



“Investing in Africa’s future”

COLLEGE OF BUSINESS PEACE LEADERSHIP GOVERNANCE (CBPLG)

NMAC204: BUSINESS FINANCE

END OF SECOND SEMESTER FINAL EXAMINATIONS

APRIL 2022

LECTURER: MR. GABRIEL MUZAH

DURATION: 3 HOURS

INSTRUCTIONS

The Paper contains four Questions

Answer **all four questions**

Write legibly. Write your answer clearly. Use numbered headings or subheadings to show which part of your answer refers to which question. Example: Question 2 (a)

Question 1

This semester you were requested to choose any listed firm of your choice. With reference to this particular firm:

- a) Who are the top 5 shareholders of your firm? **[10 Marks]**
- b) Using evidence from media and/or any other source, discuss how the 10 principles of Business Finance influence the firm's operations **[20 Marks]**
- c) In theory: The stockholders have significant control over management. The two mechanisms for disciplining management are the annual meeting and the board of directors. In Practice: Neither mechanism is as effective in disciplining management as theory posits. Discuss? **[10 marks]**

Question 2

Prepare the amortization schedule for a ten-year loan of \$100,000. The interest rate is 4% and the loan calls for equal annual payments.

Total Marks [25]

Question 3

- a) Happy Harry has just bought a scratch lottery ticket and won €10,000. He wants to finance the future study of his newly born daughter and invests this money in a fund with a maturity of 18 years offering a promising yearly return of 6%. What is the amount available on the 18th birthday of his daughter? **[5 Marks]**
- b) Rudy will retire in 20 years. This year he wants to fund an amount of €15,000 to become available in 20 years. How much does he have to deposit into a pension plan earning 7% annually? **[5 Marks]**
- c) Willy has just bought a house. She estimates that the roof will have to be renewed at a cost of €25,000 after 20 years. To cover these costs, she intends to save an equal amount of money at the end of each year, earning 6% annual interest rate. How much is such a yearly annuity? **[7 Marks]**

- d) Pete considers buying a house. Currently, he rents a place for €1,000 a month. The current monthly interest rate on mortgages is 0.5%. His planning period is 20 years. If he doesn't want to increase his housing costs, what amount of mortgage is available for his purchase? (Neglect any tax effects here). **[8 Marks]**

Question 4

This semester you were requested to choose any listed firm of your choice. With reference to this particular firm can you discuss its long term sources of finance?

[Total 10 Marks]

END OF EXAM

LIST OF FORMULAE

$$FV_n = PV_0(1+i)^n$$

$$PV_0 = FV_n \times \frac{1}{(1+i)^n}$$

$$i = \left[\frac{FV_n}{PV} \right]^{\frac{1}{n}} - 1$$

$$FVAN_n = PMT \left[\frac{(1+i)^n - 1}{i} \right]$$

$$PVAN_n = PMT \left[\frac{1 - \frac{1}{(1+i)^n}}{i} \right]$$