



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2025\_2 EXAMINATIONS**

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**Course Code: BFN 303**

**Credit Unit: 3**

**Course Title: Financial Management**

**Time Allowed: 3 HOURS**

**Instructions:**

- 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.**
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**QUESTION ONE**

- (a) Wealth maximization is the real objective of Financial Management as it helps in financial decisions. Explain this statement. (7 marks)
- (b) Discuss the following roles/functions of a financial manager
- (i) Finance decision
  - (ii) Investment decision
  - (iii) Dividend decision
  - (iv) Acquisition decision
  - (v) Working capital management (10 marks)
- (c) Highlight five (5) factors to be considered before granting bank borrowing (5 marks)
- (d) Distinguish between short-term and long-term sources of finance (3 marks)
- (Total 25 marks)**

**QUESTION TWO**

- a. Discuss on the term “Merger”. (2marks)
- b. Distinguish between vertical integration and horizontal integration (3 marks)
- c. Discuss at least five (5) reasons two or more companies would want to go into merger. (10marks)
- (15 marks)**

**QUESTION THREE**

- (a) Distinguish between the gross concept and net concept of working capital management (5 marks)
- (b) State and discuss five (5) factors affecting working capital (10 marks)
- (15 marks)**

#### QUESTION FOUR

a. The issue price of a share is ₦75. New shareholders expect constant annual dividend of 30k.

**What is the cost of equity?** (5marks)

b. State at least four (4) usefulness of cost of capital. (4 marks)

c. Explain the meaning of at least three (3) types of cost. (6 marks)

**(Total = 15 marks)**

#### QUESTION FIVE

a. Bliss Limited uses a particular component at a rate of 150,000 per annum. These are obtained from an external supplier at a basic cost of 40k each. Replenishment orders can be obtained promptly, though it entails sending a man and a lorry to collect the components, this would cost ₦80. This is assumed to be the only cost of ordering. The storage cost of stock is 35% of the cost of the component. **You are required to compute the Economic Order Quantity (EOQ).**

(15marks)

b. Explain the following terms as it relates to Economic Order Quantity (EOQ)

i. Ordering cost

ii. Minimum stock level/margin of safety

iii. Carry cost

iv. Maximum stock level

v. Minimum stock level

(10 marks)

**(Total = 15 marks)**