



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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

Student ID (in Words) : _____

Course Code & Name : **FIN2133 Corporate Finance**
 Semester & Year : September – December 2019
 Lecturer/Examiner : Leow Hon Wei
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
 PART A (25 marks) : Answer all THREE (3) short answer questions. Answers are to be written in the Answer Booklet provided.
 PART B (75 marks) : Answer all FOUR (4) structured answer 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)

Question 1

- (a) A company's dividend policy dictates the amount of dividends paid out by the company to its shareholders and the frequency with which the dividends are paid out. Explain **THREE (3)** factors that influencing dividend policy of a company.

(6 marks)

- (b) When a company makes a profit, they need to make a decision on dividend payment. They can either retain the profits in the company or they can distribute the money to shareholders in the form of dividends. Explain if a company is not making profit, how the dividend payment is to be made to the shareholder.

(4 marks)

(Total: 10 marks)

Question 2

Weighted average cost of capital (WACC) is the combined rate at which a company repays borrowed capital. A business mainly raises capital from debt financing and equity capital, and computing WACC involves adding the average cost of debt to the average cost of equity. Propose the **TWO (2)** solutions on how to reduce the WACC.

(10 marks)

Question 3

Analyse how the financial intermediaries help to lower transaction cost in the economies of scale.

(5 marks)

[Total: 25 marks]

PART B
INSTRUCTION(S)

: STRUCTURED ANSWER QUESTIONS (75 MARKS)

: Answer **ALL** questions. Write your answers in the answer booklet(s) provided.

Question 1

Criticize how the Efficient Market Hypothesis (EMH) is applied to the “fairly” priced of the share when making investment decision.

(Total = 15 marks)

Question 2

Bond investment is an essential portfolio instrument for institutional investors to optimize the portfolio return. Analyze **THREE (3)** different strategies for managing bond portfolios.

(Total = 15 marks)

Question 3

Analysis/ Project	A350	A380	A50	B30	7E7
Payback Period	3 years	3 years	2.5 years	2.8 years	3.2 years
Discounted Payback Period	3.8 years	3.5 years	3.4 years	3.2 years	3.5 years
Net Present Value (RM'000)	4.15	3.85	4.45	4.08	4.37
Internal Rate of Return	12%	12.5%	12.8%	12.7%	13%
Modified Internal Rate of Return	14%	13.8%	13.5%	13.8%	13.2%
Profitability Index	1.4x	1.5x	1.45x	1.3x	1.35x

The decisions on investment, which take time to mature, have to be based on the returns of investment will make. Interpret the above capital budgeting decision for the projects with various lifetime cash inflows and outflows for the potential returns.

(Total = 30 marks)

Question 4

Interpret the **THREE (3)** constraints and **TWO (2)** possible solutions of an investment appraisal used to determine whether a company's long term investments such as new machinery, replacement of machinery, new plants, new products, and research development projects are worth the funding of cash through the firm's capitalisation structure such as share, bond and retained earnings.

(Total = 15 marks)

[Total = 75 marks]

END OF QUESTION PAPER