

2a. The functions of finance include sourcing and application of funds, and demands that money is used in the firm wisely, that is, when and where it is desired. Describe the aims of finance function. **10 marks**

2b. Short-term sources of funds represent current liabilities (funds owed). They represent short-term obligations. Discuss any five (5) sources of short-term funds. **10 marks**

3a. Describe Cost of Trade Credit **2 marks**

3b. An invoice of ₦5,000 attracts 2% for paying in these 10 days and 30 days credit period. What is the cost of not taking the cash discount? **12 marks**

3c. Discuss briefly the two major external sources of long-term funds. **6 marks**

4a. Explain the characteristics of financial lease. **8 marks**

4b. What is bonus issue?

Bonus issue is also known as capitalization or scrip issue. This does not imply raising money from the capital market but a rearrangement of the existing capital structure. **4 marks**

4c. Let us consider a Balance sheet of Abua Nigeria Ltd:

Capital	₦
100,000 ordinary shares @ ₦1.00 each	100,000
Revenue Reserve	<u>250,000</u>
Total	<u>350,000</u>
Assets	
Fixed Assets	190,000
Current Assets	<u>160,000</u>
	<u>350,000</u>

The company can now decide to capitalize a part of the revenue reserve. If the amount to be capitalized is ₦100,000,

a) How many shares will each old share now attract? **2 marks**

b) Rearrange the financial statement following the capitalization of a part of the revenue reserve or bonus issue. **6 marks**