



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**14-16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS**  
**SCHOOL OF MANAGEMENT SCIENCES**  
**SEPTEMBER/OCTOBER 2015**  
**EXAMINATION**

**COURSE CODE:** ENT332                      **CREDIT UNIT:** 2  
**COURSE TITLE:** INVESTMENT MANAGEMENT ANALYSIS II  
**TIME ALLOWED:** 2 HRS

**INSTRUCTIONS:** 1. Attempt question number one (1) and any other (2) questions.  
2. Question number 1 is compulsory and carries 30 marks, while the other questions carry equal marks each.  
3. Present all your points in coherent and orderly manner.

**QUESTION 1:**

a) Goodmayor's Income Statement, Opening and Closing Balance Sheets for 2001 2002, and 2003

	2000	2001	2002	2003
Income Statements				
Sales Revenue		100,000	N120,000	N144,000
Cost of goods sold (with depreciation)		55,000	66,000	79,200
Depreciation		15,000	18,000	21,600
Selling and Administrative expenses		15,000	18,000	21,600
Operating expenses		30,000	36,000	43,200
Interest expense		10,500	19,095	34,391
Taxable income		19,500	16,905	8,809
Income tax (40% rate)		7,800	6,762	3,524
Net income		11,700	10,143	5,285
Balance sheet (end of year)				
Cash and marketable securities	50,000	60,000	72,000	82,400
Accounts receivable	25,000	30,000	36,000	43,200
Inventories	75,000	90,000	108,000	129,600
Net plant and equipment	150,000	180,000	216,000	259,200
Total Assets	300,000	360,000	432,000	518,400
Accounts payable	30,000	36,000	43,200	51,840
Short-term debt	45,000	87,300	141,957	214,432
Long-term debt	75,000			
(8% bonds maturing in 2007)	0	75,000	75,000	75,000

Total Liabilities	150,000	198,300	260,157	341,272
Shareholders' equity				
(1 million shares outstanding)	150,000	161,700	171,843	177,128
Other data				
Market price per common stock				
at the end of the year		93.60	61.00	21.00

Using the information in the table above, calculate the following financial ratios:

- (i) Fixed Assets Turnover
- (ii) Current Ratio
- (iii) Total Assets Turnover
- (iv) Quick Ratio
- (v) Return on Equity
- (vi) Return on Assets
- (vii) Net Profit Margin
- (viii) Debt/Equity Ratio
- (ix) Return on Investment
- (x) Total Debts to Assets Ratio

b) List Six (6) items that should be included in the short-term financial plan of a company?

c) What are the objectives of financial reporting?

#### **QUESTION 2:**

a) Why do bond prices respond to interest rate fluctuations?

b) What is a fixed-income capital market?

c) Explain what you understand by money market?

#### **QUESTION 3:**

a) What is the objective of common stock evaluation?

b) List four (4) components of a financial report

#### **QUESTION 4:**

a) Explain four (4) types of risks inherent in Bank investments?

b) Discuss four types of instruments traded in the money market?

#### **QUESTION 5:**

a) Discuss Modern approach to working capital funding?

b) Discuss the five determinants of ratios used to evaluate Bond safety known to you