



**NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
JANUARY/FEBRUARY 2013 EXAMINATION**

Course Code: MBF 848

Credit Unit: 2.

Course Title: ADVANCED EVALUATION METHOD

Time Allowed: 2 Hours.

Instructions: 1. Attempt Question 1 and any other two (2) Questions.

2. Question 1 is compulsory and carries 30 marks

while the other 2 Questions carry 20 marks each.

3. Present all your points in coherent and orderly manner.

**1. a. List the 5 stages of a Project Cycle.
5 MARKS**

**b. Discuss all the stages listed in (a).
20 MARKS**

**c. List the sources of new project ideas.
5 MARKS**

2a. Explain the components of the term '*required rate of return*'.

4 MARKS

b. An investment company is considering the purchase of a 3 year ₦1,000,000 **value bond bearing a compound rate of**

interest of 8%. The Investment company's *required rate of return* is 10%. How much will the company be willing to pay now to purchase the bond?

10 MARKS

c. The coupon rate of interest on a N-1,000,000 par value **perpetual bond** is 10%. What is the *current yield* if the bond market price is N-800,000? **6 MARKS**

3. a. List the Traditional Criteria of Capital Investment Decision. **2 MARKS**

b. Ogba Limited having a project which involves immediate cash outlay of N200,000.00. The company estimates that the net cash inflows from the project will be as follows:

Year	Cash flow (N)
1	20,000.00
2	40,000.00
3	220,000.00
4	80,000.00

Calculate the payback period for the above project.

14 MARKS

c. State the *Decision Rule* for this method of Investment Decision. **4 MARKS**

4. a. List four sources of capital in a firm's capital structure. **4 MARKS**

b. What do you understand by the term 'cost of equity capital'? **2 MARKS**

c. The current price of a share is N45 and the expected dividend per share next year is N4.50. If the dividends are expected to grow at a rate of 5%, calculate

the *cost of equity*.

9 MARKS

d. A firm issues a 9.5% *perpetual bond* for N95. The tax-rate is 50%. What is the cost of the issue?

5 MARKS

5. a. List the FOUR classifications of Accounting Ratios known to you.

4 MARKS

b. Discuss any three measures of liquidity of a firm-stating clearly the formula for calculating each of them.

8 MARKS

c. List three profitability ratios and discuss their computation.

8 MARKS

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