



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2024 1 EXAMINATION**

**COURSE CODE: BFN 805** **CREDIT UNIT: 3**  
**COURSE TITLE: CORPORATE FINANCE**  
**TIME ALLOWED: TWO AND HALF HOURS**  
**Instructions: Attempt question number one (1) and any other three (3).**

**Question number 1 is compulsory and carries 25 marks while the other 3 questions carry 15 marks each. Present all your work/point in coherent and orderly manner**

**TIME: 3 HRS**

**Question One**

a. Mosco Construction Plc. has just won a big contract in one of the States in South West Nigeria. The company therefore needed an additional working capital of N9.5 billion to be able to execute the contract. Investigations carried out by the company revealed the following three feasible sources of funds:

i. Bank Loan: The Company's banker "Apex Bank" has agreed to extend a loan facility of N10.6 billion at 14%. A 10% compensating balance will be required.

ii. Trade Credit: Rosco Construction Plc. buys about N5billion of materials per month on terms of "3/10, net 90". Discounts are currently taken.

iii. Factoring: Here, a factor will buy the company's receivables (N15billion per month) which have an average collection period of 30days. The factor will advance up to 75% of the face value of the receivables at 12% on an annual basis and 2% fee on all receivables purchased. It was estimated that the factor's service will save the company N250million per month – consisting of both bad debt expenses and credit department expenses.

You are required to determine, on the basis of annualized percentage cost, which alternative the company should select. **(25 marks)**

**Question Two**

(a) List the THREE forms of capital market efficiency

(b) A valued client of your stock broking firm has asked for your advice on his investment portfolio. Details of his securities in the stock market (which is regarded as efficient) with the associated risk characteristics are given below: