



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

**COURSE CODE:** ACC405 **CREDIT UNIT:** 3

**COURSE TITLE:** CORPORATE FINANCE

**TIME ALLOWED:** 2 ½ HOURS

**INSTRUCTIONS:**

- 1. Attempt question number one (1) and any other (3) questions.**
- 2. Question number 1 carries 25 marks, while the other three (3) questions carry 15 marks each.**
- 3. Present all your points in coherent and orderly manner**

1(a) List and explain three (3) basic approaches used to obtain exchange rate estimates for future periods

(b) What are the factors to consider when a manager hedges political and regulatory risk for itself using a variety of financial instruments?

(c) Explain four (4) ways of evaluation financial ratios?

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

(b) Explain the factors that determine a firm's dividend policy?

3. (a) What is internal equity and external equity? Why will a firm prefer internal to external financing explain?

(b) What are the motives for holding inventory? Explain five (5) of such motives

4. (a) List and explain the roles of financial planning?

(b) Explain the following:

(i) Cost of Debt

(ii) Cost of Equity

(iii) Risk Free Rate of Return

(iv) Cost of Capital

(v) Financial Risk Premium:

5. (a) Explain the rights of a common shareholder?

(b) Explain the various tools of Corporate Finance?

6 (a) Explain the factors that determine the Capital Structure of a business enterprise?

(b) What are the limitations of financial ratios?