



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2020_2 EXAMINATION

COURSE CODE:	BFN715	CREDIT UNIT: 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	

1a. Discuss briefly any four (4) traditional functions and six (6) modern functions of a Financial Manager. **10 marks**

1b. Below are the financial activities of Jabez Nig. Ltd spanning July – September 2018.

Cash Inflow:

- (1) Capital injection ₦50,000.00 (2) Sales proceeds 100,000.00
(3) Collection of accounts receivables 80,000.00

Cash Outflows:

- (4) Loan repayment ₦60,000.00 (5) Fixed assets: (i) Land and buildings 15,000.00
(ii) Plant and equipment 20,000.00 (iii) Others 5,000.00
(6) Operating Expenses:
(i) Raw materials 80,000.00 (ii) Packaging materials 10,000.00 (iii) Salaries 30,000.00 (iv) Transport and Freight 25,000.00 (v) Excise duties 16,000.00 (vi) Factory expenses 15,000.00
(vii) Office expenses 4,000.00
(7) Other Expenditure:
(i) Interest charges 20,000.00 (ii) Other bank charges 10,000.00

You are required to determine whether the company made a net surplus or a net deficit. Show full working clearly. **20 marks**

2a. Define capital formation. What are the differences between capital and capital formation? **8 marks**

2b. Differentiate between the two main sources of capital formation. **12 marks**

3a. Credit is the right to receive payments or the obligation to make payment on demand at some future time on account of the immediate transfer of goods. Discuss any five (5) essential features of Credit. **10 marks**

3b. Discuss any five (5) important credit instruments. **10 marks**

4a. Consider preferred stock of a par value of ₦200 with a 6% annual dividend payment. What is the worth of the preferred stock if the discount rate for this share is 10%? **4 marks**

4b. Define scrip issue. What other two names is scrip issue called? **4 marks**

4c. **Statement of Financial Position Balance Sheet of Bianco-Bianco Ltd as at 31st December 2018**

Capital	₦
500,000 ordinary shares @ ₦1.00 each	500,000
Revenue Reserve	<u>1,250,000</u>
Total	<u><u>1,750,000</u></u>
Assets	
Fixed Assets	950,000
Current Assets	<u>800,000</u>
	<u><u>1,750,000</u></u>

Should the company decide to capitalize a part ₦500,000 of the revenue reserve

- What is the ratio of each old share to the bonus share? **4 marks**
- You are required to rearrange the balance sheet recognizing the capitalization of a portion of the reserve. **8 marks**

5a. Differentiate between long-term financing and short-term financing **4 marks**

5b. Discuss the two major external sources of long-term funds **4 marks**

5c. Describe the four (4) main sources of long-term fund. **12 marks**