



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2024 1 EXAMINATION

COURSE CODE: MBF 805

CREDIT UNIT: 3

COURSE TITLE: CORPORATE FINANCE

TIME ALLOWED: 2 ½ 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 3 questions carry 15 marks each. Present all your work/point in coherent and orderly manner.

QUESTION ONE

1a. Convert the following statement of profit and loss of BCR Co. Ltd. into the comparative statement of profit and loss of BCR Co. Ltd.

Particulars	Note	2015-16	2016-17
Revenue from operations		6,000,000	7,500,000
Other incomes		150,000	120,000
Expenses		4,400,000	5,060,000
Income tax	35%		40%

1b. The following are the Statement of Financial Position of J. Ltd. as at March 31, 2016 and 2017. Prepare a Comparative statement of financial position

Particulars	Note	March 31 2017	March 31 2016
I. Equity and Liabilities			
1. Shareholders' Funds			
a) Share capital		2000,000	1,500,000
b) Reserve and surplus		300,000	400,000
2. Non-current Liabilities			
Long-term borrowings		900,000	600,000
3. Current liabilities			
Trade payables		300,000	200,000
Total		3,500,000	2,700,000
II. Assets			
1. Non-current assets			
a) Fixed assets			
- Tangible assets		2,000,000	1500,000
- Intangible assets		900,000	600,000
2. Current assets			
- Inventories		300,000	400000
- Cash and cash equivalents		300,000	200000
Total		3,500,000	2,700,000

(25 marks)

QUESTION TWO

Company A and B are two similar businesses with similar business risks. Company A is unlevered whereas Company B is levered with N200,000 debenture @ 5% interest rate. Both the companies earn N50000 before tax income. The after-tax capitalization rate is 10% and the corporate tax-rate is 40%. Calculate the market value of two firms. (15 marks)

QUESTION THREE

- a. What do you understand by working capital management? (5 marks)
- b. State any five (5) factors determining capital structure. (10 marks)

QUESTION FOUR

- a. Discuss the various risks associated with cost of capital. (5 marks)
 - b. Explain the meaning of cost of capital within the context of Capital Structure (10 marks)
- (Total= 15 marks)

QUESTION FIVE

Explain five (5) ways in which organizations achieve growth. (15 marks)