



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2025 SEMESTER**

COURSE CODE : EAB 31503
COURSE NAME : FINANCE 2
PROGRAMME NAME : BACHELOR IN ACCOUNTING (HONS)
DATE : 29 JANUARY 2026
TIME : 09:00AM - 12:00PM
DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given on the question paper.
 2. This question paper has information printed on both sides of the paper.
 3. This question paper consists of **FIVE (5)** questions.
 4. Answer **ALL** questions.
 5. Please write your answers in the answer booklet provided.
 6. Answer all questions in English language **ONLY**.
 7. This question paper must not be removed from the examination hall.
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THERE ARE EIGHT (8) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

Nova Precision Tools Sdn Bhd is a Malaysian company specialising in high-accuracy cutting tools for automotive and electronics manufacturers. The company currently operates without financial leverage and generates a perpetual EBIT of RM6,500. The firm's unlevered cost of capital is 14%, and it has 40,000 shares outstanding.

To optimise its capital structure, the company is evaluating a restructuring plan. Nova Precision intends to issue RM12,000 in perpetual debt, carrying a cost of debt of 9%. All proceeds will be used to repurchase shares. Nova Precision pays corporate tax at 30%, and capital markets are assumed to be perfect except for corporate taxes, consistent with Modigliani & Miller Proposition with Taxes.

- i. Calculate the value of the firm before the restructuring. **(3 marks)**
- ii. Calculate the value of the firm after the restructuring. **(3 marks)**
- iii. Determine the value of equity after the restructuring. **(3 marks)**
- iv. Calculate the cost of equity after the restructuring. **(3 marks)**
- v. Calculate the Weightage Average Cost of Capital (WACC) after restructuring. **(4 marks)**
- vi. Explain how Modigliani and Miller Proposition with Taxes supports the idea that firms should use debt in their capital structure. **(4 marks)**

[Total: 20 marks]

Question 2

a) The following is an extract from the Statement of Financial Position of Venus Company:

	RM'000
Common Stock (RM 2 par value)	RM 5,000
Premium	RM 10,000
Retained Earnings	RM 20,000
Total Equity	RM 35,000

- i. The company is considering giving 20 percent stock dividends to its shareholders and the current market price of shares is RM 8. Show the effect on the Statement of Financial Position after providing the stocks dividends.

(8 marks)

- ii. If the company decides to have a 2 for 1 stock split instead of the 20% stock dividends, what is your cash position if you hold 500,000 shares of Venus Company.

(4 marks)

b) **Share buybacks in vogue again amid market uncertainty**

Companies listed on Bursa Malaysia are turning to share buybacks to prop up their stock prices amid the recent weakness in the stock market. The FBM KLCI is in the red year to date (YTD), down 7.1% to close at 1,526.52 points last Wednesday. Some RM230 billion in market value has been wiped off from Malaysian stocks during this period.

The Edge's compilation of share buyback activities since mid-February show Yinson Holdings Bhd forking out the highest sum to buy back its own shares. The global energy infrastructure and technology company spent nearly RM170 million to scoop up (buyback) 75.9 million shares or 2.7% of its total issued shares on the open market, paying prices ranging from RM2.03 to RM2.36 apiece.

Since the start of the year, the stock has fallen 18.6% to close at RM2.15 last Wednesday for a market capitalisation of RM6 billion. The latest share buyback will not be the first time Yinson has purchased its own shares, having acquired over RM150 million worth of shares in 2022.

Yinson's net profit for its financial year ended Jan 31, 2025 (FY2025) contracted 22% to RM752 million from RM964 million in the previous year, as fourth-quarter 2025

(4QFY2025) net earnings halved to RM146 million from RM278 million a year earlier, mainly due to lower contribution from its engineering, procurement, construction, installation and commissioning business.

Yinson, which operates floating production storage and offloading vessels for charter, recently completed its Agogo FPSO three months ahead of schedule. It is also considering a spin-off and separate listing of its FPSO business, which is parked under Yinson Production Offshore Holdings Ltd.

The Edge Malaysia, 14 Apr 2025

Based on the article above answer the following questions:

- i. Assuming Yinson had 3.0 billion shares outstanding before the repurchase and net profit for FY2025 is RM752 million, calculate the EPS before and after the buyback.

(4 marks)

- ii. Explain **TWO (2)** reasons why companies like Yinson might engage in share buybacks during periods of stock market decline, such as the one experienced in Malaysia (FBM KLCI down 7.1% YTD).

(4 marks)

[Total:20 marks]

Question 3

- a) TechNova Berhad is a Malaysian technology company listed on Bursa Malaysia. In early 2024, the company reported strong earnings growth and announced a plan to expand its operations regionally. Interestingly, despite having retained earnings, TechNova decided to raise RM200 million through a new equity issue rather than debt.

Around the same time, TechNova's stock price had surged by 35% over the past six months, driven by investor optimism and favourable industry outlooks.

Analysts and investors speculated that the company might be trying to take advantage of its high stock valuation. Some investors also interpreted the equity issuance as a possible signal that the management believes the stock might be overvalued.

- i. Briefly explain Pecking Order Theory and Market Timing Theory under capital structure.

(4 marks)

- ii. Based on the case of TechNova Berhad, explain how each of the two theories above could be used to interpret the company's decision to issue equity instead of using debt or internal funds.

(4 marks)

- iii. Identify the capital structure theory that best explains TechNova's behavior and justify your answer.

(2 marks)

- b) KUALA LUMPUR, March 21 (Bernama) - Sime Darby Bhd has completed its 100 per cent acquisition of UMW Holdings Bhd (UMW) today for RM5.84 billion, making it a wholly owned subsidiary. Sime Darby Group chief executive officer Datuk Jeffri Salim Davidson said the milestone is a clear indication of the market's trust in the group's strategic direction and the value it is poised to create with UMW.

"Our foremost priority now is to complete the integration of UMW into the wider Sime Darby ecosystem.

"Leveraging our collective strengths, especially within the automotive and industrial sectors, this will enable us to reinforce our competitive edge and expand our domestic footprint to further drive long-term growth," he said in a statement today.

Jeffri Salim said the acquisition is also in line with Sime Darby's five-year strategy masterplan to grow its core industrial and motor businesses across key regional markets and strengthen its earnings contribution from Malaysia. The move reaffirms the group's commitment to drive innovation and growth while contributing to Malaysia's economic development.

Meanwhile, UMW managing director Mustamir Mohamad said joining the Sime Darby family as a key business unit marks an exciting new chapter, allowing it to harness new opportunities and share expertise.

"While ensuring seamless business continuity during the integration, we look forward to growing further as part of Sime Darby, as we remain steadfast in our commitment to delivering excellence to all our stakeholders," he said.

Sime Darby said in August 2023 that it was acquiring a 61.2 per cent stake in UMW from its parent company Permodalan Nasional Bhd at RM3.57 billion, followed by a mandatory general offer to buy the remaining equity interest of 38.8 per cent at about RM2.27 billion.

BERNAMA, 21 March 2024.

- i. Explain what type of merger and acquisition is between Sime Darby Bhd and UMW Holdings Bhd?

(2 marks)

- ii. Other than job losses, explain any TWO (2) disadvantages that may happen to Sime Darby Bhd caused by acquisition?

(4 marks)

- iii. In your opinion, critically explain why should Sime Darby Bhd consider merging with, or even acquiring, another company that runs business activities that are not related to its business operation?

(4 marks)

[Total:20 marks]

Question 4

- a) Freesky Co. based in the United States, has a payable of 400,000 Singapore dollars (SGD) for imported goods that must be settled in 90 days. To hedge this exposure, Freesky Co. may either:

- Enter into a 90-day forward contract to buy Singapore dollars at a forward rate of USD/SGD 0.50, or
- Purchase a currency call option on Singapore dollars with an exercise price of USD/SGD 0.50. The premium for the option is USD/SGD 0.02.

This morning, the spot exchange rate of the Singapore dollar was USD/SGD 0.50. At noon, the central bank of Singapore raised interest rates, while there was no change in interest rates in the United States. These actions increased the degree of uncertainty regarding the future value of the Singapore dollar over the next 90 days. Despite this, the spot rate remained at USD/SGD 0.50 throughout the day, and Freesky Co. expects the Singapore dollar to appreciate substantially over the next 90 days. As the financial manager of Freesky Co., critically evaluate whether a forward hedge or a call option hedge would be more appropriate to manage the company's exchange rate risk.

(8 marks)

b) Versa Company, a US-based firm, regularly deals with Mexican pesos (MXN). Suppose that, as of April 4, a currency futures contract specifying MXN 500,000 with a June settlement date is quoted at USD/MXN 0.09. On April 4, Versa Company expects the Mexican peso to depreciate against the US dollar. Assume that on the settlement date, June 17, the spot exchange rate is quoted at USD/MXN 0.08.

i. Critically determine how Versa Company can make profits (show all working steps).

(4 marks)

ii. Discuss **TWO (2)** ways Versa Company can use currency futures to hedge its exposure to exchange rate risk. For each method, provide a detailed example with calculations to demonstrate how the hedging strategy works in practice.

(8 marks)

[Total:20 marks]

Question 5

a) NovaTech Solutions is a fast-growing Malaysian technology company providing cloud automation tools for SMEs. Over the past three years, NovaTech has experienced rapid business growth, with annual revenue increasing by more than 35% per year. The company plans to expand its services into regional markets such as Singapore and Indonesia.

To support its expansion, NovaTech is exploring the use of FinTech innovations, particularly cryptocurrency-based payment systems, to attract global customers and reduce international transaction costs. The finance department believes accepting payments in cryptocurrencies such as Bitcoin (BTC) or Ethereum (ETH) could lower cross-border fees, accelerate cash collection, and provide access to new customer segments.

However, the management team is concerned about the volatility of cryptocurrency prices, possible regulatory uncertainties, and the financial risks associated with holding crypto assets on the firm's balance sheet. At the same time, NovaTech's rapid growth is putting pressure on cash flow management, working capital, and operational capacity. The company must find effective strategies to manage this expansion while maintaining financial stability.

Identify and explain TWO (2) potential benefits and TWO (2) major risks for NovaTech Solutions if the company decides to accept cryptocurrency payments as part of its FinTech adoption strategy.

(8 marks)

- b) XYZ Berhad, a Malaysian multinational company, expects to receive US\$300,000 from its American client in four months. The current spot rate is USD/MYR 4.20. The company is concerned that the US dollar might depreciate over the next four months, reducing the ringgit value of its receivable.

To hedge this risk, XYZ Berhad decides to purchase a 4-month put option on US dollars, giving the company the right to sell US\$300,000 at a striking rate of USD/MYR 4.20. The total option premium is RM12,000. After four months, the USD/MYR exchange rate drops to USD/MYR 4.00, and the company exercises the option.

- i. Calculate the company's profit or loss from using the currency option.
(6 marks)
- ii. Discuss how this hedging strategy protects the company against currency depreciation.

(6 marks)

[20 Marks]

END OF EXAMINATION