COURSE CODE/NAME: BWFF 2023 / FINANCIAL MANAGEMENT II
DATE: 30 DECEMBER 2012 (SUNDAY)
TIME: 2.30PM – 5 PM (2 ¼ hours)
VENUE: DTSo, DMS, TE, KIA, KTB, KYM, PMI, IKIP & MKM

INSTRUCTION:

1. This examination paper has TWO (2) sections printed on TWENTY (20) pages excluding the cover page.
2. SECTION A comprises FORTY (40) multiple choice questions to be answered using the OMR form provided.
3. SECTION B consists of FOUR (4) structured questions. Answer ALL questions in the space provided in the question paper.
4. The examination paper also includes THREE (3) printed pages of ATTACHMENT which consists of financial tables and formula list.
5. Candidates are NOT ALLOWED to take both exam questions and exam sheet out of the hall.
6. Candidates are bound by UUM’s RULES AND PROCEDURES ON ACADEMIC FRAUD.

MATRIC NO: ____________________________ (in word) [ ] [ ] [ ] [ ] [ ] (in number)

IDENTIFICATION CARD NO: ____________________________ [ ] [ ] [ ] [ ] [ ] [ ] [ ]

LECTURER: ____________________________

GROUP: [ ] TABLE NO: [ ] [ ] [ ] [ ]

DO NOT OPEN THIS EXAMINATION PAPER UNTIL INSTRUCTED
SECTION A (40 MARKS)

1. Which of the following is TRUE?
   
   A. The market value of the bond will always approach its par value as its maturity date approaches, provided the issuer of the bond does not go bankrupt.
   B. If the government unexpectedly announces that it expects inflation to increase, then we would probably observe an immediate increases in bond prices.
   C. The zero coupon bond pays an interest only at maturity period.
   D. Junk bond always pays lower coupon interest rate.

2. All else equal, if you expect to receive a certain amount in the future, say RM400 in 12 years, the present value of the future amount will be lowest if the interest earned on such investments is compounded __________
   
   A. weekly.
   B. annually.
   C. monthly.
   D. quarterly.

3. __________ is secured by real estate.

   A. A debenture
   B. An income bond
   C. A mortgage bond
   D. A subordinated debenture

4. What is the current price of a RM1,000 par value bond maturing in 15 years with a coupon rate of twelve percent, paid annually, that has a required return of seven percent?

   A. RM700.13
   B. RM845.57
   C. RM1,342.34
   D. RM1,455.35
5. What is the present value of a perpetuity of a RM6,240 per year with a twelve percent interest rate?

A. RM37,681.16  
B. RM50,000.00  
C. RM52,000.00  
D. RM65,217.39

6. Kenanga Berhad's preferred stock pays RM9 in annual dividends. If your required rate of return is ten percent, how much will you be willing to pay for one share?

A. RM26.26  
B. RM60.00  
C. RM62.68  
D. RM90.00

7. Preferred stock is similar to a bond in which of the following way?

A. Preferred stock has a maturity date.  
B. Both contain a growth factor similar to common stock.  
C. Both investments provide a constant income to the investors.  
D. Preferred stockholders and bondholders are creditor to the company.

8. You are considering to purchase Irna's common stock. You expect to sell it at the end of one year of RM53.00. You will also receive dividend of RM2.50 at the end of the year. If your required rate of return on the stock is 12 percent, what is the most you would be willing to pay for it now?

A. RM23.46  
B. RM42.98  
C. RM49.55  
D. RM53.67
9. Sahab & Co. is a new firm in a rapidly growing industry. The company is planning on increasing its annual dividend by twenty percent a year for the next four years and then decreasing the growth rate to five percent per year. The company just paid its annual dividend in the amount of RM1.00 per share. What is the current value of one share of this stock if the required rate of return is nine percent?

   A. RM35.63  
   B. RM38.19  
   C. RM41.40  
   D. RM45.81  

10. The March Corporation has adopted a policy of increasing the annual dividend on their common stock at a constant rate of three percent annually. The last dividend the company paid was RM0.50 a share. What will the dividend be in year 6?

   A. RM0.60  
   B. RM0.93  
   C. RM1.04  
   D. RM1.11  

11. Eight years ago, North MIE Berhad issued 20 year RM1,000 par value bonds to the public. The bonds have ten percent annual coupon rate and pay interest semiannually. Investors presently an annual required a rate of return of 12 percent. What is the current market price of the bond?

   A. RM788.98  
   B. RM874.52  
   C. RM914.10  
   D. RM916.19
RAZ's stock is currently selling for RM20. It is expected to pay a dividend of RM0.80 at the end of year. Dividends are expected to grow at a constant rate of six percent indefinitely. Compute the required rate of return for RAZ's stock.

A. 10%
B. 11%
C. 12%
D. 20%

13. The risk free rate is six percent and the expected market return is 15.25 percent. If HAMILTON's cost of retained earnings using the Capital Asset Pricing Model (CAPM) approach is 15.81 percent, what is the HAMILTON's beta?

A. 1.04
B. 1.06
C. 1.22
D. 1.38

14. Which of the following best describes a company's cost of capital?

A. The average cost of company's assets.
B. The weighted average of coupon interest rate and the price of the bond.
C. All cash flows a company expects to receive from an investment proposal are incremental in future.
D. The rate of return that must be earned on its investments in order to satisfy the company's investor.

15. The pre-tax cost of debt

A. is equal to the coupon rate of outstanding bonds of the company.
B. is equal to the yield to maturity on the outstanding bonds of the company.
C. is equivalent to the current yield on the outstanding bonds of the company.
D. is based on the yield to maturity that existed when the currently outstanding bonds were originally issued.
16. Second Lad Berhad is planning a RM50 million expansion. The expansion is to be financed by selling RM20 million in new debt and RM30 million in new common stock. The before tax required rate of return on the debt is nine percent and the required rate of return on equity is 13.75 percent. If the company is in the 40 percent tax bracket, what is Second Lad Berhad weighted average cost of capital (WACC)?

A. 10.41%
B. 10.62%
C. 14.12%
D. 19.32%

17. Which of the following statement is TRUE?

I. If the degree of financial leverage is 1.25 times, we would expect an increase in EBIT of 4 percent to result in 5 percent increase in Earning Per Share (EPS).
II. If the degree of operating leverage is 4 times, we would expect an increase in EBIT of 1 percent for 4 percent in sales.
III. The greater the degree of operating leverage, the greater is the sensitivity of EPS to change in EBIT.
IV. The degree of combined leverage is the percentage change in sales divided by the percentage change in EPS.

A. I only
B. I & III
C. I, II & III
D. All of the above
18. Which costs should be included when calculating the degree of operating leverage?

A. Depreciation.
B. Real estate taxes.
C. Administrative expenses.
D. Both B and C.

19. In general, as the level of sales rises above the break even point, the degree of operating leverage __________.

A. increases
B. decreases
C. remains constant
D. both A and B

20. Business risk is the result of all of the following EXCEPT

A. degree of competition.
B. product diversification.
C. a firm’s growth prospect.
D. a firm’s use of debt in its capital structure.

21. Which of the following statement is TRUE?

A. An increase in the personal tax rate would not affect firms’ capital structure decisions.
B. in general, a firm with low operating leverage has a small proportion of its total costs in the form of fixed costs.
C. A firm with high business risk is more likely to increase its use of financial leverage than a firm with low business risk, assuming all else is equal.
D. All of the above are correct.
22. A particular debt-equity ratio represents the optimal __________ if it results in the lowest possible WACC.

A. financial leverage  
B. capital budgeting  
C. capital structure  
D. dividend policy

23. The payback method

A. uses cash flows.  
B. measures a project’s profitability.  
C. considers the time value of money.  
D. is the most popular tools to make investment decisions.

24. The best capital budgeting technique is use when evaluating mutually exclusive projects is the

A. pay back period method.  
B. profitability index (PI) method.  
C. net present value (NPV) method.  
D. internal rate of return (IRR) method.

25. The IRR and NPV ranking may differ or mutually exclusive projects because

A. the projects have different expected lives.  
B. the projects have different cash flow patterns.  
C. the reinvestment rate assumptions of IRR and NPV differ.  
D. any or all of these.
26. Under capital rationing, the appropriate decision rule is to
   
   A. select all projects having NPVs greater than zero.
   B. select all projects having a profitability index greater than one.
   C. select the set of projects having the highest combined IRR that does not exceed the budget constraint.
   D. select the set of projects having the highest combined NPV that does not exceed the budget constraint.

27. Which of the following statement is TRUE?
   
   A. Using a project’s IRR as a discount rate produces a NPV equal zero.
   B. A project is independent if it’s acceptance precludes the acceptance of other projects.
   C. Under capital rationing, ranking projects by their IRRs and PIs always lead to identical projects being selected.
   D. The IRR technique implicitly assumes that a project’s cash inflows can be reinvested at the firm’s marginal cost of capital.

28. A independent project is acceptable if its NPV is
   
   A. zero.
   B. less than zero.
   C. more than zero.
   D. zero or more than zero.

29. In practice, most publicly traded companies prefer to do all of the following EXCEPT
   
   A. pay some dividends on a regular basis.
   B. make orderly changes in the dividend.
   C. maintain stable payout ratio and dividend.
   D. raise and lower the dividend in line with annual earnings.
30 Which of the following is FALSE of a stock dividend?

A. It should lower the price per share.
B. It does not change the retained earnings.
C. It does not change total stockholder's equity.
D. It does not affect the company's liquidity position.

31 A decrease in a company’s willingness to pay cash dividends could result from an increase in its

A. liquidity.
B. book value per share.
C. access to capital markets.
D. profitable investment opportunities.

32 Suppose that the board of directors announces a RM1.00 dividend per share, and that the dividend was in line with investor expectations. As a result of this, we would expect

A. the stock to decline by RM1.00 on the record date.
B. the stock to decline by RM1.00 on the payment date.
C. the stock to decline by RM1.00 on the ex-dividend date.
D. the stock to decline by RM1.00 on the announcement date.

33 An investor is more likely to prefer a high dividend payout if a firm

A. has high floatation costs.
B. has lower tax rates than the investor.
C. has a stock price that is increasing rapidly.
D. has few, if any, positive net present value projects.
34. What should companies consider?

A. The maximum rate which the firm should require on any projects it undertakes.
B. The discount rate which the firm should apply to all of the projects it undertakes.
C. The overall rate which the firm must earn on its existing assets to maintain the value of its stock.
D. The rate of return that the firm's preferred stockholders should expect to earn over the long term.

35. Which of the statements below is TRUE?

A. An increase in working capital can be bought about by an increase in inventory.
B. Decrease in account receivables constitute a use of cash flow because you are helping your customers finance their purchases.
C. The increase in net working capital accounts necessary to support a project also provides for cost increases at the end of the project.
D. Decreases in account payable constitute a source of cash flow because you are using your suppliers to help finance your business operations.

36. Which of the statements below is FALSE?

A. Profits are an accounting measure of performance during a specific period of time.
B. Cash flow is an accounting measure of performance during a specific period of time.
C. To obtain the operating cash flow, given the net income, we add back depreciation and subtract taxes.
D. A company could show a loss for the operating period but have generated positive cash flow for the business.
37. Which one of the following would NOT result in incremental cash flows and thus should NOT be included in the capital budgeting analysis for a new product?

A. A firm has a parcel of land that can be used for a new plant site or be sold, rented, or used for agricultural purposes.

B. Using some of the firm's high quality factory floor space that is currently unused to produce the proposed new product. This space could be used for other products if it is not used for the project under consideration.

C. A firm must obtain new equipment for the project, and RM1 million is required for shipping and installing the new machinery.

D. A firm has spent RM2 million on R&D associated with a new product. These costs have been expensed for tax purposes, and they cannot be recovered regardless of whether the new project is accepted or rejected.

38. When evaluating a new project, firms should include in the projected cash flows all of the following EXCEPT

A. changes in net working capital attributable to the project.

B. previous expenditure associated with a market test to determine the feasibility of the project, provided those costs have been expensed for tax purposes.

C. the salvage value of assets used for the project that will be recovered at the end of the project's life.

D. a decline in the sale of an existing product, provided that decline is directly attributable to this project.
39. A company is considering a new project. The Chief Financial Officer (CFO) plans to calculate the project’s NPV by estimating the relevant cash flows for each year of the project’s life (i.e., the initial investment cost, the annual operating cash flows and the terminal cash flows) then discounting those cash flows at the company’s overall WACC. Which one of the following factors should the CFO be sure to **include** in the cash flows when estimating the relevant cash flows?

A. All sunk costs that have been incurred relating to the project.
B. Effects of the project on other divisions of the firm, but only if those effects lower the project’s own direct cash flows.
C. Sunk costs that have been incurred relating to the project, but only if those costs were incurred prior to the current year.
D. The investment in working capital required to operate the project, even if that investment will be recovered at the end of the project’s life.

40. Which of the following is **not** a relevant cash flow and thus should not be reflected in the analysis of a capital budgeting project?

A. Opportunity costs.
B. Shipping and installation costs.
C. Changes in net working capital.
D. Sunk costs that have been expensed for tax purposes.
SECTION B (60 MARKS)

QUESTION ONE (20 MARKS)

The Wonderful Dreamland Berhad is considering two mutually exclusive mattress assemblers. Assembler A has a purchase price of RM80,000, installation costs of RM5,000 and shipping plus insurance cost of RM2,000. To enable staffs operate the machine, additional cost of RM2,000 for training is also needed. The machine will be depreciated over its 5 year life using the simplified straight-line method. By using the assembler A, sales and cost of maintenance are expected to increase by RM90,000 and RM10,000 annually over the life of the machine respectively. The defect costs will fall by RM10,000 per year. The increasing sales is expected to require additional net working capital of RM20,000. The firm expects to be able to sell the machine for RM20,000 at the end of its life.

The purchase price of assembler B is RM130,000. The total amount of other related costs which needs to be considered is RM20,000. The requirement for net working capital at the beginning of its operation is RM22,000. The machine will be depreciated over its six year life using the simplified straight-line method. By using the assembler B, sales and cost of maintenance are expected to increase by RM90,000 and RM15,000 annually over the life of the machine respectively. The defect costs will fall by RM12,000 per year. The assembler B is expected to be sold at the end of the project for RM30,000.

In order to purchase the new mattress assembler, it appears that the firm would have to borrow 30 percent of the assembler's purchase price from local bank at 5 percent interest rate. The firm's marginal tax rate is 26% and its required rate of return is 10%.
a) Calculate the initial outlay for assembler A and B.

(5 marks)
b) Calculate the annual cash flows for assembler A and B.

(8 marks)

c) Calculate the terminal cash flows for assembler A and B.

(4 marks)

d) Based on an equivalent annual annuity (EAA) method, which assembler should be purchased?

(3 marks)
QUESTION TWO (15 MARKS)

Star Berhad is comparing 2 different capital structures, an all-equity plan (Plan 1) and a levered plan (Plan 2). Under Plan 1, Star Berhad would have 240,000 shares of stock outstanding. Under Plan 2, there would be 160,000 shares of stock outstanding and RM3.1 million in debt outstanding. The interest rate on the debt is 10 percent and there are no taxes.

a. If EBIT is expected to be RM750,000, which plan will result in the higher EPS?

(4 marks)
b. If EBIT is expected to be RM1,500,000, which plan will result in the higher EPS?

(4 marks)

c. Calculate the indifference level of EBIT between the two plans.

(7 marks)
QUESTION THREE  (10 MARKS)

The following is an analytical income statement for Bazli Auto Manufacturing Sdn Bhd, an automotive component manufacturing firm in Gurun, Kedah:

<table>
<thead>
<tr>
<th></th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>11,500,000</td>
</tr>
<tr>
<td>Variable costs</td>
<td>5,700,000</td>
</tr>
<tr>
<td>Revenue before fixed costs</td>
<td>5,800,000</td>
</tr>
<tr>
<td>Fixed costs</td>
<td>2,500,000</td>
</tr>
<tr>
<td>EBIT</td>
<td>3,300,000</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>1,700,000</td>
</tr>
<tr>
<td>Earnings before taxes</td>
<td>1,600,000</td>
</tr>
<tr>
<td>Taxes (30%)</td>
<td>480,000</td>
</tr>
<tr>
<td>Net income</td>
<td>1,120,000</td>
</tr>
</tbody>
</table>

a. Calculate the company’s degree of operating leverage (DOL).  (3 marks)

b. Calculate the company’s degree of financial leverage (DFL). (5 marks)

c. What is the company’s degree of combined leverage (DCL)? (2 marks)
QUESTION FOUR  (15 MARKS)

A. The common stock of Marigama Inc. is selling for RM56 a share. The par value per share is RM1. Currently, the firm has a total market value of RM89,600. How many shares of stock will be outstanding if the firm does a 2-for-1 stock split?

(3 marks)

B. Samudra's common stock is selling for RM 50 per share and its common stockholder's equity is shown below.

| Paid -up in capital(RM4 par value, 5,000,000 shares) | RM20,000,000 |
| Capital contributed in excess of par value | RM25,000,000 |
| Retained earnings | RM100,000,000 |
| Common Stockholder equity | RM145,000,000 |

You are required to answer the following questions:

a. Show the impact of a 50% stock dividend

(4 marks)
b. Show the impact of a 3-for 2 stock split.  

(4 marks)

c. How would you explain the difference in reaction?  

(4 marks)

END OF QUESTIONS
Table A-1  Present Value of $1 Due at the End of a Periods:

| Period | 0% | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | 12% | 15% | 20% | 25% | 30% | 35% | 40% | 45% | 50% |
|--------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 1      | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  |
| 2      | 0.9901 | 0.9904 | 0.9907 | 0.9910 | 0.9914 | 0.9917 | 0.9920 | 0.9923 | 0.9926 | 0.9929 | 0.9932 | 0.9938 | 0.9945 | 0.9952 | 0.9960 | 0.9969 | 0.9978 | 0.9988 | 0.9998 |
| 3      | 0.9803 | 0.9806 | 0.9809 | 0.9813 | 0.9816 | 0.9819 | 0.9823 | 0.9826 | 0.9829 | 0.9833 | 0.9837 | 0.9843 | 0.9849 | 0.9856 | 0.9863 | 0.9871 | 0.9879 | 0.9888 | 0.9897 | 0.9907 |
| 4      | 0.9709 | 0.9713 | 0.9717 | 0.9721 | 0.9726 | 0.9730 | 0.9735 | 0.9739 | 0.9744 | 0.9749 | 0.9754 | 0.9760 | 0.9767 | 0.9774 | 0.9782 | 0.9790 | 0.9798 | 0.9807 | 0.9816 | 0.9826 |
| 5      | 0.9618 | 0.9622 | 0.9626 | 0.9631 | 0.9635 | 0.9640 | 0.9645 | 0.9650 | 0.9655 | 0.9661 | 0.9667 | 0.9673 | 0.9680 | 0.9687 | 0.9694 | 0.9702 | 0.9710 | 0.9718 | 0.9727 | 0.9736 |
| 6      | 0.9531 | 0.9535 | 0.9540 | 0.9545 | 0.9550 | 0.9555 | 0.9561 | 0.9566 | 0.9572 | 0.9578 | 0.9584 | 0.9591 | 0.9598 | 0.9606 | 0.9614 | 0.9622 | 0.9630 | 0.9638 | 0.9648 | 0.9657 |
| 7      | 0.9447 | 0.9452 | 0.9457 | 0.9463 | 0.9468 | 0.9474 | 0.9480 | 0.9486 | 0.9493 | 0.9499 | 0.9506 | 0.9513 | 0.9521 | 0.9529 | 0.9537 | 0.9545 | 0.9554 | 0.9563 | 0.9573 | 0.9584 |
| 8      | 0.9364 | 0.9370 | 0.9376 | 0.9382 | 0.9389 | 0.9395 | 0.9402 | 0.9409 | 0.9416 | 0.9423 | 0.9430 | 0.9438 | 0.9446 | 0.9455 | 0.9463 | 0.9472 | 0.9481 | 0.9491 | 0.9502 | 0.9513 |
| 9      | 0.9283 | 0.9289 | 0.9296 | 0.9303 | 0.9310 | 0.9317 | 0.9325 | 0.9332 | 0.9340 | 0.9348 | 0.9356 | 0.9365 | 0.9374 | 0.9383 | 0.9392 | 0.9402 | 0.9412 | 0.9423 | 0.9435 | 0.9447 |
| 10     | 0.9203 | 0.9210 | 0.9218 | 0.9225 | 0.9233 | 0.9241 | 0.9249 | 0.9257 | 0.9266 | 0.9274 | 0.9283 | 0.9292 | 0.9302 | 0.9311 | 0.9321 | 0.9331 | 0.9342 | 0.9353 | 0.9365 | 0.9377 |
| 11     | 0.9123 | 0.9131 | 0.9140 | 0.9148 | 0.9157 | 0.9166 | 0.9176 | 0.9185 | 0.9195 | 0.9204 | 0.9214 | 0.9224 | 0.9234 | 0.9245 | 0.9256 | 0.9267 | 0.9279 | 0.9291 | 0.9304 | 0.9317 |
| 12     | 0.9044 | 0.9053 | 0.9063 | 0.9072 | 0.9082 | 0.9092 | 0.9102 | 0.9112 | 0.9122 | 0.9132 | 0.9143 | 0.9154 | 0.9165 | 0.9177 | 0.9189 | 0.9201 | 0.9214 | 0.9227 | 0.9241 | 0.9255 |

*The factor is zero for four decimal places.*
Table A-3: Future Value of $1 at the End of n Periods:

<table>
<thead>
<tr>
<th>Period</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
<th>M</th>
<th>N</th>
<th>O</th>
</tr>
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<tbody>
<tr>
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<td>1.0000</td>
<td>1.0400</td>
<td>1.0800</td>
<td>1.1200</td>
<td>1.1600</td>
<td>1.2000</td>
<td>1.2400</td>
<td>1.2800</td>
<td>1.3200</td>
<td>1.3600</td>
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<td>2.9600</td>
<td>3.0400</td>
<td>3.1200</td>
</tr>
</tbody>
</table>

Table A-4: Future Value of an Annuity of $1 per Period for n Periods:

| Financial Calculator Keys:
<p>| Equation: |</p>
<table>
<thead>
<tr>
<th>T</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
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<td>1.0400</td>
<td>1.0800</td>
<td>1.1200</td>
<td>1.1600</td>
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</tbody>
</table>

Note: The values are in $1 increments.
FORMULA BWFF2023

\[ P_b = PMT(PVIFA_{i,n}) + FV(PVF_{i,n}) \quad \text{or} \quad V_b = I(PVIFA_{i,n}) + 1000(PVF_{i,n}) \]

\[ V_b = \frac{1}{2}(PVIFA_{\frac{i}{2}, m(2)}) + 1000(PVF_{\frac{i}{2}, n(2)}) \]

\[ YTM = \frac{I + \frac{P_0 - M_0}{n}}{\frac{P_0 + M_0}{2}} \]

\[ V_p^* = \frac{D}{k_p^*} \quad k_p^* = \frac{D}{V/P_0} \]

\[ V_{cS} = \frac{D_1}{(1+k_{cS})} + \frac{P_1}{(1+k_{cS})} \quad V_{cS} = \frac{D_1}{k_{cS} - g} \]

\[ k_{cS} = \frac{D_1}{P_{cS}} + S \quad k_{cS} = \frac{D_1}{NP_{cS}} + g \]

\[ WACC = \text{[after tax cost of debt]} \times \text{% of debt financing} + \text{[cost of ps]} \times \text{% of ps} + \text{[cost of equity]} \times \text{% of equity financing} \]

\[ NPV = \sum_{i=1}^{n} \frac{FCF_i}{(1+k)} - IO \quad PI = \frac{\sum_{i=1}^{n} \frac{FCF_i}{(1+k)}}{IO} \]

\[ IO = \sum_{i=1}^{n} \frac{FCF_i}{(1 + IRR)} \]

\[ S^* = \frac{F}{1 - \frac{VC}{S}} \quad DOL_S = \frac{Q(P-V)}{Q(P-V) - F} \]

\[ DFL_{EBIT} = \frac{EBIT}{EBIT - I} \quad DCL_S = \frac{Q(P-V)}{Q(P-V) - F - I} \]

\[ \frac{(EBIT - I)(1-t) - P}{S_{PLAN A (Unit share s)}} = \frac{(EBIT - I)(1-t) - P}{S_{PLAN B (Unit share s)}} \]