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UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EAB31503
COURSE TITLE	:	FINANCE 2
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	25 JUNE 2026
TIME	:	2:00PM - 5:00PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consist of ONE sections.
4. Section A consist of five questions. Answer FOUR (4) questions only.
5. Please write your answer on the answer booklet provided.
6. Please answer all questions in English only.
7. Refer to the attached Formula/ Appendies. ☐ *Tick if applicable*

THERE ARE 6 PAGES OF QUESTIONS INCLUDING THIS PAGE

SECTION A (Total: 100 marks)

Answer FOUR (4) questions.

Please use the answer booklet provided.

Question 1

Trust Me Berhad, a company listed on Bursa Malaysia, announced a major breakthrough in solar technology. The announcement was made publicly at 10:00 AM.

Before the announcement, the share price was RM3.00
Within 30 minutes, the price rose to RM4.50
By the end of the day, the price stabilized at RM5.40

Eimantakisah, an investor, believes he can still earn profits by buying the stock after the announcement using publicly available news. Meanwhile, another investor, Sheera had insider information about the breakthrough a week earlier and already purchased shares before the announcement.

(a) Define the Efficient Market Hypothesis (EMH). Briefly explain **three (3)** forms of EMH.

(10 marks)

(b) Explain how the share price movement of Trust Me Berhad reflects the semi-strong form of Efficient Market Hypothesis (EMH).

(5 marks)

(c) Evaluate Elmantakisah's strategy of buying the stock after the public announcement. Can he earn abnormal returns? Explain.

(5 marks)

(d) Discuss Sheera's ability to earn abnormal returns in the context of the strong form of EMH.

(5 marks)

Question 2

Answer the following:

(a) Modigliani and Miller (M&M) argued that in a perfect capital market, a firm's dividend policy does not affect its value. Briefly explain **FOUR (4)** assumptions of M&M Dividend Irrelevancy Theory.

(8 marks)

(b) Identify **TWO (2)** real-world factors that challenge M&M's assumptions.

(6 marks)

(c) Alfa Berhad has a net profit after tax (NPAT) of RM3,000,000. The company has identified capital expenditure projects totaling RM4,000,000 for the coming year. The firm's target capital structure is 40% debt and 60% equity. There are 5,000,000 shares outstanding. Using the Residual Dividend Theory, calculate the dividend payout ratio.

(11 marks)

Question 3

Answer the following:

(a) Mergers and acquisitions (M&A) remain a key corporate growth strategy. Discuss **THREE (3)** motives that drive firms to pursue mergers and acquisitions.

(6 marks)

(b) Explain **FOUR (4)** types of mergers (horizontal, vertical, conglomerate, concentric) with **ONE (1)** example each.

(8 marks)

(c) The following information relates to a proposed merger:

	Acquirer Berhad	Target Sdn Bhd
Market value	RM15,000,000	RM6,000,000
Shares outstanding	3,000,000	1,500,000
EPS	RM2.00	RM1.20
Share price	RM5.00	RM4.00
Synergy	RM2,000,000	—
Offer Price (cash)	—	RM5.00 per share

Calculate (i) Total acquisition cost, (ii) Net Present Value (NPV) of the merger, (iii) Premium paid to Target shareholders, (iv) Exchange ratio if Acquirer uses a stock offer at RM5.00 offer price per Target share, and (v) New EPS of the combined entity under the stock offer.

(11 marks)

Question 4

Answer the following:

(a) Multinational companies (MNCs) face foreign exchange (FX) risk in their international operations. Define and distinguish between Transaction Exposure, Translation Exposure and Economic Exposure.

(9 marks)

(b) Based on question (a) above, state which type of exposure is considered the most difficult to hedge and explain why.

(4 marks)

(c) Delta Engineering Berhad is a Malaysian exporter that expects to receive USD200,000 from its US customer in 90 days. The following exchange rate information is available:

Spot rate (today)	USD1 = RM4.75
90-day forward rate	USD1 = RM4.68
Actual spot rate (at maturity)	USD1 = RM4.60

Calculate the RM proceeds received under each scenario (i) No hedge (converted at actual spot rate on maturity date), (ii) Forward contract hedge (lock in forward rate today), and (iii) Determine whether the forward contract hedge benefited the company. Advise the company on hedging.

(12 marks)

Question 5

Dedey Ltd. provides the following data for the year:

Monthly sales (all credit) = RM800,000
Cost of goods sold = RM6,000,000
Average inventory = RM500,000
Average receivables = RM400,000
Average payables = RM300,000

(a) Calculate cash conversion cycle (CCC).

(13 marks)

(b) Calculate operating cycle.

(3 marks)

(c) Comment briefly on what the CCC indicates for Dedey Ltd.

(3 marks)

(d) Briefly describe **three (3)** measures to reduce working capital requirements.

(6 marks)

END OF EXAMINATION PAPER