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Daffodil International University

Faculty of Science & Information Technology

Department of Information Technology and Management

Final Examination, Spring 24

Course Code: ITM- 307, Course Title: Introduction to Finance

Level: 3 Term: 2 Section: A

Instructor: NI

Time: 2:00 Hrs **Marks:** 40

Instructions

1) Finance concept. [Total - 15]

a) Explain 'Principles of Liquidity & Profitability' with an example. [Marks-3]

b) Explain Steps in the capital budgeting process. [Marks- 4]

c) Explain whow to solve agency problem. [Marks- 4] [CLO-1 L-5]

d) Explain Dividend policy. [Marks- 2]

e) Explain 'Systematic Risk' with a graph. [Marks-2]

2) Capital Budgeting [Total - 15]

Amin Muhammad Group is in the process of choosing the better of two equal-risk, mutually exclusive capital expenditure projects—M and N. The relevant cash flows for each project are shown in the following table. The firm's cost of capital is 10%.

	M	N
0	- $445,000	- $517,000
1	$170,000	$260,000
2	$94,000	$25,000
3	$35,000	$45,000
4	$79,000	$87,000
5	$75,000	$96,000

a) Calculate each project's *payback period (PBP)* and recommend the best project with reason. [Marks-4]

b) Calculate the *net present value (NPV)* for each project and recommend the best project with reason. [Marks-4]

c) Calculate the *internal rate of return (IRR)* for each project and recommend the best project with reason. [Marks-5] [CLO 4, L-5]

d) Calculate the *Profitability Index (PI)* for each project and recommend the best project with reason. [Marks-2]

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3. *Choose the best among the options based on Risk and Return calculation. [total- 10]*

	Probability	Return Blockbuster Cinema hall	netflix
1	20%	56%	30%
2	30%	23%	20.5%
3	10%	10%	40%
4	50%	-10%	-5%
5	25%	35%	20%

i) Find ***Expected return,*** [Marks-3] CLO 4
ii)Standard Deviation *and* [Marks-3] L 5
iii)CV *of Blockbuster Cinema hall* [Marks-2]
ii) if you want to give loan to any mutually exclusive project which one you will give [Marks-2]

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