



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: MBF 843
Course Title: Capital Investment and Financial Decisions
Time Allowed: 3 HOURS
Instructions:

Credit Unit: 3

1. Attempt Question 1 and any other three (3) Questions
2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.
3. Present all your points in a coherent and orderly manner.

QUESTION ONE

a. A company wishes to invest a sum of ₦350,000 in a project. The project is expected to have streams of net cash flows for five (5) years as shown below:

Year	Cash flows
1	200,000
2	100,000
3	100,000
4	40,000
5	10,000

The acceptable interest rate is 10%. You are required to compute:

- i. The net present value (NPV)
 - ii. The Internal rate of return for the project (11 marks)
- b. Mention and discuss four (4) categories in decision making. (8 marks)
- c. Highlight at least THREE (3) advantages and THREE (3) disadvantage of the payback period. (6 marks)
- (Total = 25 marks)

QUESTION TWO

- a. Discuss at least five (5) distinctions between investment and speculation. (10 marks)
 - b. List and explain FOUR (4) types of investment. (5 marks)
- (15 marks)