



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN2133 CORPORATE FINANCE**
Semester & Year : September - December 2022
Lecturer/Examiner : Mr Muhammad Firdaus
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 1 part:
PART A (100 marks) : FOUR (4) COMPULSORY questions. Answer ALL questions. Answers are to be written in the Answer Booklet provided.

2. Candidates are not allowed to bring any unauthorized 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, except for 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 = 5 (Including the cover page)
: FOUR (4) COMPULSORY QUESTIONS (100 MARKS)

PART A

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

QUESTION 1

- a) State the **THREE (3)** major assumptions of Arbitrage Pricing Theory (APT). (3 marks)
 - b) Explain any **TWO (2)** purposes of security market indexes. (4 marks)
 - c) Discuss the any **THREE (3)** considerations for asset allocation in investment strategy. (6 marks)
 - d) Discuss the **THREE (3)** steps of top-down process. (12 marks)
- [Total: 25 marks]**

QUESTION 2

- a) Explain any **TWO (2)** of the characteristics of short selling. (4 marks)
- b) Compare the any **TWO (2)** differences between primary Shares market and secondary Shares market. (4 marks)
- c) State all **SIX (6)** characteristics of Initial Public Offering (IPO). (6 marks)
- d) You have bought shares for 1000 units for RM 25 per shares. Calculate all the investment's option return below:
- i. Calculate your margin price if the price reaches to RM50 from RM25 with the maintenance margin is 25%.
 - ii. Suppose you bought 1000 shares of a RM50 Shares and borrowed the maximum amount of money given an initial margin requirement of 50%. If the Shares price increases to RM80 per share, Calculate your equity position in the Shares?
 - iii. Based on the above answers explain any **TWO (2)** types of margin transactions. (11 marks)

[Total: 25 marks]

QUESTION 3

- a) Briefly describe **TWO (2)** differences between the shareholders and bondholders in term of risk taking.

(4 marks)

- b) Calculate expected return for Share A and Share B and determined whether it is overvalued or undervalued. Decide which shares to choose.

Share A	Share B
Treasury Bills = 4%	Treasury Bills = 4%
Beta = 1.4	Beta = 0.8
Average market return = 15%	Average market return = 15%
Expected return = 12%	Expected return = 20%

(5 marks)

- c) Briefly explain market equilibrium of shares price.

(5 marks)

- d) Based on the information from the table below. You are required to:

Project Jie		Project Shia	
Probability	Expected return	Probability	Expected return
0.3	-10%	0.3	-15%
0.5	20%	0.5	25%
0.2	50%	0.2	60%

Required:

- i. Calculate the mean returns from project Jie and Shia based on the above projected table.

(4 marks)

- ii. Calculate the risk from project Jie and Shia based on the above projected table.

(4 marks)

- iii. State which project should be chosen based coefficient of variation and state **ONE (1)** reason.

(3 marks)

[Total: 25 marks]

QUESTION 4

- a) Explain **TWO (2)** criticism on Capital Asset Pricing Model (CAPM).
(2 marks)
- b) Explain any **THREE (3)** examples for the bottom-up methods.
(3 marks)
- c) Differentiate **FOUR (4)** characteristics of systematic risk and unsystematic risk.
(4 marks)
- d) Discuss the **TWO (2)** comparisons between margin transaction and margin requirement.
(4 marks)
- e) Provide **THREE (3)** relevant examples to support your answers.
(6 marks)
- f) Supposed you bought 2000 shares of a RM50 shares and borrowed the maximum amount of money given an initial margin requirement of 50%. If the shares price increases to RM70 per share, Calculate your equity position in the share.
(6 marks)

[Total: 25 marks]

-END OF QUESTION PAPER-