



ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE

FACULTY: HUMANITIES, SOCIAL & MANAGEMENT SCIENCES

DEPARTMENT: ACCOUNTING & FINANCE.

FIRST SEMESTER EXAMINATIONS 2020/2021 ACADEMIC SESSION

COURSE CODE: ACF 205

COURSE TITLE: CORPORATE FINANCE

DURATION: 2 HOURS, 30 MINUTES.

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

SECTION A

1. The corporate governance codes that requires certain matters to be reserved for decision by the board, major issues of financial strategy such as managers and acquisitions of major assets is

- A. Decision –Making
- B. Working capital decisions.
- C. Capital budgeting decisions.
- D. Trade-off between risk and return.
- E. Internal Audit

2. ----- examines the case of multinational firm, with a facility in a politically unstable economy, the directors may at times need to place the interests of local government and economy ahead of its shareholders, at least to ensure continuity and stability in the economy.

- A. Debenture holders' view.
- B. Economist's view.
- C. Equity holders' view.
- D. Shareholders' view
- E. Stakeholders' view.

3. ----- requires monthly contribution of the employee and employer directly to Pension Fund Administrators in the custody of Pension Fund Custodians.

- A. Pension Fund Custodians.
- B. National Pension Commission.
- C. Pension Fund Administrators.
- D. Bureau de Change
- E. B & C only.

4. ----- involves the lessee paying a rental for having an assets for a period of time usually less than its useful economic life, the lessor retaining most of the risks and rewards of ownership of the asset.

- A. Cross-border lease
- B. Financing lease
- C. Buy-back lease
- D. Operating lease
- E. Syndicated lease

5. A leasing of equipment in one geographical jurisdiction with utilization in another is known as

- A. Cross-border lease
- B. Syndicated lease
- C. Buy-back lease
- D. Sale and lease-Back
- E. Leverage leases

6. Which of the following is not normally a responsibility of the treasurer of the modern corporation but rather the controller?

- A. Budgets and forecasts.
- B. Asset management.
- C. Investment management.
- D. Financial management.
- E. Liability management

7. A special form of lease that involves three parties; a lender, a lessor and a lessee, such that the lender (a bank or insurance company) provides a substantial portion above 80%) of the amount required to acquire the equipment is called

- A. Cross-border lease
- B. Syndicated lease
- C. Buy-back lease
- D. Sale and lease-Back
- E. Leverage leases

8. The ----- decision involves a determination of the total amount of assets needed, the composition of the assets, and whether any assets need to be reduced, eliminated, or replaced.

A. Asset management.

B. Financing.

C. Investment.

D. Accounting.

E. Dividend Policy

9. Corporate governance success includes three key groups. ----- represents these three groups.

A. Suppliers, managers, and customers.

B. Board of directors, executive officers, and common shareholders.

C. Suppliers, employees, and customers.

D. Common shareholders, managers, and employees.

E. A & B only

10. This assumption, 'the use of debt does not change the risk perception of investors as a result of both equity (K_e) and debt (K_d) capitalizations, but K_d remains constant with changes in leverage' was postulated by

A. Traditional view

B. Net operating income view.

C. Net income view

D. Leverage approach

E. A & C

11. ----- Would be an example of a principal, while ----- would be an example of an agent

A. Shareholder, manager

B. Manager, owner

C. Accountant, debenture holder

D. Shareholder, debenture holder

E. Chairman, shareholder

12. The long – run objective of corporate finance is to

- A. Maximize earnings per share
- B. Maximize the value of the firm's common stock
- C. Maximize return on investment
- D. Maximize market share
- E. All of the above

13. The ----- decision involves determining the appropriate make-up of the right-hand side of the balance sheet.

- A. Asset management
- B. Financing
- C. Investment
- D. Capital budgeting and corporate finance
- E. Liability management

14. The principal participant in the financial system include the followings except

- A. Banks
- B. Stock Exchange
- C. The stock broking firms
- D. Insurance companies
- E. Bureau de Change

15. Financial intermediaries (FIs) are -----

- A. Economic units
- B. Finance units
- C. Business
- D. Investment units
- E. All of the above.

(30 marks)

SECTION B

1. Brend Zee Plc is considering investing in a project having an initial capital outlay of ₦17,500,000.00. The company's relevant cost of capital is 12% per annum. The project has an expected life of four years but could be abandoned with some recovery of the initial investment at the end of any one of the first three (3) years. The relevant data are as follows:

Year	Project Cashflow (₦)	Project Abandonment Value (₦)
1	5,000,000	16,000,000
2	6,000,000	12,000,000
3	7,000,000	4,000,000
4	5,000,000	Nil

Advise the management on what option to take.

(Total: 15 marks)

2. DarsarMusa Co is a property company which receives a constant annual rental income, before interest, of ₦6 million per year. All this income is distributed in the form of interest and dividend payments each year. DarsarMusa Co has a weighted average cost of capital of 12% and the loan capital of the company is currently trading at ₦70 per ₦100 nominal value. The company has the following ordinary shares and loan capital in its capital structure:

	₦million
₦0.50 Ordinary shares	2,000,000
5% Loan capital	10,000,000

Required:

- Calculate the market value of the company *(5 marks)*
- Calculate market value of ordinary shares *(5 marks)*
- Calculate market value per share prior to the share repurchase. *(5 marks)*

(Total: 15 marks)

3. Write short note on the following

- Corporate governance *(3 marks)*
- Finance and operating lease *(3 marks)*
- Traditional theory of capital structure *(3 marks)*
- Agency theory *(3 marks)*
- Banking sector *(3 marks)*

(Total: 15 marks)

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DEPARTMENT OF ECONOMICS
FIRST SEMESTER EXAMINATIONS (2020/2021)
ECN 207: MATHEMATICS FOR ECONOMISTS I

Instructions * Attempt question ONE (1) and any two (2) others

Time Allowed: 2 Hours

QUESTION ONE

State and illustrate the following rules of differentiation of bivariate functions:

- (a) Power function rule
- (b) Additive function rule
- (c) Product function rule
- (d) Quotient function rule
- (e) Exponential function rule
- (f) Logarithmic function rule

(24 marks)

QUESTION TWO

- (a) What is a function?
- (b) Differentiate between the following pairs of functions:
 - (i) Explicit function and implicit function
 - (ii) Single-valued function and multi-valued function
 - (iii) Increasing function and decreasing function
 - (iv) Exponential function and logarithmic function
 - (v) Monotonic function and homothetic function

(18 marks)

QUESTION THREE

- (a) Determine the number of engineers (E) that minimizes the average cost of engineers when total cost is related to the number of engineers by the equation

$$TC = 3E^3 - 18E^2 + 4E$$

- (b) Optimize:
 - (i) $Z = x^2 + y^2 + 4x - 8y$
 - (ii) $Z = 4x + 6y - x^2 - y^2$

(18 marks)

QUESTION FOUR

- (a) Differentiate:
 - (i) $y = e^{x^2+2x-4}$
 - (ii) $y = \log(x^4 + x^3 + x^2 - x + 6)$
- (b) State Young's theorem and verify whether it holds for the function

$$f(x, y) = x^2 + y^2 - 3xy$$

- (c) Use Euler's theorem to determine the degree of homogeneity of the function given in question 4(b) above.

(d) If $Z = \cos x \sin y$, obtain:

$$Z_x, Z_y, Z_{xx}, Z_{xy}, Z_{yy}, Z_{yx}$$

Is this function harmonic?

(18 marks)

QUESTION FIVE

Which of the following statements are True/False/Uncertain?

- (i) A matrix is a triangular arrangement of elements.
- (ii) Two matrices A and B are equal ($A = B$) if they are of the same order and their corresponding elements are equal.
- (iii) The trace of a square matrix is the sum of the elements on its leading diagonal.
- (iv) Two matrices A and B can be multiplied to have the product AB if the number of rows in A equals the number of rows in B.
- (v) If A is a non-singular matrix, then

$$A = \frac{\text{Adjoint } A}{|A|}$$

- (vi) Matrix A is idempotent if $A.A = A$
- (vii) Sarrus rule is used for computing the determinants of 2×2 matrices.
- (viii) A matrix is singular if its determinant is zero.
- (ix) If A is a square matrix, then $|A| = |A^T|$

$$(x) \quad \begin{vmatrix} 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 \end{vmatrix} = 0$$

$$(xi) \quad \text{If } Z = \begin{pmatrix} 1 & 1 \\ 1 & 2 \\ 1 & 1 \\ 1 & 3 \end{pmatrix} \quad \text{then } Z^T Z = \begin{pmatrix} 4 & 6 \\ 6 & 10 \end{pmatrix}$$

$$(xii) \quad \text{Given that } A = \begin{pmatrix} 9 & 8 & 7 \\ 6 & 5 & 4 \\ 3 & 2 & 1 \end{pmatrix}, \text{ the minor of element 5 is -12.}$$

(18 marks)