OLABISI ONABANJO UNIVERSITY, AGO-IWOYE FACULTY OF SOCIAL AND MANAGEMENT SCIENCES DEPARTMENT OF ECONOMICS 2015/2016 HARMATTAN SEMESTER EXAMINATION

COURSE CODE/TITLE: ECO 203 / INTRODUCTION TO FINANCE

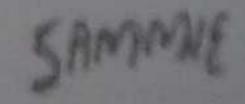
INSTRUCTION: ATTEMPT ALL QUESTION, IN SECTION A AND ONE QUESTION IN SECTION B

TIME ALLOWED: 2 HOURS.

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1. Fi	Il the gaps in the following:
1.	The three branches of decision in business finance are
ii.	In line with the "mut-bind" outsiness mance are
	In line with the "matching" concept, short-term and long-term projects must be
iii.	State Progressively
	Two of the sources of short-term funds in the money market include and
iv.	
	Off-balance-sheet (OBS) financing include and
V.	Internal equity can be obtained from and and
Vi.	New issues and existing to and
vii.	New issues and existing issues are laded in and respectively.
	Committee and the second secon
viii.	
IX.	The three legal requirements for the distribution of dividends are and
	and

- 2. a) Derive an expression for the future value of annuities in advance.
 - b) Use the expression in (a) to obtain the future value of N10,000 deposit observed at the beginning of each year, over 3 years if interest rate on the deposit is 10%.
- 3. Suppose
 - the company income tax was 40%
 - the market value of ordinary shares was N2



- the last dividend paid was 25 kobo
- the growth rate of dividend was 5%
- the market value of bond was 105.

Use the above information to calculate the weighted average cost capital for Bill Gates plc, where its capital structure is as follows:

	M' million
Ordinary shares @ 50 kobo	500
Retained earnings	100
Bond	300
Term Ioan (2) 10%	100

SECTION B

4. Highlight the functional differences between the apex bank and the Security Exchange Commission in Nigerian financial system.

5. Describe the process of financial intermediation.