



NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
SCHOOL OF MANAGEMENT SCIENCES
MAY/JUNE 2012 EXAMINATION

MBF 748/848: ADVANCED EVALUATION METHODS
TIME ALLOWED: 2HRS

ANSWER THREE QUESTIONS ONLY
EACH QUESTION CARRY 23.3 MARKS

1.a) List the main decisions that a firm usually makes.

3.3 MARKS

1.b) Discuss the characteristics of a sound investment selection process.

20 MARKS

2. What are the risks inherent in the Asset Conversion Cycle of a firm?

23.3 MARKS

3. The following figures are for Atiku Engineering Supplies Ltd as at 31 December, 2011:

		N'000
N'000		
160	TURN OVER	
40	GROSS PROFIT	
8	AVERAGE INVENTORY AT COST PRICE EXPENSES	10
<u>BALANCE SHEET AS AT 31 December, 2011</u>		
	NON-CURRENT ASSETS	108
	CURRENT ASSETS:	
	Inventory	10
	Account Receivables	8

	Bank	<u>2</u>	
<u>20</u>			—
	Total assets		
128			
	CURRENT LIABILITIES		—
<u>10</u>			
<u>118</u>			—
	CAPITAL		—
<u>118</u>			

Calculate:

- Gross profit as a percentage of sales
- Inventory turnover
- Net Profit: Sales
- Net Profit as a percentage of Capital Employed
- Current Ratio
- Quick Asset(Acid test) Ratio

23.3 MARKS

4. a) List four Sources and four Uses of CASH for the firm.

8 MARKS

b) Explain each of the item listed in (a).

15.3 MARKS

5. Firms A and B are identical and engage in the same business. However, firm A is levered while firm B is not.

	FIRM A N'000	FIRM B
N'000		
ASSETS	5,000	5,000
DEBT	0	2,500
EQUITY	5,000	2,500
	(5,000,000 ordinary	(2,500,000

ordinary shares)

Shares)
Rate of Return (before taxes) 6% 6%
Assuming a Tax Rate of 30%, calculate EPS(earning per share) for firms A and B. Explain your answer.

23.3 MARKS

