



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2024_2 EXAMINATION

COURSE CODE: BFN 805 **CREDIT UNIT: 3**
COURSE TITLE: CORPORATE FINANCE
TIME ALLOWED: TWO AND HALF HOURS

Instructions:

- 1. 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

QUESTION ONE

- a. What is meant by capital structure? What are the major determinants of capital structure?
- b. An organization expects a net income of N100, 000. It has N150, 000, 10 % debentures. The equity capitalization rate of the company is 12%. Calculate the value of the firm and overall capitalization rate according to the Net Income Approach (ignoring income-tax). If the debenture debt increased to N200, 000, what shall be the value of the firm and the overall capitalization rate?
- c. Mehta Company Limited is expecting an annual EBIT of N200, 000. The company has N500, 000 in 10% debentures. The cost of equity capital or capitalization rate is 12.5%. Compute the value of the firm.

QUESTION TWO

The conceptual framework underpinning regulation of published financial statements, states that information contained in the statements should have certain specified, qualitative characteristics. Select **two** desirable qualities of information from the conceptual framework and select examples from a published financial statement that illustrate these qualities.

QUESTION THREE

- a. What is “money market”? Explain the terms “Treasury bills” and “Certificate of Deposits”
- b. List and explain the function of money market

QUESTION FOUR

- a. What does a trust company do?
- b. What is the essential difference in theory between a non-profit and a for-profit corporation?

QUESTION FIVE

- a. Managerial goals are different from those of shareholders. The goals that managers will maximize if they are left to pursue their own rather than shareholders’ goal are: Discuss.
- b. Elaborate on the different types of key Risk components.

QUESTION SIX

- a. Differentiate between Current asset and Current liabilities of a firm.
- b. Explain the ways in which organizations achieve growth?