



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
2025_2 EXAMINATIONS

COURSE CODE: BFN 715 **CREDIT UNIT: 2**
COURSE TITLE: PRINCIPLES OF FINANCE
TIME ALLOWED: 2 Hours
INSTRUCTIONS: 1. Attempt question Number one (1) and any other two (2).
2. Question number 1 is compulsory and carries 30 marks,
while the other questions carry 20 marks each
3. Present all your points in coherent and orderly manner

- 1 a) Differentiate between sources of funds and application of funds
b). Use the information below to prepare the sources and application of funds, show the difference between the years and comment of your result.

Dominire Incorporations. Balance Sheet

	2022		2023
	(₦'000)		(₦'000)
Share Capital	250		200
Retained Earnings	356		330
Shareholders' Fund (Equity)	606		530
Long-Term Loans	30		80
Capital Employed	636		610
<u>Fixed Assets:</u>			
Freehold Property at Cost	380		320
Plant & Equipment	275		240
Less: Depreciation	<u>145</u>	130	<u>120</u>
Motor Vehicles	135		120
Less: Depreciation	<u>85</u>	50	<u>60</u>
Total Fixed Assets	560		500
<u>Current Assets:</u>			
Stocks	160		70
Debtors	120		65
Cash at Hand	---		125
Total Current Assets	280	260	
Less: Current Liabilities:			
Creditors	125		150
Bank Overdraft	<u>79</u>	<u>76</u>	<u>---</u>
	636		<u>610</u>

(30marks)

- 2 The modern functions of a financial manager have broadened to include analytical aspects of an organization's finances, itemize and discuss five (5) functions of the financial manager.

(20marks)

- 3a) What are short-term sources of finance? List 5 short-term sources of finance.
b) Distinguish **Bank Overdraft** from **Account Payable**
c) An invoice of N10,000 attracts a 2% discount for paying within 10 days for a 30 days credit period. Calculate the cost of not exercising the cash discount?

d)(i) What is the cost of overdraft?

(ii) The nominal interest rate charged on bank overdraft is 9%. Given a company tax rate of 40%, calculate the effective cost of the overdraft.

(20marks)

4 a) Contrast working capital management and working capital.

b. Highlight five factors that influence working capital costs in a firm

c) Explain the roles of the financial manager in working capital management

(20marks)