



## 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 2023  
 Lecturer/Examiner : Associate Professor Dr. Akram Al-Khaled  
 Duration : 3 Hours

#### INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:  
**PART A (25 marks) : Answer all TWO (2) short essay questions. Answers are to be written in the Answer Booklet provided.**  
**PART B (75 marks) : Answer all THREE (3) problem solving questions. Answers are to be written in the Answer Booklet provided.**
- Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
- 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.
- 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 ESSAY QUESTIONS (25 MARKS)**

**INSTRUCTION(S)** : Answer **ALL TWO (2)** questions. Answers are to be written in the Answer Booklet(s) provided.

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**Question 1**

a) Identify **THREE (3)** advantages of using a divisional Weighted Average Cost of Capital (WACC).

(6 marks)

b) Briefly interpret why an ex-dividend date is a required step in the dividend payout process.

(6 marks)

**(Total: 12 marks)**

**Question 2**

a) Explain **FOUR (4)** implications of the efficient market hypothesis (EMH) for financial decision makers.

(8 marks)

b) Briefly discuss how options apply to capital budgeting. Provide a relevant example to fortify your answer.

(5 marks)

**(Total: 13 marks)**

**End of Part A**

**PART B : PROBLEM SOLVING QUESTIONS (75 MARKS)****INSTRUCTION(S)** : Answer **ALL THREE (3)** questions. Write your answers in the Answer Sheet(s) provided.**Question 1**

Presume that the following two independent investment opportunities are available to Green Energy Inc. The appropriate discount rate is 10%.

Year	Project Blue (RM)	Project Red (RM)
0	(2,300)	(3,900)
1	1,200	800
2	1,100	2,300
3	900	2,900

**Required:**

- (i) Calculate the profitability index for each of the **TWO (2)** projects.

(15 marks)

- (ii) Describe the profitability index and appraise which project should Green Energy accept based on the profitability index rule.

(10 marks)

**(Total: 25 marks)**

**Question 2**

- a) Foreign Exchange Exposure associates with the risks faced by companies when performing financial transactions in foreign currencies. Explain the **THREE (3)** types of foreign exchange exposures related to these transactions.

(12 marks)

- b) Presume you are embarking on a company. You have got a bank loan for RM3,000 with an interest rate of 6.5%. You put in RM9,000 of your own money as equity and your expected rate of return is 12%. The total value of the company is RM12,000. The tax rate is 19%. Calculate the weighted average cost of capital (WACC) for this start-up.

(7 marks)

- c) Evaluate the following statement: “The cost of common equity financing is more difficult to estimate than the costs of debt and preferred equity.”

(6 marks)

**(Total: 25 marks)**

### **Question 3**

- a) The Capital Asset Pricing Model (CAPM) is a model that describes the relationship between the expected return and risk of investing in a security. Elaborate **FOUR (4)** limitations of CAPM.

(16 marks)

- b) The foreign exchange market provides the physical and institutional structure through which three typical functions are accomplished. Debate the **THREE (3)** typical functions of the foreign exchange market.

(9 marks)

**(Total: 25 marks)**

**END OF EXAMINATION PAPER**