



CRAWFORD UNIVERSITY

FAITH CITY, IGBESA

COLLEGE OF BUSINESS AND SOCIAL SCIENCES

2014/2015 SESSION

RAIN SEMESTER EXAMINATION.

COURSE: BUSINESS FINANCE II

COURSE CODE: ACC 208

TIME ALLOWED: 2 HOURS 15 MINUTES

INSTRUCTION: Attempt question 1 and any other two

SECTION A : COMPULSORY.

1. (a) List and explain the three types of returns considered when investing in debt instruments. (6marks)
 - (b) A man invested a sum of #280.00 partly at 5% and partly at 4%. If the total interest is #12.80 per annum. Find the amount invested at 5%?. (4marks)
 - (c) #1,860 is invested for two years at 5% per annum compound interest. Find how much profitable it would be to have the interest half yearly, rather than annually?(4marks)
 - (d) Cadbury plc has a current dividend of #15 per share. Growth rate in dividend is 5% and cost of capital is 15%.
Calculate the price per share. (5marks)
 - (e) Alajeseke Ltd was told that his investment in Kosahun ventures each made at the beginning of the last six consecutive years at 18% compounding annually will yield #200,547.39. How much was invested? (7marks)
 - (f) A 12% bond with a monthly coupon of 2.5% and a face value of #20,000 has an indefinite life. Calculate its value if the bond yield is 24% (4marks)
- (30MARKS)**

SECTION B ANSWER ANY TWO QUESTIONS

2. a) Olarenwaju is seeking to know what to do to enable him to finance an obligation of #21,000 at the start of the next four years if the amount invested earns 20% compounded annually. (13marks)
 - b) Olamide recently purchased Crawford shares currently selling at #10 per share with the view that there will be a 20% rise in price by the end of the year. Crawford is expected to pay a dividend of 25 kobo per share at the end of the year.
Calculate the expected return to the investor in a year's time if the return on investments in the same risk class is 15%. (7marks)
- (20MARKS)**
3. a) Mr Saanu opened an account for his 36 years old son on his 1st birthday paying the sum of =N=2,000 into the account. If interest of 7.5% is paid compounded semi annually. Find the value that would have accumulated in the account today. (8marks)

b) Crawford ventures just issued 10% redeemable preference shares with a nominal value of =N=2 at an interest rate of 8% per annum.

Calculate the market price if:

- i) The preference shares have 10 years to maturity.
- ii) The preference shares are irredeemable.

(9marks)

(3marks)

(20MARKS)

4. a) Explain the time value of money concept..

(5marks)

b) What are the implications of capital market efficiency.

(15marks)

(20MARKS)

A.2015