



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
2020_1 EXAMINATION

COURSE CODE: BFN303 **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**

- 1a. Financial management objective of maximization of shareholders' wealth is being achieved through a combination of some goals. Enumerate five (5) of them. **5marks**
- b. Enumerate five usefulness of cost of capital. **5marks**
- c. In tabular form give five examples of each of the three major sources finance. **15marks**

- 2a. What is Operating Cycle/Working Capital Cycle? **3marks**
- b. Enumerate five features of capital budgeting. **5marks**
- c. State seven factors that could influence working capital decision. **7marks**

- 3a. Highlight five of the methods available for financial analysis. **5marks**
- b. Enumerate five benefits of asset management. **5marks**
- c. State methods of financial statement analysis **5marks**

4a. Kalu bought a 10% redeemable debenture, redeemable at par in 15 years' time. The current market value of the debenture is N75, associated tax is 30%. What is the cost of the redeemable debenture? **7½marks**

b. Araga & Co. invested ₦150,000 in a certain investment yielding the following cash inflow after tax:

Year 1: 50,000

Year 2: 100,000

Year 3: 25,000

Year 4: 20,000

Given that the life span of the investment is 4 years.
Compute the average Return on Investment ROI or ARR.

7½marks

5a. What is financial risk? Name five (5) types of financial risk.
b. State six (6) benefits of risk management.

6marks

9marks

6a. Indicate five assumptions underlying capital structure.

5mark

b. There are two firms 'X' and 'Y' which are exactly identical except that X does not use any debt in its financing, while Y has N1,250,000, 5% Debentures in its financing. Both the firms have earnings before interest and tax of N37,500 and the equity capitalization rate is 10%. Assuming the corporation tax is 35%, calculate the value of the firm.

10marks