"Investing in Africa's future"

COLLEGE OF BUSINESS PEACE LEADERSHIP GOVERNANCE

NMAC204: BUSINESS FINANCE

END OF SECOND SEMESTER FINAL EXAMINATIONS

APRIL   2022

LECTURER: MR. GABRIEL MUZAH

DURATION: 3 HOURS

INSTRUCTIONS

Answer **all four (4) questions**

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

With reference to a listed firm that you were required to choose this semester:

a) Using the stakeholder matrix illustration from class, identify and name the stakeholders of your firm? **[10 Marks]**

b) Using evidence from media and/or any other source, discuss what is going wrong within the firm's identified stakeholder matrix? **[15 Marks]**

c) With reference to the latest financial report of your firm, identify and discuss the effectiveness of costs that the firm incurred in trying to solve the above mentioned problems? **[15 marks]**

Total Marks [40]

Question 2

You borrow $10,000 today to be repaid in equal instalments at the end of the next 4 years.

a) How much is your annual payment if the interest rate is 9%? **[5 Marks]**

b) Draw up a loan armotization model to service this debt. **[20 Marks]**

Total Marks [25]

Question 3

You have an expected liability (cash outflow) of $500,000 in 10 years, and you use a discount rate of 10%.

a. How much would you need right now as savings to cover the expected liability? **(4 Marks)**

b. How much would you need to set aside at the end of each year for the next 10 years to settle the expected liability? **(4 marks)**

c. You have just taken a 30-year mortgage loan for $200,000. The annual percentage rate on the loan is 8%, and payments will be made monthly. Estimate your monthly payments. **(7 marks)**

d. Suppose you want to accumulate $450,000 over the next 6 years in order to buy a new building for your business. You plan to make monthly payments into an ordinary annuity that earns 4.5% compounded monthly. Calculate the regular payment. **(4 Marks)**

e. An entrepreneur wants to give an endowment to a small business catalyst to help local fledgling businesses get a good start. The arrangement says that the entrepreneur will give $5,000 quarterly to young businesses over the next 5 years. The endowment is invested in an account earning 5% compounded quarterly. Upfront, how much did the entrepreneur have to put into the account? **(6 marks)**

(Total 25 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 FORMULAES

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

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

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

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

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