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2/7/15

**REDEEMER'S UNIVERSITY**

Ede, Osun State

COLLEGE OF MANAGEMENT SCIENCESDEPARTMENT OF ECONOMICS AND BUSINESS STUDIESCOURSE CODE /TITLE BUS 408 / CORPORATE FINANCESECOND SEMESTER EXAMINATIONS2014/2015 SESSIONINSTRUCTIONS ON CHOICE OF QUESTIONS TO BE ANSWERED: ANSWER QUESTION 1 AND ANY OTHER TWO, CLEAR AND LOGICAL PRESENTATION OF IDEAS SHOULD BE FOLLOWED.TIME ALLOWED 2 HOURS

(1a). RUN CONSULT LTD is to undertake a project requiring an investment of N1,000,000 on plant and machinery. The project is to last for 5 years at the end of which the plant and machinery will have NBV of N200,000. Profits before depreciation are as follows:

Yr	1	2	3	4	5
Profit (N)	400,000	440,000	480,000	520,000	580,000

You are required to calculate the Accounting Rate of Return of the project.

(1b). State and discuss the motives for Merger of companies?

(2a). Corporate governance covers all the general mechanisms by which management are led to act in the best interest of the companies' owners. Discuss the basic principles of corporate governance that could be adopted by companies.

(2b). State and briefly discuss the functions of the Securities and Exchange Commission?

(3a). What is Corporate Governance?

(3b). Differentiate between financial intermediation and financial disintermediation

(3c). How does Securities and Exchange Commission Protect the Investing public?

(4a). What is the Net Present Value of a N45,000 project that is expected to have an after-tax cashflow of N14,000 for the first two years, N10,000 for the next two years, and N8,000 for the fifth year? Use a 10% discount rate. Will you accept the project?

(4b). Referring to the problem in (4a) above, if the discount rate is 8%, what will be the Net Present Value. Will you accept or reject the investment?

(4c). What are the factors that affect business finance decisions?

(5a) Write short notes on the following

- i. Commercial Papers
- ii. Greenmail
- iii. Franchising
- iv. Pure Risks
- v. Tender offer

(5b). List 3 advantages and disadvantages each of Accounting Rate of Return