



16/11/2018

UNIVERSITY OF ILORIN, ILORIN
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCE
B.Sc. (FINANCE) DEGREE PROGRAMME
2017/2018 SESSION EXAMINATION

COURSE TITLE: Corporate and Business Finance

LEVEL: 200

COURSE CODE: FIN 201

TIME ALLOWED: 2 1/2 HOURS

DATE: 17/04/2018

INSTRUCTION: Attempt QUESTIONS 1 AND 2 IN SECTION A AND ANY OTHER TWO QUESTIONS IN SECTION B

Marks will be awarded for neat and orderly presentation of answers

SECTION A (Attempt all the Questions in this Section)

QUESTION 1

a. Read and Pass Plc has 1,200,000 shares at current market price of ₦115 per share. The company needs ₦18,000,000 to finance its proposed expansion project. The Board of the company has decided to issue rights for raising the required money. Subscription price has been fixed at ₦60 per share; this is deliberately set below the market price to ensure that the rights issue is fully subscribed.

Required:

i. What are the possible actions open to the investors of the company? (3 marks) 2

ii. Determine the effect of the rights issue on the wealth of a shareholder holding just 4 shares under each of the options available to him/her? (5 marks) 5

b. Define Fiscal Policy? Discuss the effects of fiscal policy on business finance in Nigeria (7 marks)

QUESTION 2

a) Sources of capital are the avenues available for corporate business to obtain funds for business operations. Explain in details five medium-term sources of fund. (5 marks)

b) List 10 support institutions created by government to ease SMEs' access to finance (5 marks)

c) Explain the factors affecting a company's choice of finance (5 marks)

SECTION B (Attempt any two Questions in this Section)

QUESTION 3

a. Banks are generally involved in the act of borrowing short and lending long and as such there is the need for adequate liquidity to take care of the possible mismatch. As a student of finance, what do you think are the other reasons for keeping sufficient liquid assets? (5 marks)

b. Most organizations find equity financing more attractive than any other corporate financing because it is difficult to extinguish in the capital structure. On what other grounds can Common Stock be considered as the most dependable corporate source of finance? (4 marks)

c. Write short note on the following concepts: St. 10/10

i. Capital structure ✓

ii. Pre-emptive rights ✓

iii. Convertible debenture ✓

iv. Currency risk

v. Financial leverage ✓

vi. Risk transfer ✓



(6 marks)

QUESTION 4

a. Explain how preference share capital should be treated in computation of a company's gearing (5 marks)

b. The following information relates to Alabi-Ade Limited for the period ended 31st December 2017:

	N
Sales	50,000,000
Variable cost	(20,000,000)
Contribution	30,000,000
Fixed Operating Cost	(10,000,000)
EBIT	20,000,000
Interest on Debt	(5,000,000)
EBT	15,000,000
Taxation	(6,000,000)
PAT	<u>9,000,000</u>

Required:

- Determine the degrees of operating leverage, financial leverage and combined leverage. Interpret your results (3 marks)
 - If sales rise by 40%, by what percentage would EBIT increase? (1 mark)
- c. Discuss the classes of investors in relation to their different attitudes to risk. (6 marks)

QUESTION 5

a) Explain the following with clear illustrations:

- Federal Government savings bond
- Lagos State bond
- Sukuk
- Equities
- Commercial paper.

(10 marks)

b) With the aid of a diagram, illustrate the Nigerian capital market ecosystem.

(5 marks)

Question 6

- Derive the money (deposit) or credit multiplier mathematically. (Assume that the required reserve ratio is the same for all deposit money banks and that banks hold zero excess reserves). (10 marks)
- Discuss any five (5) roles of the banking system in the Nigerian economy. (5 marks)

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UNIVERSITY OF ILORIN, ILORIN
DEPARTMENT OF FINANCE
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY EXAMINATIONS 2018/2019 SESSION

B.Sc. (ACCOUNTING, FINANCE) DEGREE EXAMINATIONS

LEVEL: 200

SEMESTER: HARMATTAN

COURSE TITLE: BUSINESS AND CORPORATE FINANCE NO. OF CREDITS: 3

COURSE CODE: FIN 201

TIME ALLOWED: 2 1/2 HRS

DATE: 05/03/2019

INSTRUCTION: a) Attempt all the two questions in section A and any two questions in section B

- b) Clear presentation and neat work required
c) Avoid any form of cheating

SECTION A (Attempt all the Two Questions in this Section)

QUESTION 1 ✓

- a) Dayo-Damola Plc. has just issued 10% convertible debenture stock with a right of conversion into equity stock in 4 years' time. Each N100 stock can be converted to 40 shares. The current market price of share is given as N2 with the annual growth rate of 2%. The current market value of loan stock is N110 (N100 nominal value plus 10% interest).

Required:

Calculate the conversion price, conversion value and conversion premium (5 marks)

- b) ORE-OTA's Company is having a capital structure that is made up of: Equity Share Capital of N1,000,000 at N2 each; 10% Preference Share Capital of N500,000 at N1 each; 8% Cumulative Preference Share Capital of N500,000. The company made sales of 200,000 units at the rate of N3 each. The following were other cost: Fixed cost: N150,000; Variable cost: 40% of selling price; Tax rate: 30%

Required:

Determine the degree of operating, financial and combined leverages and comment on your result (5 marks)

- c) A company announces a 2 for 5 rights issue at a price of N300 per share. The market price of the existing shares before the rights issue is N370.

Required:

Determine the ex-rights price, rights value and comment on your results (5 marks)

(total =15 marks)

Question 2 ✓

- a) Define the term Risk. Discuss the different attitudes that can be exhibited towards risk taking activities in business (8 marks)
- b) Government while pursuing its fiscal policy objectives may spend more than it raises in taxes. When this occurs, the difference might have to be borrowed.

Required:

- i. Outline the main sources of borrowing for government (3 marks)
 - ii. Identify the effects of fiscal policy on business finance in Nigeria (4 marks)
- (total =15 marks)

SECTION B (Attempt all the Two Questions in this Section)

Question 3

Write short notes on the following sources of finance:

- i. Franchising (3 marks)
 - ii. Factoring (3 marks)
 - iii. Trade Credit (3 marks)
 - iv. Commercial Paper (3 marks)
 - v. Venture Capital (3 marks)
- (total =15 marks)

Question 4 ✓

- a) Small businesses usually, find it difficult to access finance from formal financial institutions like Deposit Money banks (DMBs) due to some reasons. Briefly discuss of the reasons behind their inability to get timely and adequate funding from such sources (7 marks)

- b) Explain the treatment of preference share capital in the computation Gearing ratio
(8 marks)
(total=15 marks)

Question 5 ✓

- a) Liquidity management is a concept that is explained via some theories. Explain five (5) theories, relevant to the management of liquidity in firms (10 marks)
- b) Give five (5) advantages of Debenture as a long-term source finance for companies.
(5 marks)
(total =15 marks)

Question 6

- a) List and explain the factors affecting a firm's choice of finance source (12 marks)
- b) Explain the reason why the theoretical ex-right price will be lower than the cum-rights price in Rights Issue
(3 marks)
(total =15 marks)

(Total marks obtainable= 60)

BEST OF LUCK!!!

29. Bukola Aremu Ade company is considering a project that calls for an initial cash outlay of ₦ 50000. The expected net cash inflows from the project are ₦ 7791 for each 10 years. What is the IRR of the project?

A. 6 percent

C. 8 percent

B. 7 percent

D. 9 percent

30. Abdulquddus is considering an investment that will cost ₦80000 and have a useful life of 4 years. During the first 2 years, the net incremental after-tax cash flows are ₦25000 per year and for the last two years they are ₦20000 per year. What is the payback period for this investment?

A. 3.2 years

C. 4.0 years

B. 3.5 years

D. Cannot be determined from this information

SECTION B (Attempt All the two Questions in this Section)

QUESTION 1

- a) The prudential guidelines for banks in Nigeria (issued by the Central Bank of Nigeria) have more to say on classification of nonperforming loans of Nigerian Banks. Discuss the classification and identify the objective and subjective criteria for each class. (8 marks)
- b) Discuss the factors influencing the working capital requirements of a firm (7 marks)

QUESTION 2

Financial administration can be defined as the management of the finances of an organization in order to achieve the financial objectives of the organization

Required:

- a) Explain the financial and non-financial objectives of an organization. (10 marks)
- b) Identify the functions of financial administration (5 marks)

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- b) Identify the functions of financial administration. (5 marks)

Provs.
efficiencies
affluence

9. Which of the following is least likely to be a reason for seeking stock market flotation?
- A. Improving the existing owners' control over the business
 - B. Access to a wider pool of finance
 - C. Enhancement of the company's image
 - D. Transfer of capital to other uses
10. Which of the following sources of finance to companies is the most widely used in practice?
- A. Bank borrowings
 - B. Rights issues
 - C. New share issues
 - D. Retained earnings
11. Which of the following risks can be eliminated by diversification?
- A. Inherent risk
 - B. Systematic risk
 - C. Market risk
 - D. Unsystematic risk
12. When calculating the weighted average cost of capital, which of the following is the preferred method of weighting?
- A. Book values debt and equity
 - B. Average levels of the market values of debt and equity (ignoring reserves) over five years
 - C. Current market values of debt and equity (ignoring reserves)
 - D. Current market values of debt and equity (plus reserves)
13. In calculating the proportional amount of equity financing employed by a firm, we should use:
- A. The common stock equity account on the statement of financial position
 - B. The sum of common stock and preferred stock on the statement of financial position
 - C. The book value of the firm
 - D. The current market price per share of common stock times number of shares outstanding

QUESTION 4

a. Explain how preference share capital should be treated in computation of a company's gearing (5 marks)

b. The following information relates to Alabi-Ade Limited for the period ended 31st December 2017:

	N
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EBT	15,000,000
Taxation	(6,000,000)
PAT	<u>9,000,000</u>

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EAT*

Required:

- i. Determine the degrees of operating leverage, financial leverage and combined leverage. Interpret your results (3 marks)
- ii. If sales rise by 40%, by what percentage would EBIT increase? (1 mark)

c. Discuss the classes of investors in relation to their different attitudes to risk. (6 marks)

QUESTION 5

a) Explain the following with clear illustrations:

- i. Federal Government savings bond
- ii. Lagos State bond ✓
- iii. Sukuk -
- iv. Equities -
- v. Commercial paper. -

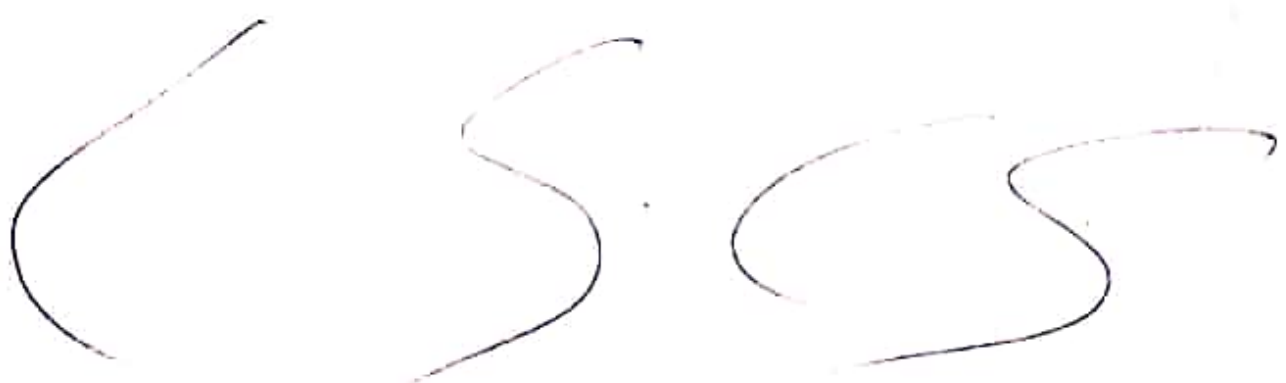
*FMDQ
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CSCS
CIS*

(10 marks)

b) With the aid of a diagram, illustrate the Nigerian capital market ecosystem. (5 marks)

Question 6

- a) Derive the money (deposit) or credit multiplier mathematically. (Assume that the required reserve ratio is the same for all deposit money banks and that banks hold zero excess reserves). (10 marks)
- b) Discuss any five (5) roles of the banking system in the Nigerian economy. (5 marks)



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DEPARTMENT OF FINANCE
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY EXAMINATIONS 2016/2017 SESSION
B.Sc. (FINANCE) DEGREE EXAMINATIONS

SEMESTER: IIA/MMATIAN
NO. OF CREDITS: 3
TIME ALLOWED: 2 1/2 HRS

LEVEL: 200
COURSE TITLE: BUSINESS AND CORPORATE FINANCE
COURSE CODE: FIN 201
DATE: 06/02/2017

INSTRUCTION: a) Attempt all the two questions in section A and any two questions in section B
b) Clear presentation and neat work required
c) Avoid any form of cheating

SECTION A (36 Marks)

Question 1

a) ORE-OTA's Company is having a capital structure that is made up of: Equity Share Capital of N1,000,000 at N2 each; 10% Preference Share Capital of N500,000 at N1 each; 8% Cumulative Preference Share Capital of N500,000. The company made sales of 200,000 units at the rate of N3 each. The following were other cost: Fixed cost: N150,000; Variable cost: 40% of selling price; Tax rate: 30%

Required:

- i) Find both operating and financial leverage and comment on your result
- ii) Find the degree of your answer in (i) above
- iii) Using the result obtained in (i) above, if sales increase and decreases both by 20% and 40%, what will be the effect on EBIT?
- iv) What will be the effect on EPS if sales increased and decreased as in (ii) above and what general comment can you deduce regarding all the above computations and results? (12 marks)

b) Distinguish between institutional and private investors in any three (3) ways (3 marks)

c) Investors, institutional or private, exhibit three basic attitudes towards risk. Critically examine these attitudes in line with the saying "Don't put all your eggs in one basket" (3 marks)

Question 2

a) In year 2000, Bola Ltd issued N10 million of N100 per value 10% semi-annual convertible debentures that come due in 2020. The earliest date for conversion is in 8 years time at a rate of 60 ordinary shares per N100 nominal loan stock. The ordinary share was selling for N1.50 per share on a given date shortly after these convertibles were issued. Ordinary debentures in a similar risk class were yielding 14% on that given date. The market price of the convertible was N98 per cent on that date.

Required: Calculate the following:

- i) Conversion price; ii) Conversion ratio; iii) Conversion value; iv) Conversion premium in absolute amount; v) Conversion premium in percentage (10 marks)

b) i) Elucidate the problems facing the Agricultural business financing in Nigeria and provide possible solutions to the identified problem. (5 marks)

ii) What are the prospects of attracting investors in to agricultural business? (3 marks)

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B.Sc. (FINANCE) DEGREE EXAMINATIONS

SEMESTER: IIA/MMATIAN
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b) i) Elucidate the problems facing the Agricultural business financing in Nigeria and provide possible solutions to the identified problem. (5 marks)

ii) What are the prospects of attracting investors in to agricultural business? (3 marks)

24. The demand and supply of capital market funds come from the following sources
- A. Individuals
 - B. Firms
 - C. Government
 - D. All of the above
25. Which of the following types of investment carries the highest level of risk?
- A. Company loan notes
 - B. Preference shares
 - C. Government stock
 - D. Ordinary shares
26. Which of the following is popularly called 'risk capital'?
- A. Ordinary share
 - B. Common stock
 - C. Bank overdraft
 - D. Venture capital
27. All but one is not a systematic risk
- A. Interest rate
 - B. Financial risk
 - C. Currency risk
 - D. Market risk
28. One of the following is not a risk management technique in banks
- A. Risk prevention
 - B. Risk transfer
 - C. Risk retention
 - D. Risk avoidance
29. Retained profit as an internal finance source possesses the following features EXCEPT
- A. No repayment is required
 - B. No interest payable
 - C. Not available for a newly established firm
 - D. It is mostly used by co-operative societies

Christofel

BUSINESS AND CORPORATE FINANCE (FIN 201) CONTINUOUS ASSESSMENT

QUESTION 1

- a. What is pre-emptive right of a shareholder? (1 mark)
- b. Gupta has issued 3,000,000 ordinary shares of N1 each, which are at present selling for N4 per share. The company plans to issue rights to purchase one new equity share at a price of N3.20 per share for every three shares held. A shareholder who owns 900 shares thinks that he will suffer a loss in his personal wealth because the new shares are being offered at a price lower than market value. On assumption that the actual market value of shares will be equal to the theoretical ex-rights price, what would be the effect on the shareholder's wealth if:
- i. He sells all the rights (3 marks)
 - ii. He exercises half of the rights and sells the other half (4 marks)
 - iii. He does nothing at all? (3 marks)

QUESTION 2

- a. Highlight any four (4) characteristics of a finance lease (4marks)
- b. Enumerate four (4) of those factors affecting the choice of debt finance by a company (4 marks)
- c. Outline any six (6) rights of an ordinary shareholder. (6 marks)

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- iv. 75% of wages are paid in the current month and 25% the following month
- v. Overheads are paid the month after they are incurred
- vi. Dividends are paid three months after they are declared
- vii. Capital expenditure is paid two months after it is incurred.
- viii. Opening balance of cash for July 2016 was estimated as ₦30,000.

The managing director is pleased with the above projections as they show that sales will increase by more than 100% in the period under review. In order to achieve this, he arranged a bank overdraft with a ceiling of ₦100,000 to accommodate the increased inventory levels and wage bill for overtime work.

Required: Prepare a Cash budget for the six-month period between July and December 2016. (10 marks)

Also, briefly explain any five factors affecting working capital requirements of a firm (5 marks)

QUESTION 2

- a) Explain four justifications for the appropriateness of profit maximization objective (4 marks)
- b) Discuss the limitations of profit maximization objective (4 marks)
- c) Explain the objective of profit maximisation in the following ways:
 - i. Time factor
 - ii. Risk factor
 (2 marks)
- d) Enumerate the functions of financial administration (5 marks)

QUESTION 3

- (a) "Financing approaches available to firms depend generally on the mix of short and long term sources of fund". Demonstrate your understanding of this quotation with clear diagrammatic presentations. (6 marks)
- (b) List any six (6) ratios for financial planning and analysis with relevant computational formulae (3 marks)

SECTION C (Attempt only one Question in this Section)

QUESTION 3

Traditionally, business has been considered as an economic institution. As such, it has developed a common measurement of efficiency through profit. It is, therefore, rational to assume profit maximization as a natural business objective.

Required:

- a. Justify the appropriateness of profit maximization objective. (4 marks)
- b. What are the limitations of profit maximization objective (4 marks)
- c. Explain the objective of profit maximization in the following ways:
 - i. Time factor (1 mark)
 - ii. Risk factor (1 mark)
- d. Discuss the superiority of wealth maximization over profit maximization objective. (5 marks)

QUESTION 4

- a) Explain the following in relation to the security segment of the capital market:
 - i. Primary operators (1 mark)
 - ii. Issuing houses (1 mark)
 - iii. Underwriters (1 mark)
 - iv. Marketing agents (1 mark)
 - v. Investment advisers (1 mark)
- b) Identify the institutions and instruments traded in the non-security segment of the capital market. (10 marks)

18. Which of the following would be consistent with a more aggressive approach to financing working capital?

- A. Financing short term needs with short term funds
- B. Financing permanent inventory buildup with long term debt
- C. Financing seasonal needs with short term funds
- D. Financing some long-term needs with short term funds

19. In deciding the appropriate level of current assets for the firm, management is confronted with.....

- A. A trade-off between profitability and risk
- B. A trade-off between liquidity and marketability
- C. A trade-off between equity and debt
- D. A trade-off between short term and long term borrowing

20. Spontaneous financing includes:

- A. Accounts receivable
- B. Accounts payable
- C. Short term loans
- D. A line of credit

21. Which of the following is a basic principle of finance as it relates to the management of working capital?

- A. Profitability varies inversely with risk
- B. Liquidity moves together with risk
- C. Profitability moves together with risk
- D. Profitability moves together with liquidity

22. Which of the following marketable securities is the obligation of a commercial bank?

- A. Commercial paper
- B. Negotiable certificate of deposit
- C. Repurchase agreement
- D. Treasury bills

13.measures financial risk in terms of profits rather than in terms of capital values
14. A ₦3,000,000 loan is taken by a firm at a rate of 12% over 5 years. What is the annual repayment?
15. are bonds issued at a discount to their redemption value, and on which no interest is payable.
16. The Nigerian Stock Exchange is a good example of money market. True/ False
17. A company's shares have a nominal value of ₦1 per share and market value of ₦3. In a rights issue, one new share would be issued for every three shares at a price of ₦2.60. What is the theoretical ex-rights price?
18. The cost of a commercial paper comprises the coupon rate and.....
19. What is call money?
20. Equity holders hope to receive their return in the form of dividend as well as
21. Which of the following is least likely to be a reason for seeking a stock market floatation?
- A. Improving the existing owners' control over the business
 - B. Access to a wider pool of finance
 - C. Enhancement of the company's image
 - D. Transfer of capital to other uses
22. Convertible securities are fixed return securities that may be converted into
- A. Zero coupon bond
 - B. Ordinary shares
 - C. Preference shares
 - D. Debentures
23. Which of the following is not true of a rights issue by a listed company?
- A. Rights issues do not require a prospectus
 - B. The rights issues price can be at a discount to market price
 - C. If shareholders do not take up the rights, the rights lapse
 - D. Relative voting rights are unaffected if shareholders exercise their rights

QUESTION 3

a. The following information relates to ABC Limited for the period ended 30th September 2012.

	N
Sales	50,000,000
Variable cost	(20,000,000)
Contribution	30,000,000
Fixed Operating Cost	(10,000,000)
EBIT	20,000,000
Interest on Debt	(5,000,000)
EBT	15,000,000
Taxation	(6,000,000)
PAT	<u>9,000,000</u>

Required.

- i. Determine the degrees of operating leverage, financial leverage and combined leverage. Interpret your results. (4 marks)
 - ii. If sale rises by 40%, by what percent would EBIT increase? (1 mark)
- b. Mr. Adeolu Johnson, an investor has approached you for advice on the benefits of holding a Debenture stock.
- Required: Advise Mr. Adeolu Johnson appropriately on his request. (10 marks)

QUESTION 4

- a. From which sources do companies obtain their medium-term capital? (8 marks)
- b. Discuss the factors affecting a firm's choice of finance source. (7 marks)

QUESTION 5

- a. Enumerate five (5) problems of formal credit sources for Agriculture. (5 marks)
- b. Write short notes on the followings:
 - i. Commercial Paper (2 marks)
 - ii. Debt Factoring (2 marks)
 - iii. Informal credit sources (2 marks)
 - iv. Trade credit (2 marks)
 - v. Internal finance source (2 marks)

30. Bank of Agriculture is Nigeria's premier agricultural and rural development finance institution wholly owned by the federal government structured as CBN, 40% and....., 60%.

- A. Federal Ministry of Agriculture
- B. Federal Ministry of Finance
- C. Office of the Accountant General of the Federation
- D. Debt Management Office

SECTION B

QUESTION 1

- a. ISHOMAAD PLC has issued 3,000,000 ordinary shares of ₦1 each, which are at present selling for ₦4 per share. The company plans to issue rights to purchase one new equity share at a price of ₦3.20 per share for every three shares held. A shareholder who owns 900 shares thinks that he will suffer a loss in his personal wealth because the new shares are being offered at a price lower than market value. Assuming that the actual market value of shares is equal to the theoretical ex-rights price, what would be the effect on the shareholder's wealth if:
- i. He sells all the rights (3 marks)
 - ii. He exercises half of the rights and sells the other half (4 marks)
 - iii. He does nothing at all? (3 marks)
- b. Highlight any five (5) features of debenture stock capital (5 marks)

Total marks=15 marks

QUESTION 2

Generally, banks are viewed to be in good position to provide credit facilities to the small scale farmers in the bid to enhancing their agricultural productivity. In the effort to obtain the credits however, certain negativities set in which makes it difficult, if not almost impossible for the farmers to access loans from formal credit institutions. The farmers knowing this fact have no other choice but to resort to the available informal sources which provide relative advantages despite the attendant costs.

Required:

- a. Define the term "Agricultural Credit" (1 mark)
- b. Discuss the financial problems small scale farmers with regards to the institutional credits source (9 marks)
- c. Outline five (5) major benefits that may accrue to the small scale business owners/farmers from informal finance sources. (5 marks)

Total marks=15 marks

QUESTION 3

Write short notes on the following sources of finance

- i. Bankers Acceptance (3 marks)
- ii. Preference Shares - (3 marks)
- iii. Hire Purchase - (3 marks)
- iv. Lease Finance (3 marks)
- v. Venture Capital (3 marks)

Total marks=15 marks



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DEPARTMENT OF FINANCE
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UNIVERSITY EXAMINATIONS 2016/2017 SESSION
B.Sc. (FINANCE) DEGREE EXAMINATIONS

LEVEL: 200

COURSE TITLE: BUSINESS AND CORPORATE FINANCE

COURSE CODE: FIN 201

DATE: 06/02/2017

SEMESTER: HARMATTAN

NO. OF CREDITS: 3

TIME ALLOWED: 2 1/2 HRS

- INSTRUCTION:** a) Attempt all the two questions in section A and any two questions in section B
b) Clear presentation and neat work required
c) Avoid any form of cheating

SECTION A (36 Marks)

Question 1

a) ORE-OTA's Company is having a capital structure that is made up of: Equity Share Capital N1,000,000 at N2 each; 10% Preference Share Capital of N500,000 at N1 each; 8% Cumulative Preference Share Capital of N500,000. The company made sales of 200,000 units at the rate of N3 each. The following were other cost: Fixed cost: N150,000, Variable cost: 40% of selling price; Tax rate: 30%

Required:

- i) Find both operating and financial leverage and comment on your result
- ii) Find the degree of your answer in (i) above
- iii) Using the result obtained in (i) above, if sales increase and decreases both by 20% and 40% what will be the effect on EBIT?
- iv) What will be the effect on EPS if sales increase and decrease as in (iii) above and what general comment can you deduce regarding all the above computations and results? (12 marks)

b) Distinguish between institutional and private investors in any three (3) ways (3 marks)

c) Investors, institutional or private, exhibit three basic attitudes towards risk. Critically examine these attitudes in line with the saying "Don't put all your eggs in one basket" (3 marks)

Question 2

a) In year 2000, Bola Ltd issued N10 million of N100 per value 10% semi-annual convertible debentures that come due in 2020. The earliest date for conversion is in 8 years time at a rate of 60 ordinary shares per N100 nominal loan stock. The ordinary share was selling for N1.50 per share on a given date shortly after these convertibles were issued. Ordinary debentures in a similar risk class were yielding 14% on that given date. The market price of the convertible was N98 per cent on that date.

Required: Calculate the following:

- | | | | | |
|----------------------|-----------------------|------------------------|--|-------------------------------------|
| i) Conversion price; | ii) Conversion ratio; | iii) Conversion value; | iv) Conversion premium in absolute amount; | v) Conversion premium in percentage |
|----------------------|-----------------------|------------------------|--|-------------------------------------|

b) i) Elucidate the problems facing the Agricultural business financing in Nigeria and propose possible solutions to the identified problem.

ii) What are the prospects of attracting investors in to agricultural business?

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UNIVERSITY OF ILORIN, ILORIN
DEPARTMENTS OF FINANCE
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY EXAMINATIONS 2013/2014 SESSION
B.Sc. (FINANCE) DEGREE EXAMINATIONS

LEVEL: 200

COURSE TITLE: BUSINESS AND CORPORATE FINANCE

COURSE CODE: FIN 201

DATE: 04/02/2015

SEMESTER: HARMATTAN

NO. OF CREDITS: 3

TIME ALLOWED: 2½ HOURS

INSTRUCTION: Attempt all the Questions in Section A and Question 1 with any other one Question in Section B. Each question from 1-20 carries 1½ mark and 21-30, 1 mark each

SECTION A

1. is the potential variability of earnings caused by the nature and type of business operations.
2. A risk-loving investor is always motivated by the commensurately high.....
3. For a hundred percent equity financed company, earnings per share is computed as.....
4. measures the sensitivity of Earnings per share to changes in earnings before interest and tax
5. Financial leverage of a company will most likely impact favourably on EPS and ROE only when the ROI exceeds.....
6. The market value gearing is theoretically superior to its book value counterpart because.....
7. SEC..... serves as the apex regulator of the Nigerian capital market
8. One of the main advantages of debenture to the company is that interest payments are tax deductible
9. The right of shareholders to purchase new shares in the same proportion as their current ownership is termed.....
10. Who is responsible for the servicing of a leased asset in the case of operating lease?
11. refers to the ability of a firm to meets its financial obligations as and when due.
12. stipulates that since banks can buy all funds required, there is no need for storing liquidity on the asset side of their statements of financial position.



UNIVERSITY OF ILORIN, ILORIN
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DEPARTMENT OF FINANCE
B.Sc. (FINANCE) DEGREE PROGRAMME
2017/2018 SESSION EXAMINATION

(97 Re) po new market price on (1) = what
Tayo

COURSE TITLE: Corporate and Business Finance
COURSE CODE: FIN 201
DATE: 17/04/2018

LEVEL: 200
TIME ALLOWED: 2 1/2 HOURS

INSTRUCTION: Attempt QUESTIONS 1 AND 2 IN SECTION A AND ANY OTHER TWO QUESTIONS IN SECTION B

Marks will be awarded for neat and orderly presentation of answers
SECTION A (Attempt all the Questions in this Section)

QUESTION 1

a. Read and Pass Plc has 1,200,000 shares at current market price of ₦115 per share. The company needs ₦18,000,000 to finance its proposed expansion project. The Board of the company has decided to issue rights for raising the required money. Subscription price has been fixed at ₦60 per share; this is deliberately set below the market price to ensure that the rights issue is fully subscribed.

Required:

- i. What are the possible actions open to the investors of the company? (3 marks)
- ii. Determine the effect of the rights issue on the wealth of a shareholder holding just 4 shares under each of the options available to him/her? (5 marks)
- b. Define Fiscal Policy? Discuss the effects of fiscal policy on business finance in Nigeria (7 marks)

QUESTION 2

- a) Sources of capital are the avenues available for corporate business to obtain funds for business operations. Explain in details five medium-term sources of fund. (5 marks)
- b) List 10 support institutions created by government to ease SMEs' access to finance (5 marks)
- c) Explain the factors affecting a company's choice of finance (5 marks)

SECTION B (Attempt any two Questions in this Section)

QUESTION 3

- a. Banks are generally involved in the act of borrowing short and lending long and as such there is the need for adequate liquidity to take care of the possible mismatch. As a student of finance, what do you think are the other reasons for keeping sufficient liquid assets? (5 marks)
- b. Most organizations find equity financing more attractive than any other corporate financing because it is difficult to extinguish in the capital structure. On what other grounds can Common Stock be considered as the most dependable corporate source of finance? (4 marks)
- c. Write short note on the following concepts:
 - i. Capital structure
 - ii. Pre-emptive rights
 - iii. Convertible debenture
 - iv. Currency risk
 - v. Financial leverage
 - vi. Risk transfer

$$\frac{\text{Contribution}}{\text{Ebit}} = 1.04$$

$$\frac{\text{Ebit}}{\text{Ebt}} = 1.04$$

$$\frac{\text{Ebit}}{\text{Ebt}} = 1.04 \quad (6 \text{ marks})$$

18. Which of the following would be consistent with a more aggressive approach to financing working capital?

A. Financing short term needs with short term funds

B. Financing permanent inventory buildup with long term debt

C. Financing seasonal needs with short term funds

D. Financing some long-term needs with short term funds

19. In deciding the appropriate level of current assets for the firm, management is confronted with.....

A. A trade-off between profitability and risk

B. A trade-off between liquidity and marketability

C. A trade-off between equity and debt

D. A trade-off between short term and long term borrowing

20. Spontaneous financing includes:

A. Accounts receivable

B. Accounts payable

C. Short term loans

D. A line of credit

21. Which of the following is a basic principle of finance as it relates to the management of working capital?

A. Profitability varies inversely with risk

B. Liquidity moves together with risk

C. Profitability moves together with risk

D. Profitability moves together with liquidity

22. Which of the following marketable securities is the obligation of a commercial bank?

A. Commercial paper

B. Negotiable certificate of deposit

C. Repurchase agreement

D. Treasury bills

23. If $EOQ = 360$ units, order costs are N5 per order, and carrying costs are N0.20 per unit, what is the usage in units?

A. 129600 units

C. 25920 units

B. 2592 units

D. 18720 units

24. EOQ is the order quantity that.....over our planning horizon.

A. Minimizes total ordering costs

C. Minimizes total inventory costs

B. Minimizes total carrying costs

D. The required safety stock

25. The..... is the proportion of earnings that are paid to common shareholders in the form of a cash dividend

A. Retention rate

C. Growth rate

B. 1 plus the retention rate

D. Dividend payout rate

26. Which group of ratios measures how effectively the firm is using its assets?

A. Liquidity ratios

C. Activity ratios

B. Debt ratios

D. Profitability ratios

27. Which of the following is not true about small and medium scale enterprises?

A. Contribute to domestic capital formation

C. Employment generation ✓

B. Stimulate entrepreneurship especially in the country-side

D. Mobilizing public savings and harnessing them for productive purposes

28. A merchant pays N 100000 for certain quantity of cocoa and it is certain that it can be resold at the end of year 1 for N 132000. If the rate of interest is 10%, what is the present value of the investment?

A. N 20000

C. N 45200

B. N 32000

D. N 15000

SECTION C (Attempt only one Question in this Section)

QUESTION 3

Traditionally, business has been considered as an economic institution. As such, it has developed a common measurement of efficiency through profit. It is, therefore, rational to assume profit maximization as a natural business objective.

Required:

- a. Justify the appropriateness of profit maximization objective. (4 marks)
- b. What are the limitations of profit maximization objective (4 marks)
- c. Explain the objective of profit maximization in the following ways:
 - i. Time factor (1 mark)
 - ii. Risk factor (1 mark)
- d. Discuss the superiority of wealth maximization over profit maximization objective. (5 marks)

QUESTION 4

- a) Explain the following in relation to the security segment of the capital market:
 - i. Primary operators (1 mark)
 - ii. Issuing houses (1 mark)
 - iii. Underwriters (1 mark)
 - iv. Marketing agents (1 mark)
 - v. Investment advisers (1 mark)
- b) Identify the institutions and instruments traded in the non-security segment of the capital market. (10 marks)

29. Bukola Aremu Ade company is considering a project that calls for an initial cash outlay of ₦ 50000. The expected net cash inflows from the project are ₦ 7791 for each 10 years. What is the IRR of the project?

A. 6 percent

C. 8 percent

B. 7 percent

D. 9 percent

30. Abdulquddus is considering an investment that will cost ₦80000 and have a useful life of 4 years. During the first 2 years, the net incremental after-tax cash flows are ₦25000 per year and for the last two years they are ₦20000 per year. What is the payback period for this investment?

A. 3.2 years

C. 4.0 years

B. 3.5 years

D. Cannot be determined from this information

SECTION B (Attempt All the two Questions in this Section)

QUESTION 1

- a) The prudential guidelines for banks in Nigeria (issued by the Central Bank of Nigeria) have more to say on classification of nonperforming loans of Nigerian Banks. Discuss the classification and identify the objective and subjective criteria for each class. (8 marks)
- b) Discuss the factors influencing the working capital requirements of a firm (7 marks)

QUESTION 2

Financial administration can be defined as the management of the finances of an organization in order to achieve the financial objectives of the organization

Required:

- a) Explain the financial and non-financial objectives of an organization. (10 marks)
- b) Identify the functions of financial administration (5 marks)

9. Which of the following is least likely to be a reason for seeking stock market flotation?
- A. Improving the existing owners' control over the business ✓
 - B. Access to a wider pool of finance ✓
 - C. Enhancement of the company's image
 - D. Transfer of capital to other uses
10. Which of the following sources of finance to companies is the most widely used in practice?
- A. Bank borrowings
 - B. Rights issues
 - C. New share issues
 - D. Retained earnings
11. Which of the following risks can be eliminated by diversification?
- A. Inherent risk
 - B. Systematic risk
 - C. Market risk
 - D. Unsystematic risk
12. When calculating the weighted average cost of capital, which of the following is the preferred method of weighting?
- A. Book values debt and equity
 - B. Average levels of the market values of debt and equity (ignoring reserves) over five years
 - C. Current market values of debt and equity (ignoring reserves)
 - D. Current market values of debt and equity (plus reserves)
13. In calculating the proportional amount of equity financing employed by a firm, we should use
- A. The common stock equity account on the statement of financial position
 - B. The sum of common stock and preferred stock on the statement of financial position
 - C. The book value of the firm
 - D. The current market price per share of common stock times number of shares outstanding