



**UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL**

---

**FINAL EXAMINATION  
OCTOBER 2025 SEMESTER**

---

<b>COURSE CODE</b>	<b>: EBB30703</b>
<b>COURSE NAME</b>	<b>: CORPORATE FINANCE</b>
<b>PROGRAMME NAME</b>	<b>: BACHELOR IN ISLAMIC FINANCE (HONS)</b>
<b>DATE</b>	<b>: 31 JANUARY 2026</b>
<b>TIME</b>	<b>: 02:00PM - 05:00PM</b>
<b>DURATION</b>	<b>: 3 HOURS</b>

---

**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. Answer ALL questions.
  4. Please write your answers in the answer booklet provided.
  5. Answer all questions in English language ONLY.
  6. This question paper must not be removed from the examination hall.
  7. You are allowed to use financial calculator.
- 

**THERE ARE SIX (6) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.**

---

**INSTRUCTION: Answer ALL questions.**

**Please use answer booklet provided!**

### Question 1

a) Malakoff Berhad is expected to pay a RM0.35 per share dividend at the end of year 2025 (i.e.,  $D_1 = \text{RM}0.35$ ). The dividend is expected to grow at a constant rate of 5.75 percent a year. The required rate of return on this company,  $k_e$ , is 11.9 percent. Calculate the intrinsic value of Malakoff share using Constant Dividend Growth Model.

(4 marks)

b) Genting's most recent annual dividend was RM1.80 per share and the firm's required rate of return is 11%. Find the intrinsic value of the company's share when:

i. dividends are expected to grow at 8 percent annually for 3 years followed by 5 percent constant annual growth rate from year 4 to infinity.

(8 marks)

ii. dividends are expected to grow at 8 percent annually for 3 years followed by 0 percent growth in year 4 to infinity.

(4 marks)

iii. dividends are expected to grow at 8 percent annually for 3 years followed by 10 percent constant annual growth rate from year 4 to infinity.

(4 marks)

**[Total: 20 marks]**

**Question 2**

- a) Soleman Ltd has RM150 million in sales. The company expects that its sales will increase 10 percent this year. Soleman's financial manager uses a simple linear regression to forecast the company's inventory level for a given level of projected sales. Based on historical data, the estimated relationship between inventories and sales (in millions of RM) is expressed as:

$$\text{Inventories} = \text{RM}15.00 + 0.12 (\text{Sales})$$

- i. Given the predictive model above, compute the company's year-end inventory. (3 marks)
- ii. Explain how big data analytics (BDA) can help improve a firm's value (3 marks)
- b) You own 20 percent of Tea-Corp shares, which recently sold for RM8.60 before a planned 1 for 4 bonus issues announcements. Before the bonus issue, there are 800,000 paid-up shares.
- i. What is your financial position before the issue, and what will it be after the issue? (Assume the share price falls proportionately). (4 marks)
- ii. Explain two main reasons behind bonus issue of shares. (2 marks)
- c) Suppose you own 5 percent of SEACORP ordinary shares, which most recently sold for RM98 prior to a planned two-for-one share split announcement. Before the split, there are 50,000 ordinary shares. Relative to now, what will be your financial position after the share split? (4 marks)
- d) A THHE Bond which is maturing on 31 December 2026 has a redemption value of RM1,000 and pays 15% p.a. coupon interest payable semi-annually up to year 2026. This means bondholder will receive both coupon and principal repayments on 31 December 2026. If market interest rate is assumed to be 10% throughout the period, compute the bond's intrinsic value (i.e., present value) on January 1, 2024. (4 marks)

**[Total: 20 marks]**

**Question 3**

a) ACM Sdn Bhd has released the following financial information:

Earnings available for common shareholders	RM1,000,000
Number of common shares outstanding	400,000 units
Earnings Per Share (EPS)	RM2.50
Market Price Per Share (MP)	RM50.00
Price Earnings Ratio (P/E)	20.00 times

i. ACM is planning to use RM800,000 of its earnings for stock repurchase. If ACM pays RM52.00 per share for this repurchase exercise, compute the company's new EPS.

(4 marks)

ii. Explain **TWO (2)** main reasons behind a stock repurchase.

(2 marks)

b) Consider the purchase of TNB JUN50 call options at RM5 premium. This strategy is adopted to mitigate investment risk. (You bought CALL, so you have the right to buy!)

i. Calculate your profit/loss if TNB spot market price is RM30. (3 marks)

ii. Calculate your profit/loss if TNB spot market is RM60. (3 marks)

iii. Calculate your breakeven price. (3 marks)

iv. Calculate your maximum loss. (3 marks)

v. Calculate your maximum gain. (2 marks)

**[Total: 20 marks]**

## Question 4

Some financial data for each of the three companies are shown below:

	McClooney Auto Parts	Rempit Accessories	Big Brother Motor Parts
Average selling price per unit	RM15.00	RM400.00	RM40.00
Average variable cost per unit	RM12.35	RM220.00	RM14.50
Units sold	75,000	4,000	13,000
Fixed costs	RM35,000.00	RM100,000.00	RM70,000.00

- a) Calculate the profit for each company at the indicated sales volume. (6 marks)
- b) Calculate the degree of operating leverage (DOL) for each company at indicated sales volume. (6 marks)
- c) If sales were to decline, which company will suffer the largest relative decline in profitability? (3 marks)
- d) Explain the effects of having high operating leverage in your company. (3 marks)
- e) High leverage will reduce a company's ability to reward its shareholders with dividends. Point out any **TWO (2)** factors that can influence the size of dividend payouts. (2 marks)

**[Total: 20 marks]**

## Question 5

- a) Explain **FOUR (4)** reasons for a company's merger to take place. (4 marks)
- b) Elaborate in detail **TWO (2)** common corporate strategies in acquiring a firm. (6 marks)
- c) Explain the following four Capital Structure theories in detail.
- i. Modigliani-Miller Theory (2 marks)
  - ii. Trade-off Theory (2 marks)
  - iii. Pecking Order Theory (2 marks)
  - iv. Market Timing Theory (2 marks)
  - v. Which one of the following four theories above **BEST** describe WCE Holdings Berhad's current financial model? Justify your answer. (2 marks)

[Total: 20 marks]

END OF EXAMINATION PAPER