



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES

2023 2 EXAMINATIONS—

CREDIT UNIT: 3

COURSE CODE: BFN303

COURSE TITLE: FINANCIAL MANAGEMENT

TIME ALLOWED: 2^{1/2} HOURS

INSTRUCTIONS: 1. 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)

(a) The cost of an investment N1,500,000 with a life span of 5 years. It has the following additional information in terms of net cash inflow and discount factors.

Year	Cash Flow	DCF
1	200,000	0.909
2	130,000	0.826
3	140,000	0.751
4	450,000	0.683
5	300,000	0.621

Based on net present value (NPV) assessment, should Hameed Nigeria Limited take up the investment? **20 marks**

(b) Chief Aloma, the managing director & chief executive officer of an obscured private company, consults you towards the share valuation of his firm. Clarify the five (5) reasons that could have motivated him to do so. **(5 marks)**

Question 2

You have been approached by a corporate entity to assess its funding needs. What are the five (5) important considerations for funding the operations of the firm? **15 marks**

Question 3

A firm has earnings before interest and tax of N125,000 and the equity capitalization rate is 10% with a debt of N1,500,000. The corporate tax rate is 50%. Required to determine the value of the company. **15 marks**