



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 & Year : May - August 2022
 Lecturer/Examiner : Associate Professor Dr. Akram Al-Khaled
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
 - PART A (60 marks) : Answer all THREE (3) problem solving questions. Answers are to be written in the Answer Booklet provided.
 - PART B (40 marks) : Answer all THREE (3) structured questions. 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 (60 MARKS)

INSTRUCTION(S) : Answer **ALL THREE (3)** questions. Write your answers in the Answer Booklet provided.

Question 1

Martin's Brothers company is a game manufacturer, has a new idea for an adventure game. It can market the game either as a traditional board game or as an interactive DVD, but not both. Consider the following cash flows of the two mutually exclusive projects for Martin's Brothers company.

Cash Flow	Project Board Game	Project DVD
Weighted Average Cost of Capital (WACC) = 10%		
Investment	- 10,000 USD	- 10,000 USD
Cash flow year 1	3,000	5,000
Cash flow year 2	4,000	5,000
Cash flow year 3	5,000	5,000
Cash flow year 4	6,000	5,000

Required:

Calculate the capital budgeting for Project Board Game and DVD respectively as below:

- a. Net Present Value (NPV) (6 marks)
 - b. Payback Period (PP) (5 marks)
 - c. Discount Payback Period (DPP) (5 marks)
 - d. Internal Rate of Return (IRR) (6 marks)
 - e. Modified Internal Rate of Return (MIRR) (5 marks)
 - f. Profitability Index (PI) (3 marks)
- (Total: 30 marks)**

Question 2

Based on your answer in Question 1, suggest to the management team of Martin's Brothers company whether to accept or reject the two projects. Propose your recommendation with justification.

(18 marks)

Question 3

Capital Budgeting primarily refers to the decision-making process related to investment in long-term projects. Explain **SIX (6)** factors that affect the capital budgeting decisions (CBD) at a corporate level at Martin's Brothers company.

(12 marks)

End of Part A

PART B : STRUCTURED QUESTIONS (40 MARKS)

INSTRUCTION(S) : Answer **ALL THREE (3)** questions. Write your answers in the Answer Booklet provided.

Question 1

a) Accountability for managing foreign exchange risk is becoming increasingly more difficult in our diverse global economy. As a financial manager must not only be aware of this risk, but proactively implement strategies to ensure that they do not experience foreign exchange risk exposure. As a financial manager, propose **THREE (3)** tools for hedging foreign exchange risk.

(9 marks)

b) Becoming an effective financial manager requires continuously honing financial skills. Examine **THREE (3)** ways you can leverage your company's financial statements to excel as a financial manager.

(6 marks)

(Total:15 marks)

Question 2

A dividend's value is determined on a per-share basis and is to be paid equally to all shareholders of the same class (common, preferred, etc.). The payment must be approved by the Board of Directors.

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

(5 marks)

b) Explain **FOUR (4)** factors affecting the dividend policy of a company.

(8 marks)

(Total: 13 marks)

Question 3

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

(12 marks)

END OF EXAM PAPER