



## FACULTY OF BUSINESS

### FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

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Course Code & Name : **FIN2133 CORPORATE FINANCE**  
 Semester & Year : **SEPTEMBER – DECEMBER 2021**  
 Lecturer/Examiner : **MR. RAVINDRAN RAMAN**  
 Duration : **3 Hours**

### INSTRUCTIONS TO CANDIDATES

- 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 THREE (3) structured answer questions. Answers are to be written in the Answer Booklet provided.**
- Candidates are not allowed to bring any unauthorised materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
- 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.
- 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 : SHORT ANSWER QUESTIONS (25 MARKS)**

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

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**Question 1**

Explain **FIVE (5)** financial management objectives of a firm.

**(Total 10 marks)**

**Question 2**

Discuss **TWO (2)** differences between stakeholders and shareholders in a firm.

**(Total 10 marks)**

**Question 3**

List **FIVE (5)** steps taken in the financial analysis process in a firm.

**(Total 5 marks)**  
**(Total 25 marks)**

**END OF PART A**

**PART B : STRUCTURED ANSWER QUESTIONS (75 MARKS)**

**INSTRUCTION (S)** : Answer only **THREE (3)** questions. Write your answers in the answer booklet(s) provided.

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**Question 1**

(a) Discuss **FIVE (5)** limitations of financial ratio analysis which would be encountered.

(15 marks)

(b) Define break even analysis and explain its importance in making business decision.

(5 marks)

(c) Explain **TWO (2)** types of capital rationing.

(5 marks)

**(Total 25 marks)**

**Question 2**

(a) Suppose Icon Medicare Bhd is considering for a major expansion of its production and has estimated the following free cash flow associated with the expansion. The initial outlay for the expansion is RM1,950,000 and the project would generate free cash flow of RM450,000 per year for six year the required rate of return is 9%.

Required.

Calculate the following:

(i) Calculate the Net Present Value (NPV) (4 marks)

(ii) Calculate the Profitability Index (PI) (4 marks)

(iii) Calculate the Internal Rate of Return (IRR) (4 marks)

(iv) Calculate the payback period. (2 marks)

(v) Should this project be accepted? Give you reason. (3 marks)

(b) Great Bright Bhd is considering a new business project. For this project evaluation, they intend to use the payback period method. Define payback period and discounted payback period method and explain how it can be used to evaluate a new business project.

(8 marks)

**(Total 25 marks)**

**Question 3**

(a) Define cost of capital.

(3 marks)

(b) Explain **TWO (2)** objectives for a firm to use weighted average cost of capital.

(12 marks)

(c) Describe **TWO (2)** approaches that a firm could reduce its cost of capital.

(10 marks)

**(Total 25 marks)**

**END OF QUESTION PAPER**