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Daffodil International University

Faculty of Business & Entrepreneurship
Department of Accounting
Program: BBA in Accounting

Semester: **Fall- 2026**
Time: 1 Hour and **30** Minutes
Course Code: 0412-201
Section: All

Examination: **Mid-term**
Full Marks: 25
Course Title: **Introduction to Financial Management**
Teacher's Name: ASM

Answer the following questions

1. a. "*The ultimate goal of the firm is to maximize wealth, not to maximize profit*" Explain the statement logically. **03 (CLO 1, Level 2)**

b. Explain the major financial decisions required from a financial manager for the effective utilization of a company's funds. **03 (CLO1, Level 2)**

c. Distinguish between business risk and financial risk. **02 (CLO1, Level 2)**

2. Stock A and B have the following probability distribution of expected future returns:

Probability	Stock A	Stock B
0.1	-10%	-35%
0.2	12%	10%
0.4	12%	20%
0.2	20%	25%
0.1	38%	45%

An investor seeks your opinion as to which stock he should invest his money in. Which stock would you recommend that the investor buy? Explain. **09 (CLO 2, Level 4)**

3. ABC Company wants to collect Tk. 50,00,000 as working capital. The following alternatives are available for short-term financing:

i. Forgo cash discount granted on the basis of 3/10, net 80. If the discount period is stretched by 10 days.

ii. Borrow a bank loan at the rate of 12% and maintain 15% compensating balance. Interest will be paid in advance.

iii. Issue 6 months commercial paper at Tk. 1,000 face value and sale value is Tk. 900 with 3% flotation cost.

Requirement: Which alternative should the company select and why? **08 (CLO 3, Level 4)**