



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

**COURSE CODE:** ACC415 **CREDIT UNIT:** 3

**COURSE TITLE:** FINANCIAL MANAGEMENT

**TIME ALLOWED:** 2 ½ hrs

**Instructions:** 1. Attempt question Number one (1) and any other three (3).

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

**Present all points in a coherent and orderly manner**

**QUESTION 1**

**1a)** Explain the terms “Standard Deviation” and “Variance”.

**5 Marks**

**1b)** Suppose a firm has to choose between two mutually exclusive projects that cost ₦193 million each. The following are the possible net cash flows of the project and their associated probabilities;

PROJECT X	NCF	PROJECT Y	NCF
PROBABILITY	N’000	PROBABILITY	N’000
0.10	3,000	0.10	2,000
0.20	3,500	0.25	3,000
0.40	4,000	0.30	4,000
0.20	4,500	0.25	5,000
0.10	5,000	0.10	6,000

Determine the standard deviation and the coefficient of variation for each project and advise which of them is preferable

**20 Marks**

## QUESTION 2

2a) Explain the Expected NPV

**3 Marks**

2b) A company runs a project for three years with the following distribution of returns in each year.

Year 1		Year 2		Year 3	
Return	Probability	Return	Probability	Return	Probability
N 000		N 000		N 000	
10,000	0.1	20,000	0.4	10,000	0.3
12,000	0.6	30,000	0.6	16,000	0.5
16,000	0.3			20,000	0.2

The project will cost the company 42 Million Naira to establish. Calculate the expected NPV if the discount rate is 10%

**12 Marks**

## QUESTION 3

3a) In relationship to capital budgeting, what is the difference between risk and uncertainty?

**5 Marks**

3b) What are the steps in strategic financial decision-making?

**6 marks**

3c) In resolving the issue of risk and uncertainty, various techniques are applied to analyse their effect on capital investment decisions. List some of the techniques applied.

**4 Marks**

## QUESTION 4

4a) In order to determine the mix of short-term and long-term sources in financing current assets a firm usually follows certain approaches. List and explain them.

**6Marks**

4b) List four factors to consider when using reserves to finance a company's long-term investments.

**4 Marks**

4c) List 5 qualitative factors to be considered in capital investment decisions

**5 Marks**

## QUESTION 5

5) Explain properly 7 factors that influence working capital needs of firms.

**15 Marks**