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REDEEMER'S UNIVERSITY

PMB 230, EDE, OSUN- STATE, NIGERIA.



COLLEGE OF **Management & Social Sciences**

DEPARTMENT OF **Economics & Business Studies**

COURSE CODE /TITLE **BUS 408 / Corporate Finance**

2nd **SEMESTER EXAMINATIONS**

2015/2016 **SESSION**

INSTRUCTIONS ON CHOICE OF QUESTIONS TO BE ANSWERED

Answer Any Three Questions

TIME ALLOWED **2 Hours**

1). The table below belongs to Adodo Nig. Ltd.

RATIO	WEIGHT
Current debt to total debt	0.40
Total debt to owner's equity	0.60
Fixed assets to owner's equity	0.60
Total assets turnover	2 times
Inventory turnover	8 times
Owners equity	N100,000.

Required:

Using the above information, complete the Balance Sheet below for Adodo Nig. Ltd as at 31/12/15.

LIABILITIES	(N)	ASSETS	(N)	
Current debts	x	Cash	x	
Long term debt	x	Inventory	x	
Total debt	x	Total current assets	x	
Owner's equity	x	Fixed asset	x	
Total liabilities	x	Total assets	x	(20 marks)

2) (a). Clearly distinguish between Leasing and Bank credit as sources of finance to an investor. (10 marks)

(b). What are the merits and demerits of financing a company through common stocks instead of bonds? (10 marks)

3) (a). A man deposits N300 at the end of each 6 months in a Building and Loan Association that pays 3.5% compounded semi annually. How much will he have to his credit at the end of 10 years? (5 marks)

(b). A firm is faced with the problem of choice between two projects A and B with the following annual net cash proceeds and initial costs.

YEAR	PROJECT A (N)	PROJECT B (N)
0	9000	8240
1	3000	1900
2	3500	2400
3	2500	1700
4	2500	1500
5	2000	1300

REQUIRED: Which of the two projects would you recommend on the basis of their Pay Back Periods? (15 marks)

4) (a). Mr. Akinwale Oshodi bought a share today with the expectation of receiving a dividend of N12 in a year's time and then sell it for N108. If he requires a return of 10% from his investment, how much should the share be worth without the investor being worse off? (5 marks)

(b). Oroke Investment Ltd has preference shares worth N8 million issued at 10% per annum per N100 nominal. The shares are due for redemption at par 10 years from now. Assuming dividends are paid on the shares at the end of the year, what is the current market price of each preference share if investors require a return of 15%? (15 marks)

5). Write short notes on the following:

- (a). Trade credit,
- (b). Leverage,
- (c). Debenture
- (d). Eurobond,
- (e). Factoring.

(20 marks)