

# **CIMA Pass CIMA PRA19-F03-1 Test Guide: F3 Financial Strategy - DumpsMaterials Ensures you a Easy Studying Experience**

<b>CHAPTER OVERVIEW</b>	<b>17 Financial Analysis</b>
In this review, <b>CHAPTER 17.1</b> Study Guide is a review of your last course: <b>CHAPTER 19.1</b> Certification Testing. Make advantage of this guide saving you a lot of time and improving your learning efficiency.	
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<b>CIMA F3 Financial Strategy Sample Questions (Q44-Q49):</b>	
<b>NEW QUESTION # 44</b> A company's <b>Statement of Changes in Equity</b> is assessing the likely impact of financing future <b>Investments</b> using <b>equity finance</b> . The shareholders are interested in the effects on key variables. Which THREE of the following statements are true?	
<ul style="list-style-type: none"><li>A. Return of earnings has no cost, and is therefore the cheapest form of equity finance</li><li>B. Equity finance will reduce the overall financial risk</li><li>C. Equity finance will increase revenue to give a higher profit after division</li><li>D. Future finance is always preferable to equity finance</li><li>E. This is an issue between using either a <b>equity</b> or <b>debt</b>, will have an impact on the amount of corporate cash per year</li></ul>	
Answers: B,C,D	
<b>NEW QUESTION # 45</b> An equity finance company plans an issue of new ordinary shares to the general public to raise the following data appears: • 10 million ordinary shares are currently in issue with a share price of \$5 each share • The company is planning to issue 5 million new shares at a price to give a total new NPV of \$25 million • The issue will provide a 10% discount to the current share price What plan of action per share was adopted by the existing shareholders?	
<ul style="list-style-type: none"><li>A. Group of 10.00</li><li>B. Group of 9.00</li><li>C. Group of 11.00</li><li>D. Group of 10.10</li></ul>	
Answers: A	
<b>NEW QUESTION # 46</b> A company has 5% convertible bonds in issue. The bonds are convertible in 5 years time at a ratio of 20 ordinary shares per \$100 nominal value bond. Each share	

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CIMA CIMAPRA19-F03-1 Exam covers investment appraisal, which involves the evaluation of investment opportunities to determine their potential for generating returns. This section covers various techniques such as net present value, internal rate of return, and payback period. The third section covers risk management and corporate finance, which involves the management of financial risk and the identification of opportunities to maximize shareholder value.

## Exam Sample CIMAPRA19-F03-1 Questions & CIMAPRA19-F03-1 New Dumps Book

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### CIMA F3 Financial Strategy Sample Questions (Q161-Q166):

#### NEW QUESTION # 161

Company A is a large well-established listed entertainment company and Company B is a small unlisted company specializing in providing online media streaming.

Company A has a gearing ratio of 60% (using book values) and interest cover of 2.

Company A is considering making an offer for Company B, either a cash offer financial by raising additional debt finance or a share-for-share exchange.

Which of the following is most likely to occur if Company A offers a share-for exchange rather than offering cash finance by raising debt?

- A. There would be no dilution f of control.
- B. **Gearing would be lower.**
- C. Earnings per share would be higher.
- D. Divided per share would be higher.

#### Answer: B

Explanation:

Two options for Company A buying B:

Cash offer financed by new debt # increases debt, so gearing goes up.

Share-for-share exchange # issues new shares (equity) instead of increasing debt.

So, relative to a debt-financed cash bid, a share-for-share offer leads to lower gearing (or at least avoids increasing gearing further).

The others are unlikely:

A & B: Using shares instead of (usually cheaper) debt doesn't generally make EPS or DPS higher.

D: Issuing new shares dilutes control, so there is dilution, not "no dilution".

#### NEW QUESTION # 162

A company intends to sell one of its business units, Company R by a management buyout (MBO).

A selling price of \$100 million has been agreed.

The managers are discussing with a bank and a venture capital company (VCC) the following financing proposal:

The VCC requires a minimum return on its equity investment in the MBO of 30% a year on a compound basis over 5 years.

What is the minimum TOTAL equity value of Company R in 5 years time in order to meet the VCC's required return?

Give your answer to one decimal place.

\$ ? million

- A. 111.4, 111, 111.0, 111.1, 111.2, 111.3, 111.5, 111.6, 111.7VCC equity investment = \$25m, required return = 30% p.a. for 5 years.Future value of VCC equity needed: $25 \times 1.35 = 25 \times 3.71293 = 92.8$ m $25 \times 1.35^5 = 92.8$ m

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