

349391



Revision

Exam

- Online
- 3 hours
- Check your exam table carefully!
- Only use the allowed calculators (i.e., you need to show the steps of working where required, thus, simply showing the numbers calculated by Excel will not be satisfactory)

Part A: Multiple choices/Short open-ended

- 20 questions, each is worth 2 points
- Multiple choices: NO step of working is required
- Short open-ended: you **NEED** to show the steps of working

Part B: Long open-ended questions

- 3 questions, each is worth 20 points: **You need to show the steps of working**

Corporate finance/corporate governance

- Basic understanding of balance sheet:
 - What items are considered liabilities? What the firm owes others
 - What items are considered assets? What the firm owns
- Basic understanding of income statement:
 - How to calculate a firm's income? $\text{Income} = \text{Revenue} - \text{Expenses}$
- Agency theory
 - Explain agency costs of equity and the causes
 - Explain agency costs of debt and the implications for investment decisions
 - Solve a simple principal-agent model

Financial statement analysis

- Use ratio analysis to analyse a firm's performance
- Understand Du Pont identity: 3 components of ROE
 - Profit margin = operating efficiency
 - Total asset turnover = asset use efficiency
 - Equity multiplier = financial leverage

Discounted CF

- Apply discounted CF formulas
 - The generalised formula
 - The special cases
 - Annuity/Perpetuity
 - Growing annuity/Growing perpetuity

Capital budgeting

- Calculate NPV, payback period, discounted payback period, average accounting return, internal rate of return, profitability index, incremental NPV
- Apply each rule for investment decisions
- Understand the pros/cons
- Perform worst-best scenarios analysis, sensitivity analysis, break-even analysis

Capital structure

- Understand the differences between debt and equity
- Modigliani-Miller (M&M) propositions
 - Assumptions
 - Explain MM1, MM2
- MM propositions with tax
- Static theory
- Pecking order theory

Dividends and payout policies

- Explain why dividend policy might not be matter for firm value
 - Offsetting across time
 - Homemade dividend policy
- Real-world factors
 - Favouring high dividend policy: desire for current income, information content of dividends and dividend signalling, agency costs, behavioural factors
 - Favouring low dividend policy: taxes, flotation costs, dividend restrictions
- Dividend policy:
 - The clientele effect
 - The catering theory
- Pros and cons of paying dividends
- Share repurchases
- Stock dividends and stock splits

M&As

- Forms of acquisitions
- Gains from acquisitions
 - Revenue enhancement
 - Cost reduction
 - Lower taxes
 - Reduction in capital needs
- Practical valuation of mergers

Mock paper

Part A

1 A; 2 C; 3 A; 4 A; 5 D; 6 D; 7 D; 8 B; 9 B; 10 A

11: Interest coverage ratio = 1.981

12: P/E = 11.8

13: ROA = 2.6%

14: Total asset turnover = 1.495

15: PV = 87,003.682

16: FV = 928,901.9

17: Depreciation = 6,092.308

18 (Week 4's Quiz 4): $t = 16.09$

19 (Week 9's Quiz 4a): Share price = 16.67

20 (Week 8's Quiz 1c): Interest tax shield = 44.1 million

Part B

21: See Week 10's Quiz

22: See Week 5's Case study

23: See Week 3's Quiz 1

Availability

I will be out of office from **18 December until 7 January** (inclusive). Any queries sent during this period will be responded when I return to the office (on the first-come-first-serve basis)