CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EBB30703
COURSE NAME	:	CORPORATE FINANCE
PROGRAMME NAME	:	BACHELOR IN ISLAMIC FINANCE WITH HONOURS
DATE	:	29 JUNE 2026
TIME	:	9.00 AM – 12.00 PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **ONE sections only.**
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**
8. You are allowed to use financial calculator.

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

INSTRUCTION: Answer ALL questions.
Please use answer booklet provided.

Question 1

a) Taiping Berhad currently pays a dividend of RM2.00 per share (i.e., D_0 = RM2.00). It is estimated that the company's dividend will grow at a rate of 20% per year for the next two years, then the dividend will grow at constant rate of 7% thereafter. The company's share has a beta equals 1.20 with risk-free rate and market risk premium stand at 7.5% and 4% respectively. Calculate the intrinsic value of Taiping's share.

(5 marks)

b) Zentro Technology's most recent annual dividend was RM1.80 per share and its investor's required rate of return is set at 10% p.a. It is anticipated that Zentro's dividends will grow at 6% annually for 4 years, followed by 3% constant annual growth rate from year 5 till infinity.

i. Calculate the intrinsic value of Zentro's share.

(7 marks)

ii. Explain the primary strength of dividend valuation model.

(3 marks)

iii. Elaborate in detail why public listed company's founders normally have a small percentage of ownership in their company after Initial Public Offering (IPO).

(5 marks)

[Total: 20 marks]

Question 2

a) Sandblast Berhad has developed a new product line. The company expects that its sales will increase to RM2,600 million in 2026. Sandblast's financial manager uses a simple linear regression to forecast the company's inventory level for a given level of projected sales. Based on a financial theory, the inventory level is expressed as a function of the sales variable. The inventory and sales distributions are given as follows:

Year	Inventory (RM million)	Sales (RM million)
2014	255	1,029
2015	289	1,045
2016	291	1,100
2017	298	1,234
2018	299	1,560
2019	310	1,890
2020	430	2,010
2021	453	2,340
2022	487	2,359
2023	491	2,400
2024	501	2,455
2025	513	2,501
2026		2,600

i. Given the mathematical function above, produce a predictive model and compute the company's year-end inventory in 2026.

(7 marks)

ii. Explain how big data analytics can help improve a firm's value.

(3 marks)

b) You own 20 percent of Berjaya-Corp shares, which recently sold for RM8.60 before a planned 1 for 5 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 the reason why the announcement of bonus share issue often times lead to a fall in the market price of a share.

(2 marks)

c) MBBS Manufacturing has net income of RM2,000,000 and it has 1,000,000 shares of common stock outstanding. The company's stock currently trades at RM32 per share. The company is considering a plan where it will use available cash to purchase 20% of its shares in the open market. The stock repurchase is expected to have no effect either on net income nor the company's P/E ratio. Compute MBBS's share price following the stock repurchase.

(4 marks)

[Total: 20 marks]

Question 3

a) WCEH Berhad is contemplating of selling RM10 million worth of 25-year, 9% coupon compounded annually, each bond certificate with a par value of RM1,000. WCEH sells this bond for RM980. The floatation costs paid to the investment banker are 3% of the par value. Given the information above, calculate:

i. The net proceeds to WCEH Berhad (N_d) (3 marks)

ii. The cost of debt (K_D) (3 marks)

b) Consider the purchase of WCEH MAR50 put options at $5 premium. (You bought PUT, so you have the right to sell!)

i. Calculate your profit/loss if WCE spot market price is $30. (3 marks)

ii. Calculate your profit/loss if WCE spot market is $60. (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

a) McCovey Berhad manufacturers an assortment of cooking stoves. The average selling price for the various unit is RM500. The associated variable cost is RM350 per unit. Fixed cost for the firm average RM180,000 annually. Compute:

i. the breakeven point in units for McCovey Berhad. (4 marks)

ii. the sales volume in RM for McCovey to achieve its breakeven point. (3 marks)

iii. the degree of operating leverage (DOL) for a production and sales level of 5,000 units for this company.

(4 marks)

iv. the projected effect on earnings before interest and tax (EBIT) if McCovey's sales level should increase by 20% from the volume noted in part (iii) above.

(3 marks)

b) Explain the implications of having high operating leverage in your company.

(2 marks)

c) Point out any **TWO (2)** factors that can influence the size of dividend payouts.

(4 marks)

[Total: 20 marks]

Question 5

a) Rico Corporation is considering to purchase STAR Berhad for RM70 million in cash. Rico's current cost of capital is 16 percent. STAR's estimated overall cost of capital is anticipated to be 14 percent after the acquisition. Rico's financial analyst produces forecasted cash inflows from years 1 to 15 to be constant at RM8 million annually.

i. Should Rico Corporation acquire STAR Berhad? Provide justification.

(6 marks)

ii. Explain in detail the difference between merger and consolidation.

(4 marks)

iii. Explain TWO (2) main reasons why share price of a target firm would go sky-rocket the moment company acquisition is announced.

(4 marks)

b) Explain the following three Capital Structure theories in detail.

i. Modigliani-Miller Theory
ii. Trade-off Theory
iii. Market Timing Theory

(6 marks)

[Total: 20 marks]

END OF EXAMINATION PAPER