



# ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE

FACULTY: SOCIAL & MANAGEMENT SCIENCES  
DEPARTMENT: ACCOUNTING & FINANCE  
SECOND SEMESTER EXAMINATIONS 2018/2019 ACADEMIC SESSION

COURSE CODE: BFN 102

COURSE TITLE: INTRODUCTION TO FINANCE II

## INSTRUCTION: Attempt four questions only

### Question One

- Explain difference between inventory and inventory management (2 marks)
- Explain each of the following: i..Maximum lead time ii. Minimum lead time. iii. Average lead time (3 marks)
- Taiwo Enterprise is a dealer of some household items in Alagbaka market in Akure, Ondo State. The management of the business is to invest in a project that requires a particular cost and estimated cash inflow for a period of six years. You are required to determine: (a) the payback period of the project that would take some years and some months that are less than a year, (b) The payback period that would take exactly some number of years (6 marks).
- Identify 2 economic implication of: i. Stock-out cost. ii Over stocking in Inventory management (4 marks).

(Total = 15 marks)

### Question Two

- List and explain the three motives of holding cash (3 marks)
- State any three principles of cash management in a business (3 marks)
- Identify any three benefits of working capital known to you (3 marks)
- Hypothetically demonstrate computation of net working capital (2 marks)
- List and explain any four determinants of working capital (4 marks)

(Total = 15 marks)

### Question Three

- Briefly explain the difference between mutually exclusive project and independent project. (2 marks)
- Explain the meaning of i. internal rate of return ii. Net present value. iii. Payback period. iv. Investment Appraisal decision making. v. Accounting rate of return ( 5 marks)
- Explain three factors to consider under investment appraisal decision making (3 marks)
- List two advantages of payback period and three disadvantages of accounting rate of return (5 marks)

(Total = 15 marks)

#### Question Four

- (A) What is shareholders wealth maximization and how is it determined? **(3 marks)**
- (B) A shareholder/ an investor purchased 1000 shares in Elizade Plc on 1st January 2018 at a market price of ₦2.50 per share. On 31st December 2018, the shares were selling at a market value of ₦2.82 per share. The dividend paid during the period was ₦0.27 per share. You are required to determine the shareholders wealth maximized **(4 marks)**
- (C) Assuming your company wants to undertake an investment requiring the use of accounting rate of return (ARR) to determine the viability or success of the investment and that the investment will attract depreciation rate and a scrap value. Set up the initial investments, anticipated estimated yearly profits and the predetermined rate of return and then report to the management about your analyses and findings **(5 marks).**
- (D) Explain the difference between dividend and capital gain **(3 marks)**
- (Total 15 Marks)**

#### Question Five

- A. One of your younger siblings in Covenant University recently read a newspaper where a professor was explaining the difference between profit maximization and shareholders wealth maximization. He/she is not clear as to the difference in meaning between the two terms. You are required to briefly explain the difference between the two terms **(2 marks)**
- B. Identify and explain 2 financial objectives and two non-financial objectives of a business **(4 marks)**
- C. The management of a company known as Topmost Plc is considering the best way to estimate an investment. You are required as a finance student offering introduction to finance in the University to determine the viability of the investment using accounting rate of return assuming there is no depreciation rate and scrap value. You are to assume a predetermined rate and report your findings to the management **(5marks)**
- D. Explain each of the following i. Re-order inventory level ii. Minimum stock level. iii. Maximum inventory level. iv. Cash management **(4 marks).**
- Total= 15 marks**