



NATIONAL OPEN UNIVERSITY OF NIGERIA
UNIVERSITY VILLAGE, JABI-ABUJA
FACULTY OF MANAGEMENT SCIENCES
2025_1 EXAMINATION...

COURSE CODE: BFN 805

CREDIT UNIT: 2

COURSE TITLE: CORPORATE FINANCE

TIME ALLOWED: 2 HOURS

Instructions: 1. Attempt question number One (1) and any other Two (2) questions.
2. Question number 1 carries 30 marks, while the other questions carry 20 marks each.
3. Present your work in coherent and orderly manner.

QUESTION ONE (COMPULSORY)

a) There four (4) types of financial market through which corporate entities can raise funds for their operations. Mention and discuss any three (3) of these markets.

(15 marks)

b) The information below relate to the operations of NOUNRY.

	₦
Share capital (Equity)	45,000
Retained Earnings	15,000
8% Preference shares	120,000
Debt of the firm	150,000

Firm's Cost of Capital is made up of Ordinary shares (Equity) 18%, Retained Earnings 14%, Preference shares 10% and Debt of the firm 9%.

You are required to compute the weighted average cost of capital (WACC) for the firm.

15 marks

QUESTION TWO

a) **Nelke West Africa Inc: Statement of Affairs 31st December, 2023**

	₦		₦	₦
Share capital	250,000	Freehold Property @ Cost		380000
Retained Earnings	356,000	Plant and Equipment	275000	
Long term Loans	30,000	Less: Depreciation	145000	130000
Creditors	125,000	Motor Vehicles	135000	
Bank Overdraft	79,000	Depreciation	85000	50000
		Stocks		160000
		Debtors		80000

Cash at hand	40000
<u>N840,000</u>	<u>N840,000</u>

Assuming the sales figure of the company is ₦975,000, calculate: (i) Cash ratio; (ii) Quick ratio; (iii) Debt- to –Equity ratio; (iv) Fixed Asset Turnover. **(12 marks)**

b) Discuss any four (4) shortcomings inherent in the use of financial ratios.

(8 marks)

QUESTION THREE

a) In most corporate organizations, the decision on how much working capital to hold involves a tradeoff. **ELUCIDATE.** **(5 marks)**

b) Firms are motivated to hold sufficient inventory in their operations. Why is it necessary? **(15 marks)**

QUESTION FOUR

a) What is financial security?

(4 marks)

b) The capital structure of a firm is influenced by many factors. Enumerate and discuss these determinants of capital structure. **(16 marks)**