



CRAWFORD UNIVERSITY FAITH CITY, IGBESA
COLLEGE OF BUSINESS AND SOCIAL SCIENCES

2014/2015 SESSION

RAIN SEMESTER EXAMINATION

COURSE: INTRODUCTION TO FINANCE (FIN102)

TIME ALLOWED: 2 HRS 15 MINUTES

INSTRUCTION: Answer all questions in SECTION A & B AND ANY ONE (1) IN SECTION C

SECTION A

- 1(a) Money market instruments are generally sold in large denominations. TRUE OR FALSE 1mk
- b) Stockholders are creditors to corporations and firms. TRUE OR FALSE. 1mk
- c) Preferred stock is senior to both common stock and bonds. TRUE OR FALSE 1mk
- d) Capital market instruments experience wider price fluctuations. TRUE OR FALSE? 1mk
- e) Repayment of an overdraft is from 1mk
- f) Money market instruments have high default risk. TRUE OR FALSE 1mk
- g) Commercial papers are usually issued at a premium. TRUE OR FALSE. 1mk
- h) What is a seasoned offering? 1mks
- I) What is a firm commitment underwriting? 2mks
- J) What is dilution? 2mks
- k) The three main services offered by a factor are..... 3mks
- l) A bill of exchange is 2mks
- m) List three reasons for neglecting social responsibility. 3mks

(20MARKS)

SECTION B



1. (a) Find the exact and the ordinary simple interest on a 120 day loan of =N=3,900 at 2.25% per month. 4mks
- (b) Deola whose investment yields =N=900 at the end of each year pays incidental Expenses and tax of =N=105 AND =N=65 respectively at the end of each year. The balance at the beginning of each year is re-invested at 9.5% p.a. How much would she have at the end of the third year? 8mks
- (c) Calculate the future value of =N=2,500 deposited into a savings account by Babalola for 48 months at an interest rate of 12% per annum, if interest is paid:
- i) annually. 2mks
 - ii) semi-annually 2mks
 - iii) quarterly. 2mks
- (d) At what annual rate of compound interest will =N=2,000 grow to =N= 2,721 after 4 years. 3mks
- (e) What is the sinking fund value of =N=30,000 invested annually for 10 years if the rate of interest is 14%. 4mks

(25MARKS)

SECTION C

1. (a) List and explain the objectives of a firm. 12mks
- (b) Distinguish between hire purchase and sale and lease back arrangement. 8mks
- (c) Distinguish between liquidity and profitability. 5mks

(25MARKS)

2. (a) What do financial institutions do? 3mks
- (b) List and explain four types of financial institutions. 12mks
- (c) List and explain the services performed by financial intermediaries that benefit suppliers of funds. 10mks

(25MARKS)

3. (a) Define financial markets. 2mks
- (b) Describe the functions of the financial market in direct and indirect finance. 15mks
- (c) Distinguish between money market and capital market. 4mks
- (d) Distinguish between primary and secondary markets. 4mks

(25MARKS)