FACULTY: HUMANITIES, SOCIAL & MANAGEMENT SCIENCES
DEPARTMENT: BUSINESS ADMINISTRATION
FIRST SEMESTER EXAMINATIONS
2020/2021 ACADEMIC SESSION

COURSE CODE: BUS 307

COURSE TITLE: BUSINESS FINANCE

DURATION: 2 HOURS.

INSTRUCTION: Attempt section A and any two (2) Questions in section B

SECTION A

1. Akin wishes to determine how much he will have in his savings account by depositing #12,000 at the end of each year for the next 4 years. If the annual interest rate is 11%. How much will be in his account?

A. #47,097.00

B. #62,734.00

C. #31,024.00

D. #15,181.00

E. #78,152.00

2. You took from a friend an interest-free loan of #1,250 due 3 years from today. What sum should your friend be willing to accept today if he is able to invest his money at 10% compounded interest annually?

A. #932.50

B. #938.75

C. #950.60

D. #1,663.75

E. #1, 6938.23

3. An investor has identified a three-year investment paying 15% per annum. If he invests #625, how much will his investment be worth at the end of the 3 years?
A. #950.56
B. #906.25
C. #2109.38
D. #723.52
E. #856.23

4. Your course-mate has just deposited #950 in his savings account in a bank on the campus. Assuming that 8% interest compounded annually is earned on this amount, how much is due to him at the end of 5 years?

A. #316.795
B. #1,395.55
C. #1,300.00
D. #1,330.00
E. #1,234.89

5. Apapa Plc sets aside #60,000 at the beginning of each year to create a fund for future expansion. If he earns 8% per annum, how much does the fund worth at the end of 5 years?

A. #316,795.00
B. #389,154.00
C. #734,650.00
D. #34,030.00
E. #342,451.00

6. Your course mate has been offered an opportunity to receive #300,000 at the end of 5 years from now. If he can earn 10% on his money, how much is it worth today?

A. #186,270.00
B. #124,180.00
C. #102,632.00
D. #322,113.00
E. #256,128.00

7. Ajayi is considering investment with Joy Investments Limited involving a lump sum amount of #500,000 for 5 years with interest compounded quarterly at 20% per annum. How much will the investment be worth at the end of the period?

A. #1,244,160.00
B. #1,326, 650.00
C. #1,036, 800.00
D. #1,296,850.00
E. #1, 236,215.00

8. Assuming a customer of a bank deposits #10,000 today in her account paying 7% interest compounded continuously. How much will she have in her account in 4 years?

A. #10,725.00
B. #10,028.00
C. #10,408.00
D. #13,231.00
E. #12,234.00

9. Finama is a prelim science undergraduate. She has requested you to help her ascertain how much she will earn at the end of the 4 years if she deposits #1,000 annually in her account with a bank which pays compound interest at 6% per annum?

A. #1,262.00
B. #4,006.00
C. #4,375.00
D. #1,240.00
E. #1,324.00

10. Ascertain how much will be in the account of a bank customer at the end of 5 years if he deposits the sum of #5,000 annually and interest is paid at the rate of 8% compounded semi-annually?

A. #15,615.00
B. #72,036.00

C. #60,030.00
D. #48,024.00
E. #34,023.00

11. Sarah wishes to determine how much she will have in her savings account by depositing #12,000 at the end of each year for the next 4 years. If annual interest rate is 11%, how much will be in her account?
A. #47,097.00
B. #18,217.00
C. #31,024.00
D. #15,181.00
E. #12,453.00

12. At what nominal rate compounded annually will #6,000 amount to #9,000 in 3 years?
A. 14.47%
B. 8.73%
C. 25.90%
D. 7.90%
E. 3.24%

13. Emmanuel had been promised the sum of #20,000 at the end of 5 years from now by his uncle. What amount would he be willing to accept today instead of waiting till the end of 5 years if she can earn interest at the rate of 11% per annum?
A. #11,869.00
B. #20,514.00
C. #33,702.00
D. #16,650.00
E. #20,213.00

14. Sylvanus took from a friend an interest –free loan of #1,250 due 3 years from today. What sum should your friend be willing to accept today if he is able to invest his money at 10% compounded annually?
A. #932.50
B. #938.75
C. #950.60
D. #1,663.75
E. #2,126.00

15. Eric, 200-level undergraduate aged 18 year's dreams of owning a #2.5 million Honda salon car. If he invests part of the proceeds from his late father's estate in a fund paying 13% annual rate of return and wants to buy the car in 10 years on the day he turns 28, how much of his inheritance must he invest today (to the nearest naira)?
A. #736,500.00
B. #460,728.00
C. #135,724.00
D. #81,610.00
E. #61,231.00

16. In response to an advertisement by the Lagos Property Development Company for the public to buy houses at Lekki, Chief Frank paid #10,000 depost and undertook to pay #7,500 two years later. At 6% compounded semi-annually, find the value of his new house at Lekki.
A. #16,663.00
B. #15,940.00
C. #16,675.00
D. #18,400.00
E. #20,300.00

17. At the end of three years from now your uncle intends to replace his old Peugeot 504 salon car with a Japanese – made 'tokubo' car estimated to cost #200,000. How much should he set aside at the end of each year to achieve this if the yearly instalment will earn 10% interest per annum?

A. #52,868.00
B. #80,421.00
C. #60,423.00
D. #37,707.00
E. #43,453.00

18. An electronic shop offers its laser disc machines for #30,000 down payment and charges #5,000 per quarter for the next 2 years. If interest is charged at 14% compound quarterly, what is the equivalent cash value to a prospective buyer?

A. #75.258.00
B. #36,498.00
C. #36,584.00
D. #64,371.00
E. #23,675.00

19. Michael borrowed #30,000 from his bank and agreed to amortize his debt, principal and interest at 14% by equal payments over the next 10 years, the first due in a year's time. What is the annual cost of his debt?

A. #4,793.00
B. #3,834.28
C. #5,751.00
D. #5,345.00
E. #3,721.00

20. If Michael is interested in knowing the outstanding principal amount of his #30,000 loan after the 7th payment, what is the amount (to the nearest naira)?

A. #13,352.00
B. #11,127.00
C. #18,869.00
D. #12,523.00
E. #65,234.00
                                                    (30 marks)

Section B

1. Civil Investment Company plans to buy a new laptops at #50,000 in 5 years from now. If the money can be invested at 17% compounded annually, how much should the company deposit at the end of each year so that they will have enough fund to purchase the laptops.

(15 marks)

2. Ahlaji Bulekaja, a business tycoon borrowed #500,000 from Citadel Investment Ltd., and arrange to repay the loan in four equal instalments annually (including principal and interest). The first instalment being payable one year after the loan is received. Interest is to be charged at 5% per annum. You are required to prepare an amortization for the retirement of the loan.

(15 marks)

4

3a. Suppose Mr. Adegun has deposited #6,000 into a saving plans at the beginning of each three consecutive years with each payment earning 16% compounded annually. Calculate the future value of annuity. *(15 marks)*

b. Chief Frank has the option of receiving #200,000 now or #300,000 in four years' time, which option should be chosen if he can invest at the rate of 20% per annum? *(15 marks)*

(Total: 30 marks)