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

Semester: Fall 2025
Time: 1 Hour and 30 Minutes
Course Code: 0412-123
Section: All

Examination: Mid-Term
Full Marks: 25
Course Title: Principles of Finance
Teachers' Name: DAZR, RA, MOG, Alamgir, Thahmid

Question 1: ***Read each of the questions carefully and answer precisely:***

(i) **Define** Ordinary Annuity. Explain the internal source of finance with examples.
[CLO 01, L02, Mark: 3]

(ii)

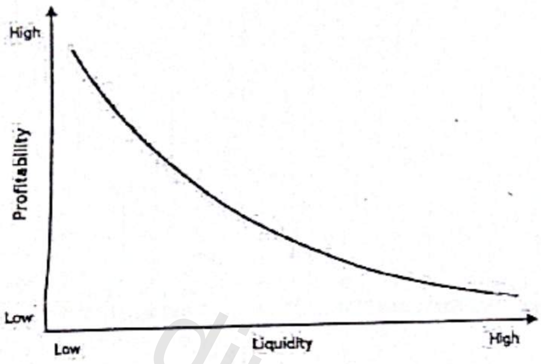

Figure 1

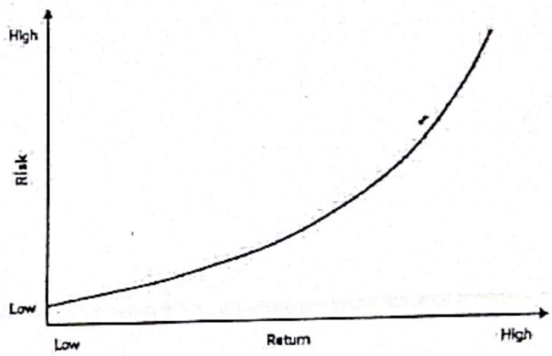

Figure 2

Explain the principles of business finance illustrated in Figures 1 and 2, and discuss the relationships between the variables presented in each figure. **[CLO 01, L02, Mark: 4]**

(iii) Describe the following terms:

a. Spontaneous short-term finance **[CLO 01, L02, Mark: 1.5]**
b. Compensating balance **[CLO 01, L02, Mark: 1.5]**

Question 2:

Apex Consumer Products Ltd. requires Tk. 8 crore (Tk. 80,000,000) immediately to finance its seasonal working capital requirements. The finance manager is evaluating the following short-term financing alternatives:

i. The company purchases raw materials on the following credit terms:

2/10, Net 60

ii. A commercial bank is willing to provide a short-term loan of Tk. 10 crore at an annual interest rate of 13%. However, the bank requires a 10% compensating balance to be maintained throughout the loan period.

iii. The company can issue commercial paper at a 7% discount rate with a maturity period of 180 days. The flotation cost for each issue is Tk. 200,000.

iv. A bank offers a revolving credit facility at an annual interest rate of 14%. A commitment fee of 0.50% is charged on the average unused portion of the credit line. The company expects to utilize 80% of the facility on average during the year.

Requirement: Which alternative should the company **choose** and why? **[CLO 03, L05, Mark: 7]**

Question 3:

(i) Daffodil Computer Ltd. has borrowed Tk. 45,00,000 with a 13 percent interest rate for 4 years from AB Bank PLC. The company has to repay the loan and interest at each year's end. **Prepare** an amortization schedule based on the ***Balloon Payment Method*** to determine the amount of the amount of annual payment that Daffodil Computer Ltd. must make to pay off the loan. **[CLO 02, L03, Mark: 4]**

(ii) Mr Rahman is a businessman. After operating one-year business, he has found that he has earned tk 20000 monthly profit from his firm. He has been offered a proposal by manager of ABC bank ltd. The bank will give 9% interest rate and he agrees to invest tk 1500 per month. If installments are deposited beginning of each period, **calculate** the amount of deposit that will be accumulated at the end of 10 years. **[CLO 02, L03, Mark: 4]**