



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2019_2 EXAMINATION

COURSE CODE: BFN715 **CREDIT UNIT: 2**
COURSE TITLE: PRINCIPLES OF FINANCE
TIME ALLOWED: 2 HOURS

Instructions:

- 1. Attempt question number one (1) and any other two (2).**
 - 2. Question number 1 is compulsory and carries 30 marks while the other 2 questions carry 20 marks each. Present all your points in coherent and orderly manner.**
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1(a) Nzekwe needs to repay a loan of ₦2m with FCMB over the next four (4) years at an interest rate of 30% per annum, which has to be repaid in equal instalments.

Required to:

- i) Calculate the yearly instalment payment **(10 marks)**
- ii) Prepare the loan Amortization Schedule/Table **(10 marks)**
(show all workings)

1(b) Musa deposits the sum of ₦30,000 today in his GTBank account paying 10% interest rate which is compounded continuously. You are required to determine what will be in Musa's account in 5 years. **(10 marks)**

2(a) There are two main sources of funds available to the entrepreneur: The short-term and the long-term. Explain any five (5) of the short-term sources. **(10 marks)**

2(b) Philips Consulting expects to receive ₦180,000 per year at the end of each year for the next 20 years from a new machine. If the firm's opportunity cost of fund is 10 per cent, how much is the present value of this annuity? **(10 marks)**

3(a) Discuss any four (4) aims of finance functions. **(10 marks)**

3(b) The underlisted financial items can either cause an inflow or outflow of funds from the firm. Classify them under **Cash Inflow** and **Cash Outflow/Expenses**.
Capital and/or loans introduced, Fixed assets, Raw materials, Loan repayment, Factory expenses, Sales proceeds (cash received), Office expenses, Interest charges, Other bank charges, Collection of accounts receivables, Packaging materials, Salaries, Transport and Freight, Excise duties. **(10 marks)**

4(a) Explain in detail any five (5) domestic sources of capital formation. **(10 marks)**

4(b) Discuss five (5) external sources of capital formation. **(10 marks)**

5) The functions of a financial manager have consistently broadened from his traditional role which reflected the descriptive approach to the study of financial management to a more dynamic approach. Discuss any four (4) of the traditional functions. Given that the modern functions of a financial manager have broadened to include analytical aspects of an organisation's finances, discuss any eight (8) of such functions. **(20 marks)**