



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Student ID (in Words) :

Course Code & Name : **FIN2133 CORPORATE FINANCE**
 Semester & Year : May - August 2023
 Lecturer/Examiner : Associate Professor Dr. Akram Al-Khaled
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of one part:
PART A (100 marks) : Answer all FOUR (4) compulsory 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 : FOUR (4) COMPULSORY QUESTIONS (100 MARKS)

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

Question 1

a) Briefly interpret why the flow to equity approach uses levered, not unlevered, cash flows.

(4 marks)

b) The Efficient Market Hypothesis is an idea that was promulgated by the work of to study the market situation in regards to the different forms and types of efficiency. Explain **THREE (3)** types of efficient market hypothesis.

(9 marks)

c) Identify **FOUR (4)** stakeholders in a corporate organization and briefly explain their expectations from the organization thereafter.

(8 marks)

d) Distinguish the difference between profit maximization and wealth maximization.

(4 marks)

(Total: 25 marks)

Question 2

Mario's Brothers, 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 Mario's Brothers.

Cash Flow	Board Game (RM)	DVD (RM)
Weighted Average Cost of Capital (WACC) = 10%		
Investment	- 10,000	- 10,000
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 techniques/methods for the Board Game and DVD respectively as stated underneath:

- (i) Net Present Value (NPV) (5 marks)
 - (ii) Payback Period (PP) (5 marks)
 - (iii) Internal Rate of Return (IRR) (6 marks)
 - (iv) Based on your answers in (i), (ii), and (iii), propose to the management team of Mario's Brothers whether to accept or reject the two projects. Suggest your recommendation with justification. (9 marks)
- (Total: 25 marks)**

Question 3

- a) A security is a financial instrument, typically any financial asset that can be traded. Describe **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. Examine **FIVE (5)** symptoms of overtrading which some corporate companies attempt to overcome. (15 marks)
- (Total: 25 marks)**

Question 4

- a) Agency theory is a concept used to explain the important relationships between principals and their relative agents. Determine **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 EXAMINATION PAPER