



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA**  
**FACULTY OF MANAGEMENT SCIENCES**  
**2019\_2 EXAMINATION**

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**COURSE CODE: BFN 303** **CREDIT UNIT: 3**

**COURSE TITLE: FINANCIAL MANAGEMENT**

**TIME ALLOWED: 2½ Hours**

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

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- 1(a) Discuss briefly five (5) roles of finance manager *5marks*  
(b) Explain briefly five (5) ways of raising ordinary share *5marks*  
(c) Explain briefly five (5) uses of cost of capital to a finance manager *5marks*  
(d) Discuss briefly five (5) features of capital budgeting *5marks*  
(e) Discuss briefly five (5) factors that affect working capital management *5marks*

2.

- (a) What is Operating Cycle/Working Capital Cycle? *3marks*  
(b) The information below is in respect of Peters Limited;

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	N'million	N'million	N'Million
Inventory	130	240	225
Trade Receivables	245	312	400
Cash	<u>100</u>	<u>54</u>	<u>23</u>
Total Current Assets	475	606	648
Current Liabilities( <i>Less</i> )	<u>200</u>	<u>300</u>	<u>450</u>
Net Current Assets	<b><u>275</u></b>	<b><u>306</u></b>	<b><u>198</u></b>
Sales	---	1500	1350
Cost of Sales	---	1120	1200

**Required; assess the company using;**

- (a) Inventory turnover time/period(Days) *4marks*  
(b) The average collection period *4marks*  
(c) Liquidity Ratio *4marks*

3. A project costs N80,000 to initiate. The expected cash-flow is as follows;

Year 1-5      N12,500  
6-10        N10,000  
11-infinity    N 7,500

Given that the cost of capital after inflation rate of 2½ is 10%, should it be executed?

*12marks*

b) Give three examples of capital budgeting decisions.

*3marks*

- 4(a) Differentiate clearly between merger and acquisition. **3marks**  
(b) State reasons for merger and acquisition. **7marks**  
(c) What are the determinants of merger and acquisition? **5marks**
- 5(a) State five (5) assumptions underlying capital structure of a firm. **7½marks**  
(b) There are two firms 'A' and 'B' which are exactly identical except that A does not use any debt in its financing, while B has N2,500,000, 6% Debentures in its financing. Both the firms have earnings before interest and tax of N75,000 and the equity capitalization rate is 10%. Assuming the corporation tax is 50%, calculate the value of the firm. **7½marks**
6. Discuss five ways of dealing with financial risk. **15marks**