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NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
SCHOOL OF MANAGEMENT SCIENCES
MARCH/APRIL 2015 EXAMINATION

COURSE CODE: ACC405 **CREDIT UNIT:** 3
COURSE TITLE: CORPORATE FINANCE
TIME ALLOWED: 2 HRS 30 MINUTES
INSTRUCTIONS: 1. Attempt question number one (1) and any other (3) questions.
2. Question number 1 is compulsory and carries 25 marks, while the other three questions carry 15 marks each.
3. Present all your points in coherent and orderly manner.

1(a) Write short notes on the following:

1. Floating and forward exchange rate
2. Spot rate
3. General Partnership
4. Real Option
5. Forward Contract
6. Synergy
7. Business Risk Premium
8. Agency Relationship
9. Tender Offer
10. Liquidity Risk

(b) What do you understand by Capital Structure?

(c) What are the factors which determine the capital structure of a business enterprise?

2. (a) What is a Financial Security?

(b) Explain the factors that determine a firm's dividend policy?

3. (a) Explain the factors that determine the optimal amount to be held in working capital?

(b) What are the motives behind the acquisition of a firm?

4. (a) Explain ways in which an organization can achieve growth?

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- (b) List and explain four (4) factors that determines a firm's ability to sustain growth?
- (c) Explain the three (3) caveats to consider when applying option pricing models?
- 5. (a) In preparing a pro forma balance sheet, there are several items for which using a percentage of sales is not appropriate. List five (5) of these items
- (b) What are the motivations for holding cash?
- 6 (a) What are the factors that you must put into consideration if you want to start a sole proprietorship business?
- (b) What are the limitations of financial ratios?