



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
2023_1 POP EXAMINATION.

COURSE: BFN715

CREDIT UNITS: 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 questions carry 20 marks each.**
- 3. Present all your points in coherent and orderly manner**

1a. Bola deposits the sum of ₦15,000 today in her bank account paying 10% interest rate which is compounded continuously. You are required to determine what will be in Bola's account in 5 years. 10 marks

1b. Briefly explain the following terms:

i. Cost of capital

ii. Weighted Average cost of capital

iii. Working Capital Management

iv. Stock split

v. Venture Capital 20 marks

2a. Prof Peters put ₦100,000 in a fixed deposit account with a financial institution that offers 24% interest per annum, payable twice in a quarter. Calculate the compound value of the investment if it is made for 3 years. 10 marks

2b. Discuss the two major sources of finance available to a business entity. 10 marks

3a. Osoba needs to repay a loan of ₦1m with FCMB Plc over the next four (4) years at an interest rate of 30% per annum, which must be repaid in equal instalments.

Required: (Show all workings)

i. Calculate the yearly Instalment payment

ii. Show the loan Amortization Schedule/Table 15 marks

3b. Explain Four (4) characteristics of a financial lease 5 marks

4a. Discuss four (4) factors that influence dividend policy decisions of firms 16 marks

4b. A firm's preference share is sold at ₦100 per share and the firm pays an annual dividend of ₦8. You are required to calculate the cost of preference share. 4 marks