



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
JANUARY 2018 EXAMINATION QUESTIONS

COURSE CODE: BFN303

CREDIT UNITS: 3

COURSE TITLE: FINANCIAL MANAGEMENT

TIME ALLOWED: 2 ¹/₂ Hrs

INSTRUCTION:

- 1. Indicate your Matriculation Number clearly**
- 2. Attempt question one (1) and any other three (3) questions**
- 3. Question one (1) is compulsory and carries 25 marks, while the other questions carry 15 marks each.**
- 4. Present all your points in coherent and orderly Manner**

1a. Describe six (6) functions of the financial manager/roles of financial management. **10Marks**

b. Kolade bought a 12% redeemable debenture, redeemable at par in 10 years' time. The current market value of the debenture is N80, associated tax is 40%. What is the cost of the redeemable debenture?. **15Marks**

2a. The issue price of a share is ₦30 and issue cost are 30k per share. New shareholders expect constant annual dividend of 50 kobo. What is the cost of equity?. **5Marks**

b. Discuss the methods of evaluating capital budgeting. **10Marks**

3. Adams & Co. invested ₦300,000 in a certain investment yielding the following cash inflow after tax:

Year 1: 100,000

Year 2: 200,000

Year 3: 50,000

Year 4: 40,000

Given that the life span of the investment is 4 years.

Required: Compute the average Return on Investment ROI or ARR. **15Marks**

4a. Explain any five (5) major factors affecting working capital. **5Marks**

b. Compute the following Capital Budgeting

Initial Outlay = 200,000

Inflows year 1 = 60,000 Year2 = 80,000, Year 3 = 80,000 Year 4 =100,000.

Required: Calculate the payback period. **10Marks**

5a. Define cash management. **5Marks**

b. Mary James Ltd uses a particular component at a rate of 48,000 per annum. These are obtained from an external supplier at a basic cost of 50k each. Replenishment orders can be obtained promptly, though it entails sending a man and a lorry to collect the components, this would cost N40, this is assumed to be the only cost of ordering.

The storage cost of stock is 15% of the cost of the component.

You are required to: Calculate the EOQ. **10Marks**

6a. List eight (8) methods of share valuation. **8Marks**

b. State seven (7) importance of asset management. **7Marks**