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

Barakah Food Industries Sdn Bhd, a halal frozen food manufacturer, is considering replacing one of its old packaging machines with a new automated high-tech processing system to enhance efficiency and reduce product defects.

The old machine was purchased 6 years ago at RM550,000 and can still be used for another 4 years. However, it can be sold today for RM110,00 and its salvage value at the end of the remaining 4 years is nil. Currently, the machine incurs annual maintenance costs of RM44,000 and defect costs of RM55,000. If the new machine is acquired, the company expects to reduce annual staff salaries by RM30,000.

The new machine must be imported from Taiwan at a purchase price of RM330,000. It has an expected useful life of 6 years and an estimated salvage value of RM25,000. Additional costs include import duties of RM50,000, transportation costs of RM20,000, installation costs of RM15,000, and staff training costs of RM25,000.

Due to improved operational efficiency, inventories must increase by RM23,000. Annual sales are expected to increase by RM90,000. Under the new machine, annual maintenance costs will remain at RM44,000 while defect costs will decrease to RM30,000.

The company uses the straight-line method to depreciate all non-current assets. The corporate tax rate is 25% and the cost of capital is 14%.

Required:

a. Analyse the financial implications of replacing the existing machine by computing and examining the following components:

   i. Initial outlay of the project. (7 marks)

   ii. Annual differential after-tax cash flows over the project's life. (10 marks)

   iii. Terminal cash flows at the end of Year 6. (2 marks)

   iv. Payback period. (5 marks)

   v. Net Present Value (NPV). (7 marks)

   vi. Internal Rate of Return (IRR). (7 marks)

b. As the financial analyst of the company, analyse the overall investment decision by integrating the capital budgeting results and recommend a course of action.

(3 marks)

c. i. Discuss the effect of taxation on project cash flows and why after-tax cash flows are important.

(2 marks)

ii. Explain one way risk or uncertainty can influence project outcomes.

(1 mark)

iii. Describe a method used to handle uncertainty in cash flow analysis.

(1 mark)

(Total: 45 marks)

QUESTION 2

a. Explain the main purposes of short-term financing and long-term financing, providing **TWO (2)** examples for each.

(6 marks)

b. Al-Hikmah Bakery Sdn. Bhd., a family-owned business, wants RM1,000,000 to expand. The company has two options:

Option 1: Borrow RM1,000,000 from a bank at 5% interest per year.
Option 2: Issue 200,000 new shares at RM5 per share.

Required:

Choose the most suitable option for a family-run business.

(4 marks)

c. GreenTech Solar Sdn Bhd is a company operating in the solar panel manufacturing sector. The company is expected to pay a dividend of RM2.80 next year. Investors require a 12% return on their investment, and dividends are expected to grow at 7% per year indefinitely. The current market price of GreenTech Solar's share is RM45.

Required:

Analyse the valuation of the share using the dividend growth model in relation to its market price.

(3 marks)

d. Freesya Bhd, a Malaysian Muslim-owned company in the solar panel installation and maintenance sector, recently paid a dividend of RM4.50 per share. Dividends are expected to grow as follows: RM5.00 in Year 1, RM5.20 in Year 2, and RM5.02 annually in Years 3 to 5. From Year 6 onwards, dividends are expected to remain constant at RM5.50 per share indefinitely. The required rate of return for investors is 16%.

Required:

Find the intrinsic value of Freesya Bhd's stock using the dividend discount model, and explain the implications of your calculation for potential investors.

(12 marks)

(Total: 25 marks)

QUESTION 3

a. NAS Islamic Bank Bhd, a Malaysian Islamic financial institution, has just completed a profitable year. The bank is considering whether to increase dividends, maintain them, or reinvest profits into expansion projects.

Required:

i. Explain why dividend policy is an important decision for a company.

(3 marks)

ii. Illustrate **FIVE (5)** practical factors influencing dividend policy.

(5 marks)

b. Aisyah is a shareholder of Nur Aman Islamic Retail Berhad, a Muslim-owned retail chain operating across Malaysia. On 3 March 2026 (Tuesday), she disposes of all her shares to Daniel. The company had earlier announced a cash dividend with the following details: declaration date on 18 February 2026 (Wednesday), record date on 4 March 2026 (Wednesday), and payment date on 13 March 2026 (Friday). The dividend declared is RM1.50 per share. Aisyah owns 20 lots of shares.

Required:

i. Interpret the significance of the date of record in determining dividend entitlement.

(3 marks)

ii. Compute the total dividend arising from Aisyah's shareholding.

(3 marks)

iii. Determine who is entitled to receive the dividend, with justification based on the relevant dates provided.

(3 marks)

iv. Apply the ex-dividend date concept to assess its impact on Aisyah's and Daniel's dividend entitlement.

(3 marks)

(Total: 20 marks)

QUESTION 4

A. GreenLeaf Foods, a mid-sized organic food company in Malaysia, is considering a merger with a competitor to strengthen its position in the local market.

Required:

Illustrate **THREE (3)** key reasons why GreenLeaf Foods might pursue this merger.

(6 marks)

B. AeroTech Manufacturing faces frequent fluctuations in raw material costs and foreign exchange rates due to international suppliers.

Required:

Illustrate **TWO (2)** common techniques used to manage financial risk.

(4 marks)

(Total: 10 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER