

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

COURSE CODE: BFN715

CREDIT UNITS: 2

COURSE TITLE: Principles of Finance

TIME ALLOWED: 2 Hrs

INSTRUCTIONS: 1. Attempt question number one (1) and any other (2) questions.
2. Question number 1 carries 30 marks, while the other two (2) questions carry 20 marks each.
3. Present all your points in coherent and orderly manner.

1a. Discuss aims of finance functions. 10marks

b. List and explain any five (5) short-term sources of funds for a firm. 10marks

c. The Ozohu Consulting Services expect to receive N160,000 per year at the end of each year for the next 20 years from a new machine. If the firm's opportunity cost of fund is 10 percent, how much is the present value of this annuity? 10marks

2a. The nominal interest rate charged on bank overdraft is 9%. Given a company tax rate of 40%, calculate the effective cost of the overdraft. 5marks

b. Give an overview of resources management and financial resources management. 10marks

c. Discuss the costs of common stock ownership. 5marks

3a. Identify and explain domestic sources of capital formations. 10marks

b. Mention and explain external sources of capital formations. 10marks

4a. Suppose you are offered the alternative of receiving either N10,000 at the end of 8 years with an opportunity rate of 11 percent or certain sum today what value of X will make you indifferent between certain sum today or the promise of N10,000 in 8 years time? 10marks

b. Enumerate and discuss five (5) various types of preference shares. 10marks

5. Jelife Consulting Services has been offered an opportunity to receive the following mixed stream of cash flows over the next five years. **20marks**

Year	Cash flows
1	N400
2	N800
3	N500
4	N400
5	N300

If the firm must earn 9 percent at minimum on its investment, what is the most it should pay for this opportunity?