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

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.

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)