

It does not properly consider the cost of financing a project

[BFN732] All of these are the main uses of cash budget except;
To appraise the viability or otherwise of investment proposals

[BFN732] According to Modigliani and Miller (M-M), in a perfect capital market, capital structure decision is irrelevant. One of the following is not among the assumptions of their position

There are costs associated with the liquidation of the firm

[BFN732] A project provides annual net cash inflows of N3,500 for 6 years. What is the project's payback period if its initial cost is N1,750,000?
5 years

[BFN732] According to the net income approach to capital structure decisions, the effect of leverage is to;
raise the market value of the firm and reduce its overall or weighted average cost of capital

[BFN732] The net operating income or EBIT of NOUN Plc is N2million. The firm can borrow at 9% in the financial markets but currently has no debt. If the firm's cost of equity is 20% and corporate income tax is 35%, what is the market value?
N6.5 million

[BFN732] A standard model used to arrive at a balance between holding too much or too little stock is;
Economic Order Quantity

[BFN732] Assuming the management of NOUN Plc in question 4 decides to borrow N750,000 in order to repurchase its ordinary shares, what will be the value of the firm?
N6,762, 500

[BFN732] A manufacturing firm consumes 50,000 units of a component in its production process annually. It costs N15 to procure each component from suppliers. The ordering and handling costs are N250 per order and carrying costs are 20% per annum. Assuming that the firm decides to make the component in its own factory with an installed capacity of 200,000 units per annum, what is the economic order quantity(EOQ)?
3333units

[BFN732] In estimating the cash flows from a project, firms need not take one of the following into consideration.
The opportunity costs and revenues indirectly attributable to the project

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