

Daffodil International University
Faculty of Business & Entrepreneurship
Department of Business Administration
Program: BBA

Semester: Spring 2026
Time: 1 Hour and 30 Minutes
Course Code: 0412-414
Section: 64FA & 64FB

Examination: Mid-Term
Full Marks: 25
Course Title: Strategic Finance
Teachers' Name: DSK

1. Define business valuation of a firm. List the main business valuation methods along with their descriptions in short. (CLO1, L1) (6)
2. The current year income statement appears in the following table. Infer a forecasted income statement for the year 2026 for Flag3 Company on the basis of sales forecast. (CLO2, L2) (6)

Flag3 Company Limited
Income Statement for the year ended on 31 December 2025

| | |
|----------------------------------|------------|
| Sales Revenue | |
| Product P (1000 units at Tk. 30) | Tk. 30,000 |
| Product Q (2000 units at Tk. 60) | 120,000 |
| Total Sales | 150,000 |
| Less: Cost of Goods sold | |
| Labor | 43,000 |
| Materials | 20,000 |
| Overhead | 57,000 |
| Total Cost of Goods sold | 120,000 |
| Gross Profit | 30,000 |
| Less: Operating expenses | 15,000 |
| Operating profits | 15,000 |
| Less: Interest expenses | 2000 |
| Net profit before taxes | 13,000 |
| Less: Taxes (27%) | 3510 |
| Net profit after tax | 9490 |
| Less: Common stock dividends | 5000 |
| Addition to Retained earnings | Tk. 4490 |

Flag3 Sales Forecast for the next year

| | Unit sales | Selling price per unit | Amount |
|-----------|------------|------------------------|-------------|
| Product P | 1500 | Tk. 40 | Tk. 60,000 |
| Product Q | 1800 | 70 | 126,000 |
| | | Total | Tk. 186,000 |

3. A company is considering two mutually exclusive projects. The company uses a certainty equivalent approach. The estimated cash flow and certainty equivalents for each project are as follows:

| Year | Project 1 | | Project 2 | |
|------|------------------|-------------------------------------------------|------------------|-------------------------------------------------|
| | Cash Flows (Tk.) | Certainty Equivalent Coefficient (α_t) | Cash Flows (Tk.) | Certainty Equivalent Coefficient (α_t) |
| 0 | -40,000 | 1.00 | -50,000 | 1.00 |
| 1 | 10,000 | 0.95 | 25,000 | 0.90 |
| 2 | 15,000 | 0.90 | 20,000 | 0.85 |
| 3 | 20,000 | 0.80 | 18,000 | 0.80 |
| 4 | 25,000 | 0.75 | 15,000 | 0.70 |

The risk-free rate of interest is 7 per cent. Select the better option from the two projects. (CLO2, L3) (5)

4. Projected Cash flow statement of ABC Company is as follows:

| Year | Cash Flows (Tk. '000) | | | | | | | |
|---------------|-----------------------|--------|--------|--------|--------|--------|--------|--------|
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Investment | -10,000 | | | | | | | |
| Revenue | | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Variable Cost | | 6750 | 6750 | 6750 | 6750 | 6750 | 6750 | 6750 |
| Fixed Cost | | 4000 | 4000 | 4000 | 4000 | 4000 | 4000 | 4000 |
| Depreciation | | 2500 | 1875 | 1406 | 1055 | 791 | 593 | 1347 |
| EBIT | | 1750 | 2375 | 2844 | 3195 | 3459 | 3657 | 2903 |
| Tax | | 613 | 831 | 995 | 1118 | 1211 | 1280 | 1016 |
| PAT | | 1138 | 1544 | 1848 | 2077 | 2248 | 2377 | 1887 |
| NCF | -10,000 | 3638 | 3419 | 3255 | 3132 | 3039 | 2970 | 3234 |

Test for a scenario analysis of NPV for optimistic scenario on the basis of the following data. (CLO3, L4) (8)

| Variables | Pessimistic | Optimistic | Expected |
|--------------------------|-------------|------------|----------|
| Sales volume (unit) | 900 | 1200 | 1000 |
| Selling price/unit (Tk.) | 14 | 16 | 15 |
| Variable cost/unit (Tk.) | 7 | 6.50 | 6.75 |
| Fixed cost (Tk.) | 4500 | 3600 | 4000 |
| Discount rate | 13% | 11% | 12% |