



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 2022
Lecturer/Examiner : Mr Muhammad Firdaus
Duration : 3 Hours

INSTRUCTONS TO CANDIDATES

1. This question paper consists of 1 part:
PART A (100 marks) : FOUR (4) structured 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 : FOUR (4) STRUCTURED QUESTIONS (100 MARKS)

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

QUESTION 1

- a) Define corporate finance in a business perspective. (3 marks)
- b) State **FOUR (4)** corporate finance task for a Financial Manager. (4 marks)
- c) Describe **THREE (3)** objectives of corporate finance. (6 marks)
- d) Explain **FOUR (4)** types of Executives Compensations for Agency Problem. (12 marks)

[Total: 25 marks]

QUESTION 2

KUALA LUMPUR: China remains Malaysia's largest trading partner for 10 consecutive years, with trade growing 8.1 per cent to RM313.8 billion last year.

This, according to the Ministry of International Trade and Industries (MITI), constituted 16.7 per cent of Malaysia's total trade. This is mainly due to the high dividend payment by companies in Malaysia.

Exports to China expanded by 10.3 per cent to RM138.88 billion, thanks to higher exports of chemicals and chemical products, electrical and electronics (E&E) products, liquefied natural gas (LNG), manufacturers of metal, optical and scientific equipment, transport equipment and processed food.

China is also Malaysia's largest import source, accounting for 19.9 per cent share of total imports in 2018. On the other side of the coin, trade with the United States (US) recorded a growth of 1.1 per cent to RM155.68 billion, or 8.3 per cent of Malaysia's total trade.

Exports to the US rose 2.3 per cent to RM90.73 billion, the highest since 2008. Imports from the US decreased slightly 0.5 per cent to RM64.94 billion, with the main imports being E&E products, machinery, equipment, and parts as well as chemicals and chemical products.

ASEAN remains an important and strategic trading partner for Malaysia, accounting for 27.1 per cent or RM509.2 billion the total trade, an increase of 4.7 per cent from 2017. Other investment including bonds and FOREX.

Source: © New Straits Times Press (M) Bhd – December 2018

- a) Briefly explain **FOUR (4)** reasons of why China companies will invest RM313.8 billion in Malaysia based on investment perspective.
(4 marks)
- b) Discuss any **TWO (2)** ways how dividend payment can be funded and the effect on the stock/share price.
(4 marks)
- c) Explain any **TWO (2)** risk and return aspects when it comes to portfolio investment.
(4 marks)
- d) Discuss on the **THREE (3)** advantages of having overseas investment.
(6 marks)
- e) State **SEVEN (7)** the characteristics of bonds available in the market.
(7 marks)

[Total: 25 marks]

QUESTION 3

- a) Explain the measurements of stock D which has 2.3 and beta for Stock E which has 0.6.
(4 marks)
- b) Discuss the **THREE (3)** types of efficient market hypotheses especially in share price.
(6 marks)
- c) Differentiate **THREE (3)** uses of fundamental analysis and technical analysis.
(6 marks)
- d) Securities Market Line (SML) is a graph that enables the company to detect any undervalued and overvalued stocks. Below is the information for Shares Z and Shares Y:

Shares Z	Shares Y
Risk free rate = 3%	Risk free rate = 3%
Beta = 1.5	Beta = 0.5
Market rate of return = 8%	Market rate of return = 8%
Expected rate of return = 15%	Expected rate of return = 6%

- i) Calculate the required rate of return for shares Z and shares Y.
(2 marks)
- ii) Draw SML Graph
(7 marks)

[Total: 25 marks]

QUESTION 4

Memphisto Berhad, a listed company in the main board stock market has experiencing financial issue pertaining to increase of cost and reduction of sales especially in the year of 2020.

Thus, as an investment banker of Kroni, you are given responsibility by your top management to review and analyses the 2018 to 2020 financial report of Memphisto Berhad which you need to give suggestions to your client on their group financial improvement.

Ratio	2018	2019	2020	Industry Average on 2020
Long-term debt	0.70	0.40	0.30	0.35
Inventory Turnover (Days)	85.45	52.62	42.26	45.5
Debt to Equity	0.75	0.85	0.90	0.88
Profit Margin	0.25	0.16	0.04	0.13
Quick Ratio (Acid-Test Ratio)	2.0	1.5	1.1	1.3
Current Ratio	3.5	1.8	1.4	1.5
Times Interest Earned	3.9	3.3	1.2	3.5

Answer the following ratios according to the **FIVE (5)** requirements below:

- a) Which is the moving trend (upward or downward) from 2018 to 2020?
- b) Which one is better between the company ratio or in 2020?
- c) Briefly explain each of the ratios.
- d) Give a reason by stating whether it should be higher or lower ratio.
- e) Give suggestion/(s) to improvise the ratio (that will improve the financial position).

- i. Inventory Turnover (5 marks)
- ii. Debt to Equity (5 marks)
- iii. Profit Margin (5 marks)
- iv. Current Ratio (5 marks)
- v. Time Interest Earned (Interest Coverage Ratio) (5 marks)

[Total: 25 marks]

-END OF QUESTION PAPER-