

MID Term Assessment

fall Semester : 2022

BBA Program

Course title : Financial Management

Course code : Fin - 329

Student Name : MD TUSHAR AHAMED

Student ID : 1113300361

Answer to the question No: 4

Require rate of return of the securities are:

Sun:

We know

$$\begin{aligned} E(r_e) &= R_f + B_i (R_m - R_f) \\ &= 10 + 0.5 (13 - 10) \\ &= 10 + (0.5 \times 3) \\ &= 10 + 1.5 \\ &= 11.5 \end{aligned}$$

Here,

$$R_f = 10\%$$

$$R_m = 13\%$$

$$B_i = 0.5$$

Moon:

We know,

$$\begin{aligned} E(r_e) &= R_f + B_i (R_m - R_f) \\ &= 13 + 0.7 (17 - 13) \\ &= 13 + (0.7 \times 4) \\ &= 13 + 2.8 \\ &= 15.8\% \end{aligned}$$

Here

$$R_f = 13$$

$$R_m = 17$$

$$B_i = 0.7$$

Earth:

We know,

$$E(\tau_c) = R_f + \beta_i (R_m - R_f)$$

$$= 8 + 1.2 (12 - 8)$$

$$= 8 + (1.2 \times 4)$$

$$= 8 + 4.8$$

$$= 12.8\%$$

Here

$$R_f = 8$$

$$R_m = 12$$

$$\beta_i = 1.2$$

## Answer to the question No : 1

financial management : In simple terms, financial management is the business function that deals with investing the available financial resources in a way that greater business success and return-on-investment (ROI) is achieved. financial management professionals plan, organize and control all transaction in business.

state of financial management :

Essentially, finance represent money management and the process of acquiring needed funds. finance also encompasses the oversight, creation, and study of money, banking, credit, investment assets and liabilities that make up financial system. The term financial management means obtaining and managing funds. And the primary

Objective of financial management is to increase the firm's value. So,

And the ~~no~~ three most important concepts of finance are,

1. Cash flow : the broad term for the net balance of money going into and out of a business at a specific point in time.
2. Time value of money
3. Risk and Return.

## Answer to the Question No: 2

The prime goals of financial management:

The goals of financial management is to maximize shareholder wealth. For public companies this is the stock price, and for private companies this is the market value of the owner's equity

Alternative measure: Some might offer goals such as maximize cash flows or maximize profit. Relatively minor problems with these goals relate to how the measure the cash flows.

Larger problem: The larger problem with these measure such as maximizing profit or cash flows that they lack balance. That is the problem with these possible measures. They consider reward (~~profit~~)

p-to

(profit and cash flows) without considering the risk it takes to maximize them.

Excessive Risk: As an example, say the goal was to maximize cash flow.

Expected cash flow: Invest \$1000 in 100 houses. Now expect \$100,000 in cash flow.

In fact you can see maximizing cash flow or profit will simply instruct management to borrow as much as possible and use it all to buy house.

A stock value: The value of stock (or any asset) is the sum of all the stock's discounted expected future cash flows (dividend) where the discount rate reflect the risk taken to earn those cash flows.

### Answer to the Question No:3

The basic concept of Time value of money : Money has time value. In simpler terms, the value of a certain amount of money today is more valuable than its future value tomorrow. It is not because of the uncertainty involved with time but purely on account of timing. The difference in the value of ~~time~~ money today and tomorrow is referred to as the time value of money.

The basic concept of time value of money is given below :

1. Cash flow : Cash flow is either a single ~~term~~ sum or the series of receipts or payments occurring over a specified period of time.



2. Cash inflow : Cash inflow refers to the receipts of cash, for the investment made on the asset/project, which comes into the hands of an individual or into the business organization account at a point of time.
3. Cash outflow: Cash outflow is just opposite to cash inflow.
4. Even cash flow : Even cash flows, also known as annuities, are the existence of fixed stream of cash flows or outflow over a specified period of time.
5. Annuity Aspect
6. Mixed stream of cash flows
7. Single cash inflows
8. Multiple cash inflows
9. Future Value
10. Compounding.