



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**FACULTY OF SOCIAL SCIENCES**  
**DEPARTMENT OF ECONOMICS**  
**2024 1 EXAMINATION**

**COURSE CODE:** ECO 722  
**COURSE TITLE:** INDUSTRIAL ECONOMICS  
**CREDIT UNIT:** 2 UNITS  
**TIME ALLOWED:** 2 HRS  
**INSTRUCTION:** ANSWER QUESTION 1 AND ANY OTHER TWO QUESTIONS

**Question 1**

- a. List and discuss five types each of equity finance and debt finance 20 marks
- b. The share capital of a company is represented by 10,000 Equity Shares of ₦10 each, fully paid. The current market price of the share is ₦40. Earnings available to the equity shareholders amount to ₦60,000 at the end of a period. Calculate the cost of equity share capital using Earning/Price ratio. 10 marks

**Question 2**

- a) List and explain 5 standard used in measuring the size of an industrial units/firms 10 marks
- b) Discuss 5 reasons why firms diversify 10 marks

**Question 3**

- a. Critically examine the main types of sources of finance 10 marks
- b. Johnson & Johnson Ltd has the following capital structure and after tax cost for the different sources of funds used

Sources	Amount (₦)	After tax cost
Equity share capital	700000	13%
Preference share capital	400000	8%
Debenture share capital	340000	5%
Retained earnings	70000	9%

Calculate the weighted cost of capital 10 marks

**Question 4**

List and explain the determinants of cost of capital 20 marks