



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS**  
**MARCH/APRIL 2016 EXAMINATION**  
**SCHOOL OF MANAGEMENT SCIENCES**

**Course Code: ENT 332**

**Credit Unit: 2**

**Course Title: INVESTMENT MANAGEMENT ANALYSIS II**

**Time Allowed: 2 HOURS**

- 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 20 marks each.**
  - 3. Present all your points in coherent and orderly manner.**

**QUESTION 1:**

a) March Haven's Income Statement, Opening and Closing Balance Sheets for 2011 2012, and 2013

	2010	2011	2012	2013
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	75,000	75,000	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) Explain why short-term finance is usually cheaper than long-term finance?

c) Bank investments are subject to four (4) types of risks, Explain?

#### QUESTION 2:

- a) List six users of financial statements and discuss the purpose for which each statement is required.
- b) A bond has a semi-annual coupon payment of N60, there are 182 days in the semi-annual coupon period. If 40 days have passed since the last coupon payment,
  - i. Calculate the accrued interest on the bond?
  - ii. If the quoted price of the bond is N110, what is the invoice price?

#### QUESTION 3:

- a) Explain the concept of immunization?
- b) List and explain four (4) components of a financial report.

#### QUESTION 4:

- a) What are the factors that affect the price of a company's ordinary share?
- b) List and discuss four types of instruments traded in the money market?

#### QUESTION 5:

- a) Discuss the five determinants of ratios used to evaluate Bond safety known to you
- b) Explain what do you understand by Duration? Why is Duration a key concept in fixed income portfolio management?