UNIVERSITI POLY-TECH MALAYSIA
UPTM

FINAL EXAMINATION

BACHELOR OF CORPORATE ADMINISTRATION (HONOURS)

COURSE	:	**CORPORATE FINANCIAL MANAGEMENT**
COURSE CODE	:	**FIN3233/FIN402**
DURATION	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FOUR (4)** questions.
2. Answer ALL questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
   i. The Question Paper.
   ii. An Answer Booklet.
   iii. Appendix 1-4.
4. Do not bring any material into the examination hall. The use of a calculator is allowed.
5. Please write your answer using permanent ink.

MYKAD/ PASSPORT NO : ______________________

ID. NO. : ______________________

LECTURER : ______________________

SECTION : ______________________

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 6 printed pages, including the front page.

QUESTION 1

a. Explain **TWO (2)** reasons why a company applies capital budgeting analysis.

(4 marks)

b. LuminaTech Innovations, a company that makes smart home lighting systems, is considering replacing its current assembly machine (ALPHA-200) with a more advanced automated model (OMEGA-500). The ALPHA-200 was bought for RM450,000 four years ago, has 6 years of remaining life, a salvage value of zero, and can currently be sold for RM310,000.

The OMEGA-500 costs RM550,000, has a 10-year life, and a salvage value of RM50,000. An additional RM20,000 in net working capital is needed for the new machine. Transporting the new machine from Japan costs RM30,000.

The current ALPHA-200 requires 5 workers at RM35,000 per year, RM25,000 in maintenance, and RM40,000 in defect costs. The OMEGA-500 is fully automated, eliminating labor costs, and reducing maintenance by 8% and defect costs by 10%. LuminaTech expects annual sales to increase by RM83,000 with the new machine.

The corporate tax rate is 25%, and the cost of capital is 10%. Both machines will be depreciated using straight-line depreciation.

Required:

Using the scenario above, calculate the following for LuminaTech Innovations:

i. Initial outlay for the new assembly machine.

(10 marks)

ii. Annual differential after-tax cash flows between the current and the new assembly machines.

(10 marks)

iii. Terminal cash flows at the end of the assembly machine's useful life.

(2 marks)

c. SweetBloom Sdn Bhd is evaluating two mutually exclusive investment projects, Project Rainbow and Project Sunshine. The company expects to invest RM80,000 in Project Rainbow and RM90,000 in Project Sunshine. Both projects have the same level of risk, and the company's cost of capital is 6%. The after-tax cash flows for both projects over the next 5 years are shown below:

Year	Project Rainbow RM	Year	Project Sunshine RM
1	21,000	1	19,000
2	21,000	2	29,000
3	21,000	3	39,000
4	21,000	4	19,000
5	21,000	5	19,000

Required:

a. Calculate the net present value (NPV) of each project.

(7 marks)

b. Determine the internal rate of return (IRR) for each project.

(10 marks)

c. Evaluate which project SweetBloom Sdn Bhd should undertake, justifying your choice.

(2 marks)

(Total: 45 marks)

QUESTION 2

a. Discuss **TWO (2)** common types of securities that companies use to raise funds.
(4 marks)

b. Illustrate **THREE (3)** factors that may influence a company's choice of capital structure and their impact on the mix of debt and equity financing.
(6 marks)

c. NAS Bhd, a publicly listed company in Malaysia specializing in household appliances, reported an earnings per share (EPS) of RM4.50 last year. The management anticipates that both dividends and EPS will grow by 10% next year. The company typically retains 30% of its earnings to fund future growth. If your required rate of return is 18%, would you consider purchasing NAS Bhd.'s shares at the current market price of RM35 per share? Justify your answer with calculations.
(4 marks)

d. ChocoDelight Bhd, a Malaysian confectionery company, has just paid a dividend of RM2.30 per share. Dividends are expected to grow at 18% per year for the next two years, slow to 16% in the third year, and then settle at 10% per year indefinitely. The required rate of return is 12%. Last year, earnings per share were RM2.40, and the company maintains a dividend payout ratio of 35%.

Required:

i. Calculate the intrinsic value of ChocoDelight's stock using the projected dividend growth.
(6 marks)

ii. Determine the intrinsic value assuming zero dividend growth from year 4 onwards.
(5 marks)

(Total: 25 marks)

QUESTION 3

a. Explain **THREE (3)** reasons why dividends are important.

(3 marks)

b. On 20 January 2026 (Tuesday), Amilia sold all her shares in MyNews Holdings Bhd to Norman Isaac. The company had declared a dividend on 8 January 2026 (Thursday), with the date of record set on 27 January 2026 (Tuesday), and the payment date scheduled for 10 February 2026 (Tuesday). The dividend declared was RM0.55 per share. Amilia initially held 18 lots of shares before selling them.

Required:

i. Compute the total dividend declared for Amilia's holdings before the sale.

(3 marks)

ii. Determine who is entitled to receive the dividend based on the transaction date and the record date.

(2 marks)

iii. Explain the purpose of the payment date and one possible consequence if MyNews Holdings Bhd fails to make payment as scheduled.

(3 marks)

iv. Discover the ex-dividend date for MyNews Holdings Bhd and **TWO (2)** implications for investors trading the shares around this date.

(3 marks)

v. Predict how the share price of MyNews Holdings Bhd might behave on the ex-dividend date.

(1 mark)

c. Illustrate the concepts of:

i. Signalling effect.
ii. Clientele effect.

(5 marks)

(Total: 20 marks)

QUESTION 4

A. Normy Bhd, a growing tech company, is facing the risk of a hostile takeover from FreesyaCorp. The board aims to implement strategies to counter this threat.

Required:

Show **THREE (3)** defensive strategies that Normy Bhd could use to discourage a hostile takeover.

(6 marks)

B. Andrian Ltd. is a company that manufactures electronic gadgets. Last year, it faced the following situations:

a. A global rise in oil prices increased production and transport costs across all industries.
b. One of its new products failed due to a design defect, causing a temporary drop in sales.

Required:

Illustrate **TWO (2)** characteristics of systematic risk and **TWO (2)** characteristics of unsystematic risk from the scenarios above.

(4 marks)

(Total: 10 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER