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Question 1

Question Type: MultipleChoice

Two unlisted companies TTT and YYY are being valued. The companies have similar capital structures and risk profiles and operate in the same industry sector It is easier to value TTT than to value YYY because there have recently been several well-publicised private sales of TTT shares.

Relevant company data:

	TTT	YYY
Profit before tax and financing	$30 million	$20 million
Profit for the year	$25 million	$15 million
Number of shares	100 million	200 million
Share price ($1 nominal shares)	$2.00	?

What is the best estimate of YYY's share price?

Options:

A- $0.60

B- $1.20

C- $0.68

D- $0.94

Answer:

B

Question 2

Question Type: **MultipleChoice**

A company is based in Country Y whose functional currency is YS. It has an investment in Country Z whose functional currency is ZS This year the company expects to generate ZS20 million profit after tax.

Tax Regime

* Corporate income tax rate in Country Y is 60%

* Corporate income tax rate in Country Z Is 30%

* Full double tax relief is available

Assume an exchange rate of YS1 = ZS5

What is the expected profit after tax in YS if the ZS profit is remitted to Country Y?

Options:

A- YS2 29 million

B- YS1 60 million

C- YS6.67 million

D- YS57.14 million

Answer:

A

Question 3

Question Type: **MultipleChoice**

A listed entertainment and media company produces and distributes films globally. The company invests heavily in intellectual property in order to create the scope for future film projects. The company has five separate distribution companies, each managed as a separate business unit The company is seeking to sell one of its business units in a management buy-out (MBO) to enable it to raise finance for proposed new investments

The business unit managers have been in discussions with a bank and venture capitalists regarding the financing for the MBO The venture capitalists are only prepared to invest a mixture of debt and equity and have suggested the following:

	$ million
Agreed selling price	100
Equity invested by managers	35
Equity invested by venture capitalists	30
Borrowing from venture capitalist – secured, 5% interest, redeemable in 5 years	35

The venture capitalists have stated that they expect a minimum return on their equity investment of 3Q/o a year on a compound basis over the first 5 years of the MBO No dividends will be paid during this period.

Advise the MBO team of the total amount due to the venture capitalist over the 5-year period to satisfy their total minimum return?

Options:

A- $155.14 million

B- $111 39 million

C- $120 14 million

D- $146 39 million

Answer:

B

Question 4

Question Type: MultipleChoice

A UK company enters into a 5 year borrowing with bank P at a floating rate of GBP Libor plus 3%

It simultaneously enters into an interest rate swap with bank Q at 4.5% fixed against GBP Libor plus 1.5%

What is the hedged borrowing rate, taking the borrowing and swap into account?

Give your answer to 1 decimal place.

Options:

A- 7.5%

B- 6.5%

Answer:

A

Question 5

Question Type: MultipleChoice

XYZ is a multi-national group with subsidiary AA in Country A and subsidiary BB in Country B. The capital structures of AA and BB are set up to take advantage of the lower tax rate in Country A Thin capitalisation rules in Country B will limit the ability for either AA or BB to claim tax relief on:

Options:

A- interest earned by BB.

B- interest earned by AA

C- interest paid by BB

D- interest paid by AA

Answer:

C

Question 6

Question Type: **MultipleChoice**

Integrated reporting is designed to make visible the capitals on which the organisation depends, and how the organisation uses those capitals to create value in the short, medium and long term

Which THREE of the following capitals are specifically identified in the Integrated Reporting Framework?

Options:

A- Manufactured

B- Research and Development

C- Community

D- Human

E- Financial

Answer:

A, D