



NATIONAL OPEN UNIVERSITY OF NIGERIA
UNIVERSITY VILLAGE, JABI-ABUJA
FACULTY OF MANAGEMENT SCIENCES
2025_2 EXAMINATIONS

COURSE CODE: MBF 805

CREDIT UNIT: 3

COURSE TITLE: CORPORATE FINANCE

TIME ALLOWED: 2½ HOURS

- Instructions:**
- 1. Attempt question number One (1) and any other Three (3) questions.**
 - 2. Question number 1 carries 25 marks, while the other questions carry 15 marks each.**
 - 3. Present your work in coherent and orderly manner.**
-

QUESTION ONE

a) Explain five (5) of the determinants which influence the choice of capital structure of a firm.
10 marks

b) Wellable Company has the following information regarding its capital structure:

	₦
Ordinary shares	45,000
Retain earnings	15,000
8% Preference shares	120,000
12% Debentures	150,000

You are required to determine the weighted average cost of capital of the firm.

15 marks

QUESTION TWO

(a) There are a variety of corporate finance tools that can be used to control finances. **Discuss four ways that you can use such tools in managing the finances of your firm.**

16 marks

b) Explain 3 relevant assumptions that can be used in justifying the objective function of wealth maximization in a firm's operations.

9 marks

QUESTION THREE

(a) A firm's ability to sustain growth depends explicitly on **four basic factors**. ELUCIDATE.

12 marks

(b) Explain the three forms of scenario that influence business financial plan.

3 marks

QUESTION FOUR

- (a) Explain briefly the term Financial Security. **3 marks**
(b) The attraction for investment in equity securities emanates from some rights inherent in such ownership securities. Discuss four of such rights. **12 marks**

QUESTION FIVE

WAZOBIA MANUFACTURING COMPANY

a) Complete the pro forma statement of financial position (2023 below):

	N		N
Share Capital	100,000	Fixed Assets	340,000
Reserves		Stock	
Bond	70,000	Sundry Debtors	36,000
Mortgage		Cash balance	16,000
Trade Creditors	80,000		
Additional Finance			
	<u>552,000</u>		<u> </u>

Owners' Equity N216,000. Total Long term Debts N110,000.

10 marks

- b) Distinguish between Pro forma Income Statement and Pro forma Balance Sheet. **5 marks**