



Even Semester End Term Examination, May / June 2026

Date: 22/05/2026

Time: 01.00 PM - 04.00 PM

Course Code: BSE2016

Course Name: Financial Economics

Semester: Sixth Semester

Max. Marks: 100

Weightage: 50%

CO - Levels	CO1	CO2	CO3	CO4
Marks	36	72	34	38

Part A: Answer Following Questions. 20 M

Qn.No	Questions	M	CO	BT
1	Recall the area of behavioural finance in financial economics.	2	CO1	BT1
2	Define systemic risk with an example.	2	CO1	BT1
3	Recall the Efficient Market Hypothesis.	2	CO2	BT1
4	Define expected returns.	2	CO2	BT1
5	For Rs 10,000 at 10% p.a. What will be the compound interest after 4 years.	2	CO2	BT1
6	Recall any two financial ratios.	2	CO2	BT1
7	Define extrapolation.	2	CO3	BT1
8	Recall the two factors determining financing decisions of firms.	2	CO4	BT1
9	Define the Modigliani-Miller (MM) irrelevance hypothesis.	2	CO4	BT1
10	Recall net income theory in capital structure.	2	CO4	BT1

Part B: Answer Any 1 Following Questions. 16 M

Qn.No	Questions	M	CO	BT
11.a	Explain the Arbitrage Pricing Hypothesis.	6	CO1	BT2
11.b	Assess the structure of financial market in India.	10	CO1	BT4
12.a	Outline the difference between forward and futures contracts with practical applications.	6	CO1	BT2
12.b	Analyze the Differences between Balance Sheet, Income Statement	10	CO1	BT4

Part C: Answer Any 1 Following Questions. 16 M

Qn.No	Questions	M	CO	BT												
13.a	Summarize the components of a balance sheet.	6	CO4	BT2												
13.b	Examine the signaling hypothesis and pecking order theory of capital structure.	10	CO4	BT4												
14.a	Explain the Du pont Analysis for evaluating a company’s financial performance.	6	CO2	BT2												
14.b	i. Calculate NPV at a discount factor of 7% for the following cash flows with an investment of Rs. 2,00,000. <table><tr><th>YEAR</th><th>CASH INFLOWS</th></tr><tr><td>1</td><td>20,000</td></tr><tr><td>2</td><td>60,000</td></tr><tr><td>3</td><td>40,000</td></tr><tr><td>4</td><td>30,000</td></tr><tr><td>5</td><td>20,000</td></tr></table> ii. A machine cost is Rs. 1000000 and expected life of machine is 6 years at the end of life the salvage value is Expected of Rs. 100000. Calculate depreciation using straight line method.	YEAR	CASH INFLOWS	1	20,000	2	60,000	3	40,000	4	30,000	5	20,000	10	CO2	BT4
YEAR	CASH INFLOWS															
1	20,000															
2	60,000															
3	40,000															
4	30,000															
5	20,000															

Part D: Answer Any 1 Following Questions. 16 M

Qn.No	Questions	M	CO	BT
15.a	Calculate Net Present Value for the following two Projects. The firm anticipates its cost of capital to be 10%. Suggest which project is profitable.	6	CO2	BT3
	<table><tr><td>Year</td><td>Project A cash inflows</td><td>Project B cash inflows</td></tr></table>			
Year	Project A cash inflows	Project B cash inflows		

	0	-2,00,000	-2,00,000			
	1	35,000	2,18,000			
	2	80,000	10,000			
	3	55,000	10,000			
	4	75,000	4,000			
	5	20,000	3,000			
	15.b	Examine scenario analysis. Explain base case, worst case and best-case scenario used in scenario analysis.				
16.a	Calculate the future value at the end of five years of the following series of payment at 9% interest per annum Year Amount deposited 1 1000 2 2000 3 3000 4 4000 5 5000			6	CO2	BT3
16.b	Analyse a capital structure for a hypothetical firm considering signaling, agency costs, cost of capital, and empirical determinants.			10	CO2	BT4

Part E: Answer Any 1 Following Questions. 16 M

Qn.No	Questions	M	CO	BT
17.a	Describe the use of extrapolation in finance.	6	CO3	BT2
17.b	Assess the determinants of capital structure of manufacturing firms.	10	CO3	BT4
18.a	Summarize the difference between vlookup and hlookup and outline the syntax for each in details.	6	CO3	BT2
18.b	i. Calculate the PV of Rs.8000 received after 10 years, if the discount rate is 10%.	10	CO3	BT3

ii. Calculate the future value at the end of five years of the following series of payment at 8% interest per annum

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

Part F: Answer Any 1 Following Questions. 16 M

Qn.No	Questions	M	CO	BT
19.a	Analyze the impact of agency costs on a firm's capital structure decisions.	6	CO4	BT4
19.b	Examine the trade off theory of capital structure with examples.	10	CO4	BT4
20.a	Calculate the FVA of Rs. 4000 deposited at end of each year at 6% for a period of 5 years.	6	CO2	BT4
20.b	i). Find out the Present Value of Rs.10,000 receivable after 3 years at the rate of 12% interest. Calculate semi-annually. ii). Cost of machine is Rs. 7800000 and estimated useful life is 5 years at the end of life the salvage value is expected of Rs. 390000. Calculate depreciation using straight line method.	10	CO2	BT4