PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations – MAY 2025
Date: 20-05-2025   **Time:** 09:30 am – 12:30 pm

School: SOC	Program: BSc. Economics
Course Code: BSE2016	Course Name: Financial Economics
Semester: VI	Max Marks: 100 Weightage:50%

CO - Levels	CO1	CO2	CO3	CO4	CO5
Marks	26	37	24	13	-

Instructions:

(i) *Read all questions carefully and answer accordingly.*

(ii) *Do not write anything on the question paper other than roll number.*

Part A

Answer ALL the Questions. Each question carries 2 marks.   **10Q x 2M=20M**

1.	List out any two key differences between financial economics and traditional economics.	2 Marks	L1	CO1
2.	Define expected return.	2 Marks	L1	CO1
3.	Recall the concept of time value of money.	2 Marks	L1	CO2
4.	List the two techniques of calculation of time value of money.	2 Marks	L1	CO2
5.	Define payback period.	2 Marks	L1	CO2
6.	List two types of financial ratios which measure the profit performance of a firm.	2 Marks	L1	CO2
7.	Define extrapolation.	2 Marks	L1	CO3
8.	List two financing choices available to a firm.	2 Marks	L1	CO4
9.	Define the Modigliani-Miller (MM) irrelevance hypothesis.	2 Marks	L1	CO4
10.	Recall agency cost theory of capital structure.	2 Marks	L	CO4

Part B

Answer ALL the Questions. Each question carries 7 Marks.   **Total Marks 35M**

11.	a.	Explain the Capital Asset Pricing Model.	07 Marks	L2	CO1
		Or			
12.	a.	Summarize the difference between forward and futures contracts with practical applications.	07 Marks	L2	CO1

13.	a.	Outline the components of an income statement.	07 Marks	L2	CO2
		Or			
14.	a.	Summarize the difference between balance sheet, income statement and cashflow statement.	07 Marks	L2	CO2

15.	a.	i. Suppose I have Rs 1000 and I put it in a bank on compound interest. What would be the amount I have after 5 years if interest is 5%. ii. Calculate the Present Value of Rs. 12,000 receivable after 4 years at the rate of 12% interest compounded quarterly.	07 Marks	L3	CO2
		Or			
16.	a.	Calculate FV of the following cash flows, if it invested at 8% interest per annum. Year Amount deposited 1 500 2 1000 3 1500 4 2000 5 2500	07 Marks	L3	CO2

17.	a.	Explain the use of extrapolation in finance.	07 Marks	L2	CO3
		Or			
18.	a.	Outline the difference between vlookup and hlookup and outline the syntax for each in detais.	07 Marks	L2	CO3

19.	a.	Analyse the signalling hypothesis of capital structure.	07 Marks	L4	CO4
		Or			
20.	a.	Examine the pecking order theory of capital structure.	07 Marks	L4	CO4

Part C

Answer any Three Questions. Each question carries 15 marks   **3Q x 15M=45M**

21.	a.	Analyze the scope of financial economics.	15 Marks	L4	CO1

22.	a.	i. Calculate the PV of Rs.6000 received after 8 years, if the discount rate is 10%. ii. Calculate the future value at the end of five years of the following series of payment at 9% interest per annum	15 Marks	L4	CO2

		Year	Amount deposited			
		1	1000			
		2	2000			
		3	3000			
		4	4000			
		5	5000			

23.	a.	Examine scenario analysis. Explain base case, worst case and best-case scenario used in scenario analysis.	15 Marks	L4	CO3

24.	a.	Analyse the determinants of capital structure of manufacturing firms.	15 Marks	L4	CO4