



BOWEN UNIVERSITY, IWO  
College of Management and Social Sciences  
Business Administration Programme  
First Semester 2021/2022 Examination

Level	: 300
Course Title	: FINANCIAL MANAGEMENT
Course Code	: BUS 303
Instruction	: ANSWER ALL QUESTIONS IN SECTION A & THREE IN SECTION B
Time Allowed	: 2 <sup>1/2</sup> HOURS
Date	: 12 <sup>TH</sup> MARCH, 2022

SECTION A

Answer all questions in this section (1.5 Marks each)

1. The real owners of any business are the..... shareholders.
2. .... shareholders can be paid arrears of the dividends entitled to them in subsequent periods where profit is made by the company.
3. Preference shareholders that can still be entitled to share from extra profit left after the equity shareholders have been catered for are known as ..... preference shareholders.
4. A "legal document which acknowledges the indebtedness to the company" is known as .....
5. A technique in capital budgeting that uses the scrap value to rescue a project while calculating its payback is known as payback with .....
6. The algebraic sum of the present value of all the cash inflows associated with the project less the net cash outflow of the project is known as .....
7. An investment proposal is being considered by David Global ventures Nig. Ltd. The investment will cost N125000 with an annual end of year cash flow of N400000 for four (4) years at 10% annual rate of return. Determine the NPV of this investment project as a criterion for the acceptance or otherwise of the project. Approximate your answer to the nearest ten.
8. Is this project in question 7 above viable?
9. A method by which all cash flows after the initial investment are converted, by assuming that the cash flows can be re-invested at the cost of capital, to a single cash inflow at the end of the project's life is known as .....
10. The ratio that measures the ability of a business to meet its short-term liabilities as they fall due, out of its short-term assets is known as .....

11. The ratio that measures the velocity in number of times per period at which the average figure of trading stock is being sold (turned over) is known as .....
12. The amount of time it takes a firm to receive payments owed by its customers or clients in terms of accounts receivable is known as .....
13. The rate that equates the PV of all cash inflows with the PV of all cash outflows is known as the .....
14. In profitability index, a project will be accepted if the PI is greater than or equal to .....
15. The process of selecting alternative long-term investment opportunities is known as .....
16. The ratio that measures the financial leverage of a firm is the .....
17. A ratio used in assessing the profitability and capital efficiency of a firm is called .....
18. The formula for calculating current ratio is given as.....
19. Preference shares with a fixed date of maturity is called .....
20. Another name for founder shares is .....

#### SECTION B

Answer question 1 and any other two

#### Question 1 (20 Marks)

JKB International plc manufactures and sells a range of machine tool accessories. The company is considering an investment of N13.0 million in new production plant and machinery for the product. The new facility is to be operational from 1 January 2022. It will have a life of five years and at the end of its life it will have a residual value of N1.0 million. It is expected that the facility will have significant benefits. Firstly, it will increase JKBS' production output of diamond milling tools by 10%. Total contribution from new sales is expected to be N2,865,000 in 2022 increasing annually by 5% per annum until 2026. Secondly, it will reduce the product's direct labour and direct material costs by 20% per unit which will result in savings of £1,680,000 on existing production in 2022. Having made these cost savings, the company expect costs to remain constant to 2026 due to continual efficiency improvements. JKB pays corporation tax at the rate of 20% on its taxable profits which is paid one year in arrears. (Assume that net cash flow is the same as taxable profit). Given a cost of capital equal to 11.3%, Use the NPV approach to prepare a report on the viability of the project and advise the company.

### Question 2 (10 Marks)

Oduduwa Nig. Plc. is financed by N60m N1 ordinary shares currently valued at 156k per share. The results of the last five financial years are as follows:

Year	Earnings (N)	Dividend (N)
2004	20m	15.6m
2003	18m	15m
2002	16m	13.2m
2001	15.4m	12.3m
2000	13.9m	11.1m

Calculate the company's cost of capital

### Question 3 (10 Marks)

Briefly discuss the following ratios

1. Current ratio
2. Return on capital employed
3. Quick ratio
4. Gearing ratio
5. Earnings per share

### Question 4 (10 Marks)

The Nigerian financial market has been transformed with the emergence of financial technology (fintechs) companies. Discuss the implication of their activities on the Nigerian financial market and economy.