

Skills - Module

Financial Management

Time allowed : 15 minutes for reading and planning

3 hours for writing

December 18 – 2025

Do not open this paper until instructed by the supervisor.

The Accountancy & Audit Profession
Org. Council - Sudan

Paper F9

AAPOC

Financial Management F9

Section A

Answer ALL Questions

Multiple Choice Questions (MCQs)

(Every Question Carries Two Marks)

1) Why the Shareholders resist wage rise demanded by employees?

- a. May be it is uneconomical.
- b. It shall decrease profits.
- c. It shall equate productive and nonproductive Employees.
- d. All of the above is correct.

2) With reference to Islamic finance, the term Riba refers to:

- a. A form of equity where a partnership exists and profits and losses are shared.
- b. The predetermined interest collected by a lender, which the lender receives over and above the principal amount that it has lent out.
- c. A form of credit sale.
- d. A form of a lease

3) Which of the following is NOT one of the 3 Es (Value for Money Concept)?

- a. Earnings.
- b. Economy.
- c. Efficiency.
- d. Effectiveness.

4) All kinds of assets can be liquidated at some price level.

- a. I agree.
- b. I do not agree.
- c. I agree with some reservations.
- d. I do not agree, except in liquidation cases.

5) Which of the following statements is NOT correct?

- a. Profit maximization results in shareholders wealth maximization.
- b. Divorce of ownership and control can lead to agency costs.
- c. Maximizing earnings per share results in differences between nominal and market value of shares.
- d. Increasing market share is considered evidence to the executive management's success.

6) Risk that can be diversified away can be described as:

- a. Business risk.
- b. Financial risk.
- c. Systematic risk.
- d. Un Systematic risk.

7) CAPM can be used to calculate:

- a. Business premiums.
- b. Financial Liquidity.
- c. Cost of Equity in Listed companies and its risk.
- d. Cost of Debt in private companies and its risk.

8) Why in financial markets investors tend to buy securities of different risk levels?

- a. To increase their market share.
- b. To have more Liquidity venues.
- c. To decrease risk.
- d. None of the above.

9) From the following statements mark the correct one.

- a. Finance providers prefer low risk projects.
- b. Finance providers demand more than full value collateral to their financing.
- c. Finance providers prefer not to be part of the risk profile of their customers.
- d. All of the above is correct.

10)The basic principles of Islamic finance are:

- a. Sharing of profits & Losses
- b. No Riba i.e. no interest
- c. No investments in alcohol and gambling and the like.
- d. No investments in AL garar.
- e. All of the above is correct.
- f. All is correct except d and e.

11)The finance manager pays very much attention to ...

- a. Market capitalization, Liquidity, Budget deviations, idle potentialities.
- b. Liquidity management including investment of surplus funds.
- c. Theft, Liquidity, morality, idle inventory.
- d. Investment follow-up.

12)Shareholders differ in their interests.

- a. Shareholders in Listed Company are more interested in changes in the share price and other market-based ratios using share price.
- b. Shareholders in a Private Company are more interested in ROCE, EPS, gearing, growth and profit margins.
- c. Shareholders are interested in profit maximization & Liquidity.
- d. All the above is correct.

13)Off Balance Sheet financing is ..

- a. A normal business transaction.
- b. A method of funding without being recorded.
- c. A use of a quasi-subsiary where liabilities are recorded.
- d. One of the reasons why US company Enron has collapsed.
- e. All of the above is correct.
- f. All of the above is correct except a. and e.

14) Which of the following does not directly affect a company's cost of equity?

- a. IRR.
- b. Expected market return.
- c. Risk free rate of return.
- d. The company's beta.

15) Which of the following tasks would typically be carried out by a member of the financial management team?

- a. Evaluating proposed expansion plans.
- b. Review of overtime spending.
- c. Depreciation of non-current assets.
- d. Apportioning overheads to cost units.

16) Which of the following is among the elements of fiscal policy?

- 1. Government actions to raise or lower taxes.
 - 2. Government actions to raise or lower the size of the money supply.
 - 3. Government actions to raise or lower the amount it spends
- a) 1 only
 - b) 1 and 3 only
 - c) 2 and 3 only
 - d) 1, 2 and 3

17) Business owners have conflicting goals than that pursued by governments.

- a. Governments prefer raising workers welfare.
- b. Owners prefer keeping costs low.
- c. Both governments and business owners have different positions concerning workers' syndicates.
- d. All of the above is correct.

18) A company has a Nominal cost of capital of 18% per annum. The inflation is currently estimated at 8% per annum. What is the real cost of capital?

- a) 21%
- b) 10%
- c) 33%
- d) 26%

19) Company Zado is currently paying a return of 9% on equity investment. If the return on gilts is currently 5.5% and the average return on the market is 10.5%, what is the beta of Company Zado?

- a. 12.40
- b. 12.00
- c. 13.40
- d. None of the above.

20) Sukuk is an Islamic source of financing. It can be described as:

- a. Equity finance.
- b. Debt finance.
- c. Risk free finance.
- d. All of the above.

Section B

Answer all questions in this section

Every Question Carries 15 Marks

Question One:

KHALIL Company, a software company, has developed a new computer game, which it intends to start marketing the game in the next year. Sales volumes, production volumes and selling price for 'the game' over its four-year life are expected to be as follows:

Details / Year	1	2	3	4
Sales & Production Units	150,000	70,000	60,000	60,000
Selling Price USD per game	\$ 25	\$ 24	\$ 23	\$ 22

Cost data for the first year of production is as follows:

Direct material cost \$ 5.40 per game

Other variable production cost \$ 6.00 per game

Advertising costs to stimulate demand are expected to be \$ 650,000 in the first year of production and \$ 100,000 in the second year of production.

No advertising costs are expected in the third and fourth years of production.

The game will be produced on a new production machine costing \$ 800,000.

Khalil Company uses a discount rate of 10% when appraising new capital investments. Ignore both inflation and tax.

Required:

- Calculate the net present value (NPV) of the proposed software game. (7 marks)
 - Give three examples of some Sudanese free risk securities. (3 marks)
 - In finance they say that "CAPM has stood the test of time". Mention CAPM assumptions that support this saying. (5 Marks)
- (Total: 15 marks)

Question Two:

SURKAP Company is considering purchasing a new machine at a cost of \$ 110,400 that will be operated for four years, after which time it will be sold for an estimated \$ 9,600. SURKAP Company uses a straight-line policy for depreciation. Forecast operating profits to be generated by the machine are as follows:

Year	US Dollars
1	39,600
2	19,600
3	22,400
4	32,400

Required:

- A. What is the payback period for this investment? (8 marks)
- B. What is the Average Rate of Return (ROCE) for this investment? (7 marks)
- (Total: 15 marks)

Question Three (A + B) :

- A) Bata Company has prepared the following data on its financing projects:

Type of Financing	Book Value	Market Value	Cost
Debt	13,000,000	14,000,000	11 %
Ordinary Shares (Equity)	6,000,000	26,000,000	14 %

The Company's tax rate is 35% and has a target Debt/Equity ratio of 60%.

Required:

- A. Calculate the company's weighted average cost of capital using book values. (1.5 marks)
- B. Calculate the company's weighted average cost of capital using market values. (1.5 marks)
- C. Comment on your findings in a. and b. (2 marks)

- B) The managers at Bara Company, which is an all-equity company with a beta of 0.7, are appraising a one-year project which requires an outlay now of \$ 10,000 and will generate cash in one year with an expected value of \$ 12,500. The project has a beta of 1.4. You have ascertained that the risk free rate is 10%, and the market rate is 17%.

Required:

- A. What is the firm's current cost of equity capital? (3 marks)
- B. What is the minimum required return of the project? (3 marks)
- C. Is the project a good investment? (4 marks)

(Total: A & B = 15 marks)

Question Four :

Vadya Company is a listed company with a stated objective of maximisation of share-holder wealth. It has 70 million ordinary shares in issue with a nominal value of \$1 per share, has no debt finance and currently has nearly \$ 100 million in the bank.

Financial information relating to Vadya Company for the past four years ending 31 March is as follows:

Details	2013	2014	2015	2016
Profit after tax for the period (\$ million)	21.7	27.2	34.6	40.3
Total cash dividend (\$ million)	15.4	15.4	15.4	N/A
Market Share price \$	4.40	5.25	6.42	6.90

The dividend in respect of the year ending 31 March 2016 has yet to be declared. Vadya Company is considering a major new investment that will be financed using retained earnings. The investment is expected to generate an NPV of \$ 65 million. Information regarding this project has not yet been made public.

The industry has a Price/Earnings ratio of 13.50.

Required:

A. Calculate the following to know whether Vadya Company has achieved its stated objective of maximisation of shareholder wealth. Specifically, calculate:

I. Percentage of Profit Growth

II. Payout Ratio

III. EPS

IV. Price/Earnings Ratio

V. Dividend per Share

VI. Percentage of Share price growth (9 marks)

B. Calculate the value of Vadya Company in total. (3 marks)

C. Make any necessary comments on your findings. (3 marks)

(Total: 15 marks)