



**NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
JANUARY 2018 EXAMINATION QUESTIONS**

COURSE CODE: BFN303

CREDIT UNITS: 3

COURSE TITLE: FINANCIAL MANAGEMENT

TIME ALLOWED: 2 1/2 Hrs

INSTRUCTION:

- 1. Indicate your Matriculation Number clearly**
- 2. Attempt question one (1) and any other three (3) questions**
- 3. Question one (1) is compulsory and carries 25 marks, while the other questions carry 15 marks each.**
- 4. Present all your points in coherent and orderly Manner**

1a. Describe six (6) functions of the financial manager/roles of financial management. 10Marks

b. Kolade bought a 12% redeemable debenture, redeemable at par in 10 years' time. The current market value of the debenture is N80, associated tax is 40%. What is the cost of the redeemable debenture?. 15Marks

2a. The issue price of a share is N30 and issue cost are 30k per share. New shareholders expect constant annual dividend of 50 kobo. What is the cost of equity?. 5Marks

b. Discuss the methods of evaluating capital budgeting. 10Marks

3. Adams & Co. invested N300,000 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. 15Marks

4a. Explain any five (5) major factors affecting working capital. **5Marks**

b. Compute the following Capital Budgeting

Initial Outlay = 200,000

Inflows year 1 = 60,000 Year2 = 80,000, Year 3 = 80,000 Year 4 =100,000.

Required: Calculate the payback period. **10Marks**

5a. Define cash management. **5Marks**

b. Mary James Ltd uses a particular component at a rate of 48,000 per annum. These are obtained from an external supplier at a basic cost of 50k each. Replenishment orders can be obtained promptly, though it entails sending a man and a lorry to collect the components, this would cost N40, this is assumed to be the only cost of ordering.

The storage cost of stock is 15% of the cost of the component.

You are required to: Calculate the EOQ. **10Marks**

6a. List eight (8) methods of share valuation. **8Marks**

b. State seven (7) importance of asset management. **7Marks**