



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2020\_1 EXAMINATION**

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**COURSE CODE: BFN805** **CREDIT UNIT: 2**

**COURSE TITLE: CORPORATE 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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1a. There are three basic financial statements of which **Income Statement** is one of them. Mention the other two and discuss briefly the four (4) sections of an **Income Statement**.

**5 marks**

1b. Stated below is the Income Statement detailing the activities of Akpabio Ltd for the period ended 31<sup>st</sup> December 2019.

<b>ACTIVITY</b>	<b>₦</b>
Revenues (Turnover)	55,650,000
Cost of Goods sold	26,500,000
Selling Expenses	15,000,000
Administrative Expenses	1,590,000
Depreciation	550,000

- i) Calculate Earnings Before Interest and Taxes (EBIT).

Further information

Taxes	210,000
Interest Expenses	550,000

- ii) Prepare a Net Income Statement Before Extraordinary Items for the year ended 31<sup>st</sup> December, 2019.

Additional information

<b>ACTIVITY</b>	<b>₦</b>
Gains From Discontinued Operations	1,500,000
Extraordinary gains	650,000

- iii) Prepare a Net Income Statement After Extraordinary Items for the period under consideration.
- iv) If ~~N~~450,000 Preferred Dividend has been provided for, then prepare a Statement of Profit to Ordinary Shareholders. **25 marks**

2a. In what three (3) ways can a firm acquire another? **6 marks**

b. Define the major risks associated with international investment? **6 marks**

c. As a firm enters into a transaction that exposes it to cash flows in foreign currency and also ventures into other countries, two major risks are involved. The manager can leave the firm exposed to these risks, or the manager can hedge the risk. This choice cannot be made without considering some factors. Discuss any two (2) of these factors? **8 marks**

3a) “The motivation for holding inventory varies depending on the type of inventory.” With this in mind, discuss any five (5) inventory types or stages in the production process.

**8 marks**

b) Compare and contrast Internal Equity and External Equity Financing. **12 marks**

4a) Discuss any five (5) features of Articles of Incorporation. **10 marks**

b) Discuss the functions of the financial market. **10 marks**

5a. With an example, define Derivatives and Hybrids. **10 marks**

b. Briefly discuss a stock purchase warrant. **5 marks**

c. Explain why warrants are issued **5 marks**