**PART A : TWO (2) SHORT ESSAY QUESTIONS (40 MARKS)**

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

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**QUESTION 1**

Financial markets have changed in many ways thanks to the technological advancements and regulatory changes. Stock markets have evolved quite a bit using communication technologies and rapid improvement physical infrastructure. The implications of massive high frequency trading are becoming increasingly clear in equity and other financial markets.

Computer-based trading, including algorithmic trading (AT) and high frequency trading (HFT), have become predominant

In recent years, high frequency trading has increased vastly in stock markets of developed countries, and it is now spreading to emerging markets driven by the growth of proprietary trading firms and quantitative hedge fund strategies.

As technology develops, high frequency trading will move beyond equity markets to other asset classes such as futures, options, bonds, and foreign exchange.

Banks, brokers, corporates, and financial institutions are regular participants to hedge, speculate or arbitrage in the market. Thus, it has become necessary to ensure adequate depth in markets.

- a) Based on the articles, elaborate on how technological advancements give an impact on the financial markets to developed countries.

(8 marks)

- b) Illustrate the flows of funds through the financial systems which consist of financial market and financial intermediaries.

(4 marks)

- c) Based on the illustrations in (b), discuss any **FOUR (4)** nature of the flow of funds.

(8 marks)

**(Total: 20 marks)**

## **QUESTION 2**

Securities are investment certificates that represent either equity (ownership in the issuing organization) or debt (a loan to the issuer). Meanwhile, the securities markets are the market for equity, debt, and derivative.

- a) Bank Negara Malaysia (BNM) is the central bank of Malaysia. Provide **FIVE (5)** Regulations under BNM for Financial manager.

(5 marks)

- b) Bursa Malaysia is one of the significant and most active exchanges in Asia, briefly describe its functions and identify any top **FIVE (5)** companies available on the Bursa Malaysia.

(5 marks)

- c) Explain the Ethics for Financial Manager under regulations of BNM.

(10 marks)

**(Total: 20 marks)**

**END OF PART A**

**PART B : THREE (3) LONG QUESTIONS (60 MARKS)**

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

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**QUESTION 1**

- a) The Roronoa Corporation is considering two mutually exclusive projects. The cash flows associated with those projects are as follows:

Year	Project Onagri	Project Shin
0	-60,000	-60,000
1	16,000	0
2	16,000	0
3	16,000	0
4	16,000	0
5	16,000	100,000

The required rate of return of these projects is 12%.

- i. What is each project's payback period?  
(4 marks)
- ii. What is each project's net present value?  
(4 marks)
- iii. What is project onagiri internal rate of return?  
(4 marks)
- iv. Which project should be accepted? Why?  
(4 marks)
- v. What are the advantages and disadvantages of using Net Present Value (NPV)?  
(4 marks)

**(Total: 20 marks)**

## QUESTION 2

- a) The company has the following capital structure:

Account	RM	Costs before tax
Long-term Debt	1,500,000	10%
Preferred Stock	500,000	12%
Common Stock	3,000,000	20%

- i. Calculate the weighted average cost of capital (WACC) (tax is 40%).
- ii. Explain why they are important for a company

(10 marks)

- b) Suppose a company uses only debt and internal equity to finance its capital budget and uses CAPM to compute its cost of equity. Company estimates that its WACC is 12%. The capital structure is 75% debt and 25% internal equity. Before tax cost of debt is 12.5 % and tax rate is 20%. Risk free rate is  $R_{rf} = 6\%$  and market risk premium ( $R_m, R_{rf}$ ) = 8%: What is the beta of the company?

(10 marks)

**(Total: 20 marks)**

## QUESTION 3

- a) Explain **FIVE (5)** reasons why Corporate Failure happen. Give examples for each of them.

(10 marks)

- b) Describe **FIVE (5)** objectives of Risk Management Strategies

(10 marks)

**END OF EXAM PAPER**

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