



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2022_1 EXAMINATION

COURSE CODE: BFN303 **CREDIT UNIT: 3**
COURSE TITLE: FINANCIAL MANAGEMENT **TIME ALLOWED: 2^{1/2} HOURS**
NOTE: **1. To attempt question number one (1) and any other three**
2. Question number 1 is compulsory and carries 25 marks, while the other questions carry 15 marks each
3. Present all your points in coherent and orderly manner

QUESTION 1 (COMPULSORY)

1(a) Explain briefly the term Financial Management. **5 marks**

1 (b) Project A: Outlay = 1,450,000

Cash Inflows: Year 1 = N500,000 Year 2 = N450,000, Year 3 = N300,000 Year 4 = N150,000,
Year 5 = N150,00

Project B: Outlay = 1,550,000

Cash Inflows: Year 1 = N400,000 Year 2 = N500,000 Year 3 = N600,000 Year 4 = N550,000
Year 5 = N300,000

Required: On the basis of payback period, which project should ABX Plc execute? **(16 marks)**

1 (c) Explain briefly the term Capital Structure. **4 marks**

2. There are various ways through which Ordinary Shares can be raised for the operations of a firm. Clarify five (5) of such means of using ordinary shares for raising funds. **15 marks**

3. (a) There are three main sources of financing working capital. Enumerate and discuss them.

6 marks

(b) Kolade holds a 17.5% irredeemable debenture for N150 ex-interest in Quotex Inc. Compute the cost of debt to the company. **9 marks**

4. Abacus Nigeria Plc makes use of a material at the rate of 150,000 in its production annually. The supply price of the material is N0.35 per unit. Cost of ordering the material per unit is N50.00 while the storage cost is 35% of the component cost. Calculate the EOQ. **15 marks**

5(a) Abacus Nigeria Plc is contemplating acquiring Quotex Ltd. Presently, Quotex Ltd earns on average, N35,854,000 after tax annually. Abacus Plc assumes that after reorganization, the company can generate up to N45,564,000 per annum. The industry yield of Quotex Ltd is expected to be 25% on capital employed post-tax accounting return. What should Quotex Ltd be valued at?

6 marks

5(b) Identify and explain the three (3) types of financial risk inherent in organizational operations.

9 marks