



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.
- b) Explain Steps in the capital budgeting process.
- c) Explain how to solve agency problem.
- d) Explain Dividend policy.
- e) Explain 'Systematic Risk' with a graph.

[Marks-3]

[Marks- 4]

[Marks- 4]

[Marks- 2]

[Marks-2]

[CLO-1
L-5]

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.
- b) Calculate the *net present value (NPV)* for each project and recommend the best project with reason.
- c) Calculate the *internal rate of return (IRR)* for each project and recommend the best project with reason.
- d) Calculate the *Profitability Index (PI)* for each project and recommend the best project with reason.

[Marks-4]

[Marks-4]

[Marks-5]

[Marks-2]

[CLO 4,
L-5]

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,

ii) Standard Deviation and

iii) CV of Blockbuster Cinema hall

ii) if you want to give loan to any mutually exclusive project which one you will give

[Marks-3]

[Marks-3]

[Marks-2]

[Marks-2]

CLO 4

L 5