

**FACULTY OF BUSINESS****FINAL EXAMINATION**Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_

Course Code & Name : **FIN5104 Applied Corporate Finance and Economics**

Semester &amp; Year : January - April 2024

Lecturer/Examiner : Assoc Professor Dr. Akram Al-Khaled

Duration : 3 Hours

**INSTRUCTIONS TO CANDIDATES****1. This question paper consists of one part:****PART A (100 marks) : Answer only FOUR (4) problem solving questions out of 5 questions given. Answers 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 = 3 (Including the cover page)**

**PART A : PROBLEM SOLVING QUESTIONS (100 MARKS)**

**INSTRUCTION(S)** : Answer **ONLY FOUR (4)** questions. Write your answers in the Answer Booklet provided.

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**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:**

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

(15 marks)

b) 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. Debate 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) A security is a financial instrument, typically any financial asset that can be traded. Examine **FIVE (5)** components that constitute the total costs associated with issuing securities.

(10 marks)

- b) In operating a corporate level business, there are high possibilities in getting in overtrading. Assess **FIVE (5)** symptoms of overtrading which some corporate companies attempt to overcome.

(15 marks)

**(Total: 25 marks)**

### Question 4

- 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. Determine **FOUR (4)** limitations of CAPM.

(16 marks)

- b) Examine **THREE (3)** crucial decisions that the financial management team is concerned with and how these decisions affect the firm's statement of financial position.

(9 marks)

**(Total: 25 marks)**

### Question 5

- a) Agency theory is a concept used to explain the important relationships between principals and their relative agent. Debate **FIVE (5)** fundamental causes of agency problems.

(10 marks)

- b) Accountability for managing foreign exchange risk is becoming increasingly more difficult in our diverse global economy. A financial manager must not only be aware of this risk, but also proactively implement strategies to ensure that they do not experience foreign exchange risk exposure. As a financial manager, propose **FIVE (5)** tools for hedging foreign exchange risk.

(15 marks)

**(Total: 25 marks)**

**END OF EXAM PAPER**