



SURNAME: Sotirova

FORENAME(S): Elena

12 Pages

1. Please give the information requested in the boxes below.
2. Enter your name in the space provided to the right, fold over and seal down (using the label provided) to hide your name.
3. The answers must be legibly written. The Examiners can either ignore illegible script or have it typed and the expense of typing charged to the candidate.
4. Write your answers in ink.
5. Begin each answer on a fresh page. Do all rough work in the answer book and cross it through.
6. No part of this book is to be torn out; it must be handed in complete.
7. If more books than one are used, fasten them together using the tags available from the invigilator(s).
8. **Every book must be handed in. In no circumstances may answer books, used or unused, be taken out of the examination venue.**

7	Number of Answer Books handed in	
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[illegible]

ser A 40
ser B 10
ser C 35

85

(Gweler yr ochr arall am y fersiwn Cymraeg)



Prysgol Cymru
Y Prindod Dewi Sant
University of Wales
Trinity Saint David

12 Tudalen

1. Rhwch yr holl wybodaeth y gofynnir amdani yn y blychau isod.
2. Rhwch eich enw yn y lle a ddarparwyd ar y dde, plynwch e' a' setlo i lawr (gan ddefnyddio'r label a ddarparwyd) i guddio'ch enw.

- Rhaid i'r atebion fod mewn llawysgriften ddarlennadwy. Gall yr Arholwyr naill ai anwybyddu sgrïpt annarllennadwy, neu drefnu iddi gael ei theipio a chael yr ymgeisydd i dalu.
- Ysgrifennwch eich atebion mewn inc.
- Dechreuwch bob ateb ar dudalen newydd. Gwnewch unrhyw fras nodiadau yn y llyfr atebion a thynnu llinell drwyddynt.
- Ni ddylid rhwgo unrhyw ran o'r llyfr hwn; rhaid ei gyflwyno yn gyfan.
- Os defnyddir mwy nag un llyfr, rhwymwch hwy gyda'i gilydd gan ddefnyddio'r tagiau sydd ar gael oddi wrth y gwyllyw/gwylwyr.
- Rhaid dychwelyd pob llyfr. Ni chaniateir mynd â llyfrau atebion, wedi eu defnyddio neu heb eu defnyddio, allan o'r lleoliad arholi o dan unrhyw amgylchiadau.

[illegible]

(See the other side for English version)

Llenwch, plygwrch a seliwrch
(gweler nodyn 2 isod)

CYFENW:

ENW(AU) CYNTAF:

Section A

Question 1

a) $\text{EUR/USD} = 1/1.033 = 0.968$ ✓

b) $\frac{\text{CNY}}{\text{GBP}} = \frac{1}{8.037}$ $\frac{\text{JPY}}{\text{CNY}} = \frac{0.483}{1}$ $\frac{\text{JPY}}{\text{GBP}} = \frac{0.483}{8.037} = 0.060$ ✓

c) old value USD/EUR is 1.082
new value is 1.033 ✓

$$(1.033 - 1.082) / 1.082 \times 100$$

$$(-0.049) / 1.082 \times 100$$

$$-0.0452 \times 100 = -4.52\%$$
 ✓

USD is depreciated against of euro for a year time.
-4.52% is the depreciation, which shows that the value of US dollars is decreased with that percentage for a year time. ✓

d) There are many factors that affects exchange rates. The main factors are inflation, interest rate, currency's account payments, political stability and performance, terms of trade, recession, speculation and more.

Interest rate is one of the factors that affects the exchange rate and the value of the currency. If the interest rate increase probably the foreign investors will chose another country for investment and that will bring depreciation to the home currency. The interest rate in generally can be describe as if he increase will be follow by currency depreciation and because the interest rate is correlated with the inflation that will affect and the inflation, that is mean

higher interest rate and higher inflation. Another factor that affects the exchange rate is the term of trade. If there is a change in the term of trade the export and import will be affected. If particular country has higher level of import and less export that will cause a depreciation on its home currency.

The opposite, if the export of particular country increase that means the its local currency will bring higher value, the currency will appreciate have an appreciation.

Political stability and performance is another factor that impacts on the exchange rate. In a country with political stability the foreign investment is more likely to happen. This country is more attractive for investments. Increasing the investments in particular country means will be followed by currency appreciation of the local currency. The opposite situation, less foreign investment will be in a country with no political stability and worse performance will affect the value of the local currency with depreciation.

Country with currency's account payments or know as well as balance of payments is another factor that impact on the currency value. If particular country has a negative balance, which means higher level of debt is not so attractive for a foreign investments, so the impact on the local currency will be with depreciation on its value. Whereas a country with positive balance of payments, which shows less debt is more attractive and will impacts the currency value with appreciation.

Recession is another factor that have impact on the currency value. Higher recession usually

$$\begin{aligned}
 WACC &= \left[\frac{110}{141,06} \right] \times 12,5\% + \left[\frac{31,06}{141,06} \right] \times 6,02(0,85) \\
 &= (0,88) \times 12,5\% + (0,22) \times 4,51 \\
 &\quad 9,85 \quad + 0,99 \\
 &\quad 10,84
 \end{aligned}$$

Section A

Question 1

$$\begin{aligned} \text{a) } \text{USD} / \text{EUR} &= 1.033 & \frac{1}{1.033} &= 0.968 \\ \text{EUR} / \text{USD} &= ? & & \\ \text{b) } \text{CNY} / \text{GBP} &= 8.037 & \text{CNY} / \text{JPY} &= 9.124 \\ \text{CNY} / \text{JPY} &= 0.483 & \text{GBP} / \text{JPY} &= \dots \end{aligned}$$

$$\begin{aligned} \text{c) } \text{USD} / \text{EUR} &= 1.082 \\ (1.033 - 1.082) / 1.082 \times 100 &= \\ (-0.049) / 1.082 \times 100 &= \\ (-0.0452) \times 100 &= -4.52\% \\ &\text{depreciation} \end{aligned}$$

Section B

Question 1.

$$\begin{aligned} V_e &= 20 \text{ m.} \times 5.5 = 110 \\ V_d &= 29 \text{ m.} \times (107.11 / 100) = 31.06 \end{aligned}$$

$$\begin{aligned} 107.11 / 100 &= 1.071 \\ 29 \text{ m.} \times 1.071 &= 31.06 \end{aligned}$$

$$V_e + V_d = 141.06$$

$$\begin{aligned} k_e &= 12.5\% \\ k_d &= 6.02\% \\ T &= 25\% \end{aligned}$$

has a close connection with the inflation and the interest rate. Usually higher levels of recession are followed by currency depreciation, and opposite, country with low recession or missing recession affects the currency value with appreciation.

e) Inflation rate is one of the main factors that directly affects the foreign exchange rate. In a country with a increasing inflation rate means that people will spend more money for the same amount of goods and services which will cause a currency depreciation, which means the value of the particular currency decrease. Higher inflation affects as well and the interest rate, higher inflation is follow by increasing the interest rates. On the another hand, higher inflation rates will slow down the level of foreign investments, which will bring a currency depreciation.

All the factors that impacts on the foreign exchange rate are some how connected, if there is a changes in one of them the currency value is affected and that brings impact on the other factor. The inflation is one very important factor which impacts the currency value directly.

very good examples

Section C

1. Question

~~A - valuation~~

Question

~~A)~~~~B) Better off - Worse off~~

3. Question

~~B) The graphical approach to IRR is only an estimate; linear interpolation using the formula is required for...~~

4. Question

~~B) commercial paper~~

✓ 5. Question

A - maximise shareholders wealth

6. Question

~~A) external~~

✓ 7. Question

c) International Monetary Federation

8. Question

~~B) Cost of equity~~

✓ 9. Question

C) options

✓ 10. Question

C) A and B

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Section B

Question 1

a) WACC = ?

$$V_e = 20 \text{ m.} \times 5.5 = 110$$

$$V_d = 29 \text{ m} \times (107,11/100) = 29 \times 1,071 = 31,06$$

$$V_e + V_d = 110 + 31,06 = 141,06$$

$$k_e = 12,5\%$$

$$k_d = 6,02\%$$

$$T = 25\%$$

$$WACC = \left(\frac{V_e}{V_e + V_d} \right) \times k_e + \left[\frac{V_d}{V_e + V_d} \right] \times k_d (1 - T)$$

$$WACC = \left[\frac{110}{141,06} \right] \times 12,5 + \left[\frac{31,06}{141,06} \right] \times 6,02 (1 - 0,25)$$

$$WACC = [0,78] \times 12,5 + [0,22] \times 6,02 (0,75)$$

$$WACC = 9,75 + (0,22) \times 4,51$$

$$WACC = 9,75 + 0,99$$

$$WACC = 10,74\%$$

b)
Debt and equity are the two main ways of raising capital in the capital market. They are known as traditional methods, also as a cash payment.

Under equity we understand equity appears in a different form as stock

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Under equity we understand that these are all the assets that stakeholders have and after they liquidate them they are expected to earn some money, some revenue for the organisation.

~~Actually under equity~~

The most common forms of equity are shares and stocks.

What we understand under shares, for example if the organisation is as a whole 1000 shares, and the firm decide to sell 400, that means that the owner of the shares will have 40% of the organisation. These shares usually give a voting rights and also will delivered some dividends in the future. Dividends could be cash or other forms of benefits. Shares are mainly two types - Common shares and prefer shares.

They both gives a right of ownership, but only common shares gives a right of voting for the future decisions in the company. Stocks and shares are not preferred for gaining a capital, because they are taxed, they are also risky and don't bring a huge amount to the capital.

Most preferred way of raising the capital is the debt. Under debt we understand that bonds. Bonds are kind of borrowing money for a fix period of time, usually with fix interest rate. Selling a bonds, the organisation do, no pay tax on them. They are less risky but usually with a better compensation comparing them with the shares and stocks.

Detailed answer with examples well done!

AS