Index Number…………………………………Signature…………………………………………Date……………

CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI, GHANA
CSUC SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE
MSC ACCOUNTING AND FINANCE
END OF FIRST SEMESTER EXAMINATIONS – 2020/2021 ACADEMIC YEAR

LEVEL 500

MASF 505: CORPORATE FINANCE

DECEMBER, 2021 **140 MARKS** **TIME ALLOWED: 3 HOURS**

GENERAL INSTRUCTIONS TO CANDIDATES:

- *The paper is divided into three sections; A,B and C*
- *Answer all questions in Sections A and B*
- *Answer only two questions from section C. **Question ONE** and any other question*
- *Write your index number on top of the question paper and every page of the answer booklet used*

Examiner: [illegible]

Index Number..............................Signature..............................Date..............

SECTION A (25MARKS)

1. The 182-day annualized T-bill is 9% P.A. The return on market is 15% P.a and the beta of stock B is 1.5. What is the required rate of return from investment in stock B?
   A. 17% P.a
   B. 18% P.a
   C. 19% P.a
   D. 20% P.a
2. Which of the following statements is correct regarding profit maximization as the primary goal of the firm?
   A. Profit maximization considers the firm's risk level
   B. Profit maximization will not lead to increasing short-term profits at the expense of lowering expected future profits
   C. Profit maximization does consider the impact on individual shareholders EPS
   D. Profit maximization is concerned with maximizing net income than stock price.
3. Which of the following statement (s) is/are true about leveraging in a firm?
   A. Less EBIT goes to investors in a leveraged firm
   B. More EBIT goes to investors in an unleveraged firm
   C. More EBIT goes to investors in a leveraged firm
   D. Both investors in leveraged and unleveraged firm receive the same amount of EBIT
4. Agency conflicts arise between shareholders and debt holders because
   A. Debt holders have preference for higher-risk projects than shareholders
   B. Shareholders have preference for higher-risk project than debt holders
   C. Managers prefer to use debt finance rather than equity
   D. Shareholders prefer equity finance to debt finance
5. The motivation for investing in zero coupon bond is that
   A. Zero coupon bonds are sold at premium and redeemed at par
   B. Zero coupon bonds are sold at par and redeemed at premium
   C. Zero coupon bonds are sold at discount and redeemed at par
   D. Risk preferring investors are indifferent to zeros
6. [illegible] bonds [illegible] maturity with [illegible] have a $1000 par value and the coupon interest rate is 10 percent. If the bonds sell at a price of $850, what is the [illegible] of the bond?
   A. [illegible]%
   B. 12.2%
   C. [illegible]%
   D. [illegible]%
7. [illegible]
   A. [illegible]
   B. [illegible]
   C. EPS maximization
   D. [illegible]
   E. Shareholder value maximization