

**College of Administrative and Financial Sciences**

**Assignment 1**

**Principles of Finance (FIN101)**

**Deadline for students: End of Week 6 (16/10/2021@ 23:59)**

**(To be posted/released to students on BB anytime in Week 4)**

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| Course Name:  | Student’s Name:  |
| Course Code: **FIN101** | Student’s ID Number:  |
| Semester: 1st  | CRN:  |
| Academic Year: 1442/1443 H, First Semester |

**For Instructor’s Use only**

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| --- |
| Instructor’s Name:  |
| Students’ Grade:  | Level of Marks:  |

**Instructions – PLEASE READ THEM CAREFULLY**

* This assignment is an individual assignment.
* **The due date for Assignment 1 is by the end of Week 6 (16/10/2021).**
* The Assignment must be submitted only in **WORD format** via the allocated folder.
* Assignments submitted through email will not be accepted.
* Students are advised to make their work clear and well presented. This also includes filling in your information on the cover page.
* Students must mention question numbers clearly in their answers.
* Late submitted assignments will NOT be entertained.
* Avoid plagiarism; the work should be in your own words; copying from students or other resources without proper referencing will result in ZERO marks. No exceptions.
* All answered must be typed using **Times New Roman (size 12, double-spaced)** font. No pictures containing text will be accepted and will be considered plagiarism).

**Submissions without this cover page will NOT be accepted**.

**Course Learning Outcomes-Covered**

* Understand the financial environment of the company. (C.L.O:1)
* Measure corporate financial performance. (C.L.O :3)
* Examine the relation between finance and accounting. (C.L.O:4)
* Apply the concepts of time-value-of-money to determine the valuation of bonds and stocks. (C.L.O:5)

**Assignment Questions: (Marks 05)**

1. Explain why each of the following situations is an agency problem and what costs to the firm might result from it. Suggest how the problem might be dealt with short of firing the​ individual(s) involved.

**a.**The front desk receptionist routinely takes an extra 20 minutes of lunchtime to run personal errands.

**b.**Division managers are padding cost estimates to show​ short-term efficiency gains when the costs come in lower than the estimates.

**c.**The​ firm's chief executive officer has had secret talks with a competitor about the possibility of a merger in which she would become the CEO of the combined firms.

**d.**A branch manager lays off experienced​ full-time employees and staffs customer service positions with​ part-time or temporary workers to lower employment costs and raise this​ year's branch profit. The​ manager's bonus is based on profitability.

1. **Marks)**
2. Do some reading in periodicals​ and on the Internet to find out more about the​ Sarbanes-Oxley Act's provisions for companies. Select one of those​ provisions and indicate why you think financial statements will be more​ trustworthy if company financial executives implement this provision of SOX. **(1 Mark)**
3. If Bob and Judy combine their savings of $1,260 and $975​, respectively, and deposit this amount into an account that pays 2% annual​ interest, compounded​ monthly, what will the account balance be after 4 years? **(1 Mark)**
4. Misty needs to have $23,000 at the end of 8 years to fulfill her goal of purchasing a small sailboat. She is willing to invest a lump sum today and leave the money untouched for 8 years until it grows to $23,000​, but she wonders what investment return she will need to earn to reach her goal. Use your calculator or spreadsheet to figure out the annually compounded rate of return required if she could invest $16,200 today. **(1 Mark)**