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CIMA CIMAPRA19-F03-1 (F3 Financial Strategy) Exam covers a wide range of topics related to financial strategy, including financial analysis, investment appraisal, working capital management, risk management, and corporate finance. F3 Exam is divided into two sections, each containing a mix of objective and subjective questions. The first section is a multiple-choice question section, which tests candidates' knowledge of financial strategy concepts. The second section is a case study section, which tests candidates' ability to apply their knowledge to real-world situations.

CIMA F3 Financial Strategy Sample Questions (Q350-Q355):

NEW QUESTION # 350

The two founding directors of an unlisted geared company want to establish its value as they are intending to approach a venture capitalist for additional funding.

The funding will be used to invest in a major new project which has very high growth potential. The directors intend to sell 10% of the company to the venture capitalist. They have prepared the following current valuation of the company using the dividend valuation model:

$$\text{Value of equity} = \frac{\$60,000 \times 1.04}{0.10 - 0.04} = \$1,040,000$$

The following information is relevant.

* \$60,000 is the most recent dividend paid.

* 4% is the average dividend growth over the last few years.

* 10% is an estimate of the company's cost of equity using the CAPM model with the industry average asset beta. Which THREE of the following are weaknesses of the valuation method used in these circumstances?

- A. The industry average asset beta is not an appropriate beta to use in CAPM in this case.
- B. Future dividend growth is unlikely to reflect historical dividend growth.
- C. CAPM cannot be used to estimate the cost of equity of an unlisted company.
- D. It is not an appropriate valuation method for a small, 10% equity stake.
- E. The company is unlikely to achieve constant growth in dividends year-on-year.

Answer: B,D,E

NEW QUESTION # 351

A profitable company wishes to dispose of a loss-making division that generated negative free cashflow in the last financial year. The division requires significant new investment to return it to profitability.

Which of the following valuation approaches is likely to be the most useful to the company when negotiating the sales price?

- A. P/E ratio applied to forecast earnings next year
- B. Asset basis
- C. Dividend growth model
- D. Discounted forecast free cashflow

Answer: D

NEW QUESTION # 352

A company with a market capitalisation of \$50 million is considering raising \$1 million debt to fund a new 10-year capital investment project.

The value of this issue is considered to be small in comparison to the company's market capitalisation. The company is considering whether to raise the debt finance by either a 'bond private placing' or a 'public bond issue'.

Which THREE of the following statements are correct?

- A. The company's credit rating will be a key element in determining the interest rate payable and the potential success of either the public bond issue or the bond private placing.
- B. An average investor is made aware of a potential initial public bond issue whereas the average investor is only made aware of a bond private placing after it has occurred.

- C. An initial public bond issue does not need to be underwritten whereas a bond private placing must be underwritten.
- D. An initial public bond issue can be arranged relatively quickly whereas a bond private placing can take up to a year to arrange.
- E. An initial public bond issue will be administratively complex and relatively expensive for the relatively small amount of debt being raised whereas a bond private placing will be relatively less complex

Answer: D,E

NEW QUESTION # 353

A venture capitalist has made an equity investment in a private company and is evaluating possible methods by which it can exit the investment over the next 3 years. The private company shareholders comprise the four original founders and the venture capitalist. Advise the venture capitalist which THREE of the following methods will enable it to exit its equity investment?

- A. Trade sale of shares to an external 3rd party.
- B. The private company obtains a stock market listing.
- C. The private company undertakes a 1 for 4 rights issue.
- D. The private company conducts a stock split of its share capital.
- E. The private company buys back the equity shares.

Answer: A,B,E

NEW QUESTION # 354

RR has agreed to sell goods to XX for S20,000. XX will pay when the goods are delivered in 6 months time. RR's home currency is the £- The current exchange rate is 4.3 £/S. The projected inflation rate for the S is 2.8%, and for the E 4.6%.

When RR receives payment for its goods, what will the value be to the nearest pound?

- A. £85,243
- B. £84,520
- C. £86,760
- D. £87,506

Answer: D

NEW QUESTION # 355

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