



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESSWAY, JABI, ABUJA**  
**FACULTY OF MANAGEMENT SCIENCES**  
**2025\_1 EXAMINATION**

**COURSE CODE: MBF 805**

**CREDIT UNIT: 3**

**COURSE TITLE: CORPORATE FINANCE**

**TIME ALLOWED: TWO AND HALF 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.**

1 (a) What is “Generally Accepted Accounting Principles”? (5Marks)

(b) Prepare the Statement of comprehensive Income of Tamara and company PLC for the year ended 31<sup>st</sup> December 2023. ₦

Opening stock	10,000.00
Purchases	75,000.00
Closing stock	5,000.00
Sales	150,000.00
Selling expenses	6,000.00
Administrative expenses	6,500.00
Depreciation	4,000.00
Interest paid	5,500.00
Tax	9,000.00
5% Preference dividend	8,000.00

Required: Prepare the income statement, showing the balance dividend to be distributed to ordinary shareholders. (20 Marks)

Total 25 Marks

2. The functions of a finance manager are critical to the success of a firm.

(a) List and discuss the three basic functions of a finance manager. (9 Marks)

(b) Critically examine the tools of corporate finance. (6 Marks)

3(a) To what extent does the way an agent is compensated account for agency problem?

(9 Marks)

(b) What is the meaning of the terms:

- (i) Agency cost
- (ii) Direct Agency cost

(6 Marks)

4(a) Working capital is the soul of business organization. Discuss (12 Marks)

(b) What do you understand by word “Basic Trade-off on Working Capital”? (3Marks)

5(a) What does “capital structure of a firm” mean? (2.5 Marks)

(b) Discuss five (5) determinants of capital structure of a firm (12.5Marks)