



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Course Code & Name : **FIN3133 Strategic Corporate Finance**
 Semester & Year : September – December 2023
 Lecturer/Examiner : Associate Professor Dr. Akram Al-Khaled
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:
 - PART A (25 marks) : Answer all TWO (2) short essay questions. Answers are to be written in the Answer Booklet provided.**
 - PART B (75 marks) : Answer all THREE (3) problem solving 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 ESSAY QUESTIONS (25 MARKS)

INSTRUCTION(S) : Answer **ALL TWO (2)** questions. Answers are to be written in the Answer Booklet(s) provided.

Question 1

a) Examine **THREE (3)** crucial decisions that the financial management team is concerned with and how these decisions affect the firm's statement of financial position.

(9 marks)

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

(4 marks)

(Total: 13 marks)

Question 2

A dividend's value is determined on a per-share basis and is to be paid equally to all shareholders of the same class (common, preferred, etc.). The payment must be approved by the Board of Directors. Determine **FOUR (4)** factors affecting the dividend policy of an organization.

(12 marks)

End of Part A

PART B
INSTRUCTION(S)

: PROBLEM SOLVING QUESTIONS (75 MARKS)

: Answer **ALL THREE (3)** questions. Answers are to be written in the Answer Booklet(s) provided.

Question 1

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)

Question 2

a) A security is a financial instrument, typically any financial asset that can be traded. Explain **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. Assess **FIVE (5)** symptoms of overtrading which some corporate companies attempt to overcome.

(15 marks)

(Total: 25 marks)

Question 3

- a) Agency theory is a concept used to explain the important relationships between principals and their relative agent. Debate **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, Suggest **FIVE (5)** tools for hedging foreign exchange risk.

(15 marks)

(Total: 25 marks)

END OF EXAMINATION PAPER