



Level	: 200
Course Title	: Introduction to Finance
Course Code	: IRP 212
Course Credit	: 2
Instruction	: ANSWER all Questions in Section A and THREE Questions in B
Time Allowed	: 2.5 HOURS
Date	: JULY, 2022

**SECTION A**

Answer all Questions in this Section (1.5 Marks each)

1. The real owners of any business are the ..... shareholders.
2. A market where financial instruments are resold among investors is known as ..... market.
3. Financial markets can be classified in terms of cash markets and ..... markets.
4. A technique in capital budgeting that uses the scrap value to rescue a project while calculating its payback is known as payback with .....
5. 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.....
6. A method by which all cash flows after the initial investment are converted, by assuming that the cash flows can be reinvested at the cost of capital, to a single cash inflow at the end of the project's life is known as .....
7. .... is the sector of the financial market that includes financial instruments with a maturity or redemption date one year or less at the time of issuance
8. .... is the sector of the financial market where financial instruments (that take longer than a year to mature) issued by corporations and governments is traded.
9. The rate that equates the PV of all cash inflows with the PV of all cash outflows is known as the .....
10. The method that examines investment opportunities for the purpose of making the best decision is.....
11. The market for trading short-term financial instruments is .....
12. The ..... debenture is not given any security on the assets of a company.
13. .... Shares do not have maturity dates in which they could be redeemed.
14. .... shares have fixed dates of maturity.

15. In the event of bankruptcy, ..... Shares are entitled to their full investments
16. .... are profits accumulated by a company over the years which are specifically set aside to be used for any future capital requirements

### SECTION B

Answer Question one (1) and any other two (2) Questions from this section.

#### Question 1 (16 Marks)

- a. Baltimore Nig. Plc is to execute a project with the data below. Appraise the project using the payback period with a bail-out. (7 Marks)

YEAR	OUTLAY (N)	CASH FLOW (N)	SCRAP VALUE (N)
0	(100,000)		
1		30,000	20,000
2		30,000	18,000
3		30,000	12,000
4		40,000	-
5		20,000	-

- b. An investment proposal is being considered by David Global ventures Nig. Ltd. The investment will cost ₦125,000 with an annual end-of-year cash flow of ₦400,000 for four (4) years at a 10% annual rate of return. Determine the NPV of this investment project as a criterion for the acceptance or otherwise of the project. (9 Marks)

#### QUESTION 2 (15 Marks)

Businesses get finance from different sources; explain the

- equity,
- preference shares; and
- debenture sources of finance. (5 Marks each)

#### QUESTION 3 (15 Marks)

- a. A company has 2 investment proposals to choose from, use the ARR technique to determine which investment proposal to choose using the information given in the table below. (15 Marks)

	Proposal 1	Proposal 2
	Automatic Machine	Ordinary Machine
Cost	₦220,000	₦60,000
Useful life	5.5 years	8 Years
Estimated annual Sales	₦150,000	₦150,000
Costs: Materials	₦50,000	₦50,000
Labour	12,000	60,000
Variable Overheads	24,000	20,000

**QUESTION 4 (15 Marks)**

Explain the following terms as they relate to finance

- a. Financial assets
- b. Money market
- c. Capital market
- d. Primary market
- e. Participating preference shareholders **(3 Marks each= 15 marks)**

**QUESTION 5 (15 Marks)**

- a. Finance is an important tool in achieving the objectives of businesses and countries.  
Explain this concept with its features. **(6 Marks)**
- b. Explain the three areas in the field of finance. **(9 Marks)**