



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **FIN5104 Applied Corporate Finance and Economics**  
Semester& Year : May - August 2024  
Lecturer/Examiner : Assoc Professor Dr. Akram Al-Khaled  
Duration : 3 Hours

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**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 = 4 (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**

You are given the cash flows for two projects, Sunflowers and Paradigm, with a Weighted Average Cost of Capital (WACC) of 8%. The cash flows and initial investments are as follows:

Cash Flow	Project Sunflowers	Project Paradigm
Weighted Average Cost of Capital (WACC) = 8%		
Investment	- 15,000 USD	- 15,000 USD
Cash flow year 1	4,000	6,000
Cash flow year 2	5,000	6,000
Cash flow year 3	6,000	6,000
Cash flow year 4	7,000	6,000

**Required:**

a. Calculate the following capital budgeting techniques for both projects:

i. Net Present Value (NPV)

(6 marks)

ii. Payback Period (PP)

(5 marks)

iii. Profitability Index (PI)

(3 marks)

b. Based on your answers in a, b, and c, propose which project should be accepted, providing constructive justifications.

(11 marks)

**(Total: 25 marks)**

## Question 2

- a) Mergers and acquisitions (M&A) are strategic tools for achieving growth, entering new markets, acquiring new technologies, and achieving synergies. Critically debate the **FOUR (4)** key financial considerations and the **FOUR (4)** strategic objectives that firms must evaluate when engaging in M&A activities.

(16 marks)

- b) In the corporate world, the alignment of interests between shareholders and management is crucial for the overall success and sustainability of a company. One area where conflicts of interest often arise is in dividend distribution. Analyze **THREE (3)** potential conflicts of interest between shareholders and management regarding dividend distribution.

(9 marks)

**(Total: 25 marks)**

## Question 3

- a) Bond valuation is a technique for determining the theoretical fair value of a particular bond. Bond valuation includes calculating the present value of a bond's future interest payments. Assess **FIVE (5)** factors that affect bond valuation when making a decision.

(15 marks)

- b) Agency theory is a concept used to explain the important relationships between principals and their respective agents. This theory is crucial for understanding how to align the interests of both parties to achieve organizational goals. Examining the underlying reasons behind agency issues can shed light on potential solutions and improve overall management effectiveness. Determine **FIVE (5)** fundamental causes of agency problems.

(10 marks)

**(Total: 25 marks)**

## Question 4

- 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 **FOUR (4)** tools for hedging foreign exchange risk.

(16 marks)

- b) Exchange rates play a crucial role in a country's level of trade as well as helping in providing economic stability, which is critical to most every free market economy in the world. For this reason, exchange rates are among the most watched, analyzed and governmentally manipulated economic measures. Examine **THREE (3)** major factors that influence foreign exchange rates.

(9 marks)

**(Total: 25 marks)**

### Question 5

a) Calculate the present value of an offer of RM15,000 two years from now if the opportunity cost of capital (discount rate) is 12% per year compounded annually.

(5 marks)

b) Calculate the effective annual rate (EAR) of 6.5% simple nominal annual rate compounded monthly.

(5 marks)

c) You are borrowing RM80,000 for 25 years at 10% nominal annual interest compounded monthly. Calculate how much your monthly payments must be if you completely retire the loan over the 25-year period.

(5 marks)

d) Presume that you receive RM1,000 every year for the next five years and you invest each payment at 5% interest. Calculate how much you would have at the end of the five-year period.

(5 marks)

e) If you invested RM40,000 at one point in time and received back RM100,000 seven years later. Calculate annual interest (or growth) rate (compounded annually) you would have obtained.

(5 marks)

**(Total: 25 marks)**

**END OF EXAM PAPER**