



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2019\_1 EXAMINATION**

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**COURSE CODE: BFN303**

**CREDIT UNIT: 3**

**COURSE TITLE: FINANCIAL MANAGEMENT**

**TIME ALLOWED: 2<sup>1/2</sup> HOURS**

**INSTRUCTIONS:**

- 1. Attempt Question 1 and any other three (3) Questions.**
  - 2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.**
  - 3. Present all your points in a coherent and orderly manner.**
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1(a) Kolade bought a 12% redeemable debenture, redeemable at par in 10 years' time. The current market value of the debenture is ₦80, associated tax is 40%. What is the cost of the redeemable debenture? **15 marks**

1(b) Explain any five (5) factors to be considered by managers when prospecting for loans. **10 marks**

2(a) Explain short term finance. **2 marks**

(b) Discuss the methods for obtaining short term finance **3 marks**

(c) Evaluate the implications of using short term finance to finance long term project. **10 marks**

3. Discuss the procedures involved in capital budgeting decisions. **15 marks**

4(a) In clear terms, explain what you understand by Financial Management. **5 marks**

(b) Explain the three main functions of a Financial Manager. **10 marks**

5. Adams & Co. invested ₦300,000 in a certain investment yielding the following cash inflow after tax:

Year 1:	100,000
Year 2:	200,000
Year 3:	50,000
Year 4:	40,000

Given that the life span of the investment is 4 years.

Required: Compute the average Return on Investment ROI or ARR. **15 marks**

6. Write short notes on any five of the followings:

- a) Cash budget
- b) Accelerated cash collections
- c) Optimal cash level
- d) Transactionary motives
- e) Precautionary motives
- f) Speculative motives

**15 marks**