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: BFN715 **CREDIT UNIT: 2**
COURSE TITLE: Principles of Finance
TIME ALLOWED: 2 HOURS
Instructions: Attempt three (3) questions in all
Questions 1 (one) is compulsory carries **30marks** while the other questions carry **20marks** each
Present all your points in coherent and orderly manner.

Question One

a. Explain the following terms:

I. Finance (7.5 Marks)

II. Financial management (7.5 marks)

b. The financial manager prepares forecasts of the firm's financial requirements. Enumerate the contents of the financial forecast prepared by the finance manager (15 Marks)

Total= 30 Marks

Question two (2)

a. List and explain five (5) short-term source of funds available to organizations (15 Marks)

b. What are short-term source of funds (5 Marks) **Total= 20 Marks**

Question three (3)

a. Explain the term cost of trade discount (5 Marks)

b. The nominal interest rate charge on bank overdraft is 7% given a company tax of 30%. Calculate the effective cost of the overdraft (10 Marks)

c. List and explain briefly how firms raise money from the capital market (5 Marks)

Total =20 Marks

Question four

a. State the source of funds and the application of funds in the table below;

	Source of Funds	Application of Funds
I.	Gains of funds from operation	________________________
II.	Increase in trade credits	_________________________
III.	________________________	Increase in stock
IV.	Reduction in account receivables	--------------------------------------
V.	_________________________	Purchase of non-current assets

(20 Marks)