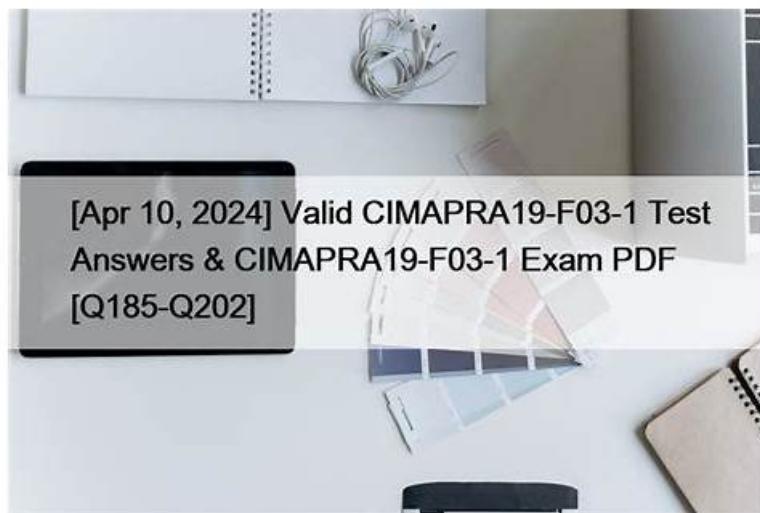


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ITExamSimulator F3 Financial Strategy (CIMAPRA19-F03-1) practice test software is another great way to reduce your stress level when preparing for the CIMA Exam Questions. With our software, you can practice your excellence and improve your competence on the CIMA CIMAPRA19-F03-1 Exam Dumps. Each CIMA CIMAPRA19-F03-1 practice exam, composed of numerous skills, can be measured by the same model used by real examiners.

CIMA F3 exam is divided into two sections: Section A and Section B. Section A covers the concept of financial strategy, its importance, and how to develop a financial strategy. Section B covers financial risk management, managing financial resources, and monitoring and controlling financial strategies. CIMAPRA19-F03-1 exam is computer-based and consists of objective test questions, which test the candidate's understanding of the topics covered in the syllabus.

CIMA F3 exam covers a range of topics, including financial analysis, risk management, investment decisions, and corporate finance. CIMAPRA19-F03-1 Exam is divided into two sections, each containing multiple-choice questions and case studies. The first section focuses on financial analysis and planning while the second section focuses on financial strategy and decision-making.

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## Test CIMAPRA19-F03-1 Vce Free, CIMAPRA19-F03-1 Standard Answers

The CIMA CIMAPRA19-F03-1 exam questions are being offered in three different formats. These formats are CIMAPRA19-F03-1 PDF dumps files, desktop practice test software, and web-based practice test software. All these three CIMAPRA19-F03-1 exam dumps formats contain the Real CIMAPRA19-F03-1 Exam Questions that assist you in your F3 Financial Strategy practice exam preparation and finally, you will be confident to pass the final CIMA CIMAPRA19-F03-1 exam easily.

## CIMA F3 Financial Strategy Sample Questions (Q53-Q58):

### NEW QUESTION # 53

Select the category of risk for each of the descriptions below:

**Answer:**

Explanation:

### NEW QUESTION # 54

Company A is proposing a rights issue to finance a new investment. Its current debt to equity ratio is 10%. Which TWO of the following statements are true?

- A. The issue price of new shares should be set to guarantee the full take up of shares offered.
- B. Company A's current low gearing ratio may require a rights issue rather than a debt issue to finance the new project.
- C. The issue price has to be at least 20% below the pre-rights share price.
- D. According to Modigliani and Miller's Theory of Capital Structure with tax, the rights issue will result in a lower cost of equity for Company A.
- E. The actual ex-rights price may be higher than the theoretical ex-rights price due to the value created from the project.

**Answer: D,E**

Explanation:

C). True - If the new project has a positive NPV, the company's total value increases, so the actual ex-rights price can be higher than the purely mechanical TERP, which ignores project NPV.

E). True - Under Modigliani & Miller with tax, the cost of equity increases with gearing (more debt # more financial risk). A rights issue used to finance a project reduces D/E, so the cost of equity will fall compared with a more highly geared structure.

The others are false:

- A). No rule that the issue price must be 20% below the market price.
- B). A deep discount encourages take-up but cannot guarantee it.
- D). Low gearing would usually allow more debt, not force an equity issue.

#### **NEW QUESTION # 55**

A company which is forecast to experience a strong growth in its profitability is evaluating a potential bond issue.

Which of the following changes in corporate income tax and in bond yields would make the bond issue more attractive to the company?

- A. A decrease in corporate tax and a decrease in bond yields.
- B. An increase in corporate tax and an increase in bond yields.
- C. A decrease in corporate tax and an increase in bond yields.
- D. An increase in corporate tax and a decrease in bond yields.

**Answer: D**

Explanation:

Debt becomes more attractive when:

Corporate tax increases # larger tax shield on interest.

Bond yields decrease # lower pre-tax cost of debt.

So the combination that makes a bond issue more attractive is higher tax and lower yields.

#### **NEW QUESTION # 56**

At the last financial year end, 31 December 20X1, a company reported:

□ The corporate income tax rate is 30% and the bank borrowings are subject to an interest cover covenant of 4 times.

The results are presently comfortably within the interest cover covenant as they show interest cover of 8.3 times. The company plans to invest in a new product line which is not expected to affect profit in the first year but will require additional borrowings of \$20 million at an annual interest rate of 10%.

What is the likely impact on the existing interest cover covenant?

- A. Interest cover would reduce to 3 times and the covenant would NOT be breached.
- B. Interest cover would reduce to 5 times and the covenant would NOT be breached.
- C. Interest cover would reduce to 3 times and the covenant would be breached.
- D. Interest cover would reduce to 5 times and the covenant would be breached.

**Answer: B**

#### **NEW QUESTION # 57**

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.

- A. 6.5%
- B. 7.5%

**Answer: B**

## NEW QUESTION # 58

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