**Instructions**:

This examination contains five (5) questions. Question NO.1 is compulsory.

Examinees are required to answer two additional (2) questions of their choice.

* 40 points will be awarded for Question NO. 1;
* 30 points each for the additional two questions.

**CORPORATE AND PUBLIC FINANCE**

1. A course in research methodology teaches students the process of finding a dependable solution to a problem through planned and systematic collection, analysis and interpretation of data. To successfully find a ‘dependable solution’ to a problem, the researcher must first develop a research proposal which serves as a useful basis for the evaluation of research as well as a guideline for the researcher. The choice of methodology depends however, on whether the research is qualitative, quantitative, or mixed method. Assume in your field of study you have identified a problem, or your institution is interested in finding solution to an existing problem. Assume also that you have been asked to study the problem and provide suggestions for solution. The nature of the study may determine whether you adopt a qualitative, quantitative or mixed method research approach. Based on the nature of your study, write a hypothetical proposal with the following focus: your research topic, the appropriate research approach and the essential components of your research proposal. **(40 points)**
2. The Liberian economy is currently experiencing depreciation in the Liberia Dollar against the United States Dollars coupled with inflation reaching double digits and low performance of domestic revenue generation. Given these prevailing macro-economic conditions in the country, explain the role financial institutions could play in supporting reforms in the fiscal and monetary policies of the government that will provide some level of relief to curb the current situation? **(30 points)**
3. In making banks’ to lend potential clients, they use various indicators to measure the risk associated with credits. You have been hired by the Liberian Bank for Development and Investment (LBDI) to serve as a Financial Risk Management Agent with the core task of reviewing all loan applications to inform management’s decision on whether or not to extend loans to potential debtors. A company named SUCCESS In. has just submitted an application for a $10m loan for business expansion. State and discuss the predetermined criteria you will consider in making decision of the legibility of the potential client, assuming credit risk are weighing against the potential loss before a decision is made. **(30 points).**
4. Suppose after graduating you start working in the risk management department of a large multinational company that is exposed to all sorts of market risk. Management is interested in mitigating the company’s exposure to these market risks, and your manager ask you to draw up a list of action management which must take to hedge the company against these risks. Develop a conceptual framework and discuss hedging as an important tool to mitigate financial risk. **(30 points)**
5. The Government of Liberia needs to borrow US$70Million to construct housing units for the people of WestPoint. Discuss the alternative ways to borrow the US $70Million to carry out the project, and state the advantages and disadvantages of each of the alternative and the reason for your choice. (30 points)