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

   d) Explain Dividend policy.   [Marks- 2]   L-5]

   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]

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   [Marks-2]
give