



NATIONAL OPEN UNIVERSITY OF NIGERIA
91, CADASTRAL ZONE NNAMDI AZIKWE EXPRESS WAY JABI-ABUJA
FACULTY OF MANAGEMENT SCIENCES
JULY 2017 EXAMINATION QUESTIONS

COURSE CODE: ACC 405

CREDIT UNIT: 3

COURSE TITLE: CORPORATE FINANCE

TIME ALLOWED: 2 ¹/₂ HRS

Instructions: 1. Attempt question number one (1) and any other (3) questions.

2. Question number 1 is compulsory and carries 25 marks, while the other questions carry 15 marks each.

3. Present all your points in coherent and orderly manner.

1(a) What are the factors to consider when a firm tries to manage or minimize its exposure to exchange rate, political and other risks? (10 marks)

(b) Explain five factors that determines a firm's dividend policy. (10 marks)

(c) Explain the various tools of Corporate Finance? (5 marks)

2. (a) What are Exchange rate forecasts? Explain three basic approaches that can be used to obtain exchange rate estimates for future periods. (7 marks)

(b) What are the assumptions that can be used to justify the objective function of maximizing shareholders' wealth? (8 marks)

3. (a) What is internal and external financing? (8 marks)

(b) What are the motivations for holding cash? (7 marks)

4. (a) Explain the factors that determine the optimal amount to be held in working capital. (7 marks)

(b) Explain four (4) ways of evaluation of financial ratios? (8 marks)

5. (a) What are the four standards of comparison of ratios as suggested by Panday, (1998) and many other experts in finance? (7 marks)

(b) Explain the rights of a common shareholder? (8 marks)

6 (a) Explain the three (3) caveats to consider when applying option pricing model. (6 marks)

(b) What are the Limitations of Financial Ratios? (9 marks)