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# Exam : CIMAPRA19-F03-1-ENG 

## Title : F3 Financial Strategy (Online)

Version : DEMO

## 1.CORRECT TEXT

A venture capitalist invests in a company by means of buying:

- 9 million shares for $\$ 2$ a share and
- $8 \%$ bonds with a nominal value of $\$ 2$ million, repayable at par in 3 years' time.

The venture capitalist expects a return on the equity portion of the investment of at least $20 \%$ a year on a compound basis over the first 3 years of the investment.
The company has 10 million shares in issue.
What is the minimum total equity value for the company in 3 years' time required to satisify the venture capitalist's expected return?
Give your answer to the nearest $\$$ million.
\$ million.
Answer: 34, 35, 34000000, 35000000

## 2.CORRECT TEXT

A listed company is planning to raise $\$ 21.6$ million to finance a new project with a positive net present value of $\$ 5$ million. The finance is to be raised via a rights issue at a $10 \%$ discount to the current share price. There are currently 100 million shares in issue, trading at $\$ 2.00$ each.
Taking the new project into account, what would the theoretical ex-rights price be?
Give your answer to two decimal places.
\$ ?
Answer: 2.02, 2.03
3.Which THREE of the following are likely to be strategic reasons for a horizontal acquisition?
A. Reduction of risk by building a larger portfolio
B. Acquisition of an undervalued company
C. To achieve economies of scale
D. To secure key parts of the value chain
E. Reduction of competition

## Answer: B,C,E

4.A company plans to raise $\$ 12$ million to finance an expansion project using a rights issue.

Relevant data:

- Shares will be offered at a $20 \%$ discount to the present market price of $\$ 15.00$ per share.
- There are currently 2 million shares in issue.
- The project is forecast to yield a positive NPV of $\$ 6$ million.

What is the yield-adjusted Theoretical Ex-Rights Price following the announcement of the rights issue?
A. $\$ 16.00$
B. $\$ 14.00$
C. $\$ 9.00$
D. $\$ 11.00$

Answer: A
5. Company T is a listed company in the retail sector.

Its current profit before interest and taxation is $\$ 5$ million.

This level of profit is forecast to be maintainable in future.
Company T has a $10 \%$ corporate bond in issue with a nominal value of $\$ 10$ million.
This currently trades at $90 \%$ of its nominal value.
Corporate tax is paid at $20 \%$.
The following information is available:
Which of the following is a reasonable expectation of the equity value in the event of an attempted takeover?
A. $\$ 32.0$ million
B. $\$ 41.6$ million
C. $\$ 65.0$ million
D. $\$ 50.2$ million

Answer: B

