CIE1 EE&FinTech

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Question Paper

All the Questions are mandatory

A couple wishes to establish a college fund at a bank for their five-year-old child. The college fund will earn 8% interest compounded quarterly. Assuming the child enters college at 18, the estimated expenses for the four years is $30,000 per year. The college expenses are estimated to increase at an annual rate of 6%. Determine the equal quarterly deposits the couple must make until they send their child to college. *

- (●) $2,545.20
- ( ) $1,654.64
- ( ) $2,888.48
- ( ) $3000

Inflation brings most benefit to which one of the following ? *

- ( ) Creditors
- (●) Debtors
- ( ) Government employees
- ( ) Government pensioners

Define GDP *

- [ ] The total value of the non-monetary and monetary services and goods within a year
- [x] The total value of the economic transactions that happened in a country for a year
- [ ] The total value of the tradable goods which are produced in a particular year
- [ ] None of the Above

If Joe bought his morning coffee for $1.25 in 2010, but now he's paying $1.60 in 2020, what is the inflation rate for Joe's cup of coffee. *

- [ ] 20%
- [x] 28%
- [ ] 30%
- [ ] 25%

Inflation rate = ((Price in year 2 - Price in year 1) / Price in year 1) x 100%

Using the formula with the given information, we have:

Inflation rate = (($1.60 - $1.25) / $1.25) x 100%
Inflation rate = ($0.35 / $1.25) x 100%
Inflation rate = 28%

Mr. Roy invested an amount of Rs. 13,900 divided in two different schemes A and B at the simple interest rate of 14% p.a. and 11% p.a. respectively. If the total amount of simple interest earned in 2 years be Rs. 3508, what was the amount invested in Scheme B? *

- [ ] Rs. 6450
- [x] Rs. 6400
- [ ] Rs. 7200
- [ ] Rs. 7500

Let's assume that Mr. Roy invested an amount of Rs. x in Scheme B.

Then, the amount invested in Scheme A will be (13900 - x).

The simple interest earned in Scheme A after 2 years = (13900 - x) * 14% * 2 = 0.28 * (13900 - x)

The simple interest earned in Scheme B after 2 years = x * 11% * 2 = 0.22x

According to the problem, the total simple interest earned in 2 years = Rs. 3508

Therefore, we can write the equation:

0.28 * (13900 - x) + 0.22x = 3508

Simplifying the above equation, we get:

3892 - 0.06x = 3508

0.06x = 3892 - 3508

0.06x = 384

x = 6400

Normally the demand curve will have a _____ shape. *

- ( ) Upward sloping
- (•) Downward sloping
- ( ) Vertical
- ( ) Horizontal

For any Firm “Debator Days are…….” *

- ( ) Higher the better
- ( ) Longer the better
- (•) Lower the better
- ( ) Shorter the better

While we draw the demand curve, which of these assumptions are there? *

- ( ) The substitute price should not change
- ( ) The curve for demand should be linear
- (•) There should be no change in commodity price
- ( ) The demanded quantity does not change

The_____ measures the cost or price of money and is expressed as a percentage per period of time *

- ( ) Average Rate
- ( ) Demand Rate
- ( ) Unit Rate
- (•) Interest Rate

Which of the following is not the fundamental principle in Engineering Economics *

- ( ) Money now is worth more than money at later time
- ( ) All that counts is differences among the alternatives
- (•) Quantity in demand should be equal to quantity supplied
- ( ) Additional risk is not taken without the expected additional return

Ideal value for Current ratio is *

- ( ) 1:1
- ( ) 0.75:1
- (•) 2:1
- ( ) 1.5:1

The Equilibrium price is defined as *

- ○ When Selling price and purchase price is same
- ◉ Price at which quantity demanded equals quantity supplied.
- ○ When no other factors are effect the selling price
- ○ All of the above

The net profit of a company is ₹ 2,00,000, preference dividend ₹ 25,000, and taxes paid ₹ 15,000. The number of equity shares is 1,00,000. The earnings per share (EPS) is *

- ○ 3.2
- ○ 2
- ◉ 1.6
- ○ 1.5

To calculate the earnings per share (EPS), we need to deduct the preference dividend and taxes from the net profit and divide the result by the number of equity shares.

Net profit = 2,00,000
Preference dividend = 25,000
Taxes paid = 15,000

Therefore, the profit available to equity shareholders is:

Profit available to equity shareholders = Net profit - Preference dividend - Taxes paid
= 2,00,000 - 25,000 - 15,000
= 1,60,000

The number of equity shares is 1,00,000.

Therefore, the earnings per share (EPS) is:

EPS = Profit available to equity shareholders / Number of equity shares
= 1,60,000 / 1,00,000
= 1.6 per share

The sunk costs include *

- ○ A past expenditure
- ○ An unrecovered balance
- ○ An invested capital that cannot be retrieved
- ◉ All of the above

Given an investment of Rs. 10,000 for a period of one year, it is better to invest in a scheme that pays: *

- 12% interest compounded annually
- 12% interest compounded quarterly
- 12% interest compounded monthly
- 12% interest compounded daily

The higher the frequency of compounding, the more frequently interest is added to the principal amount, resulting in a higher effective annual rate of return (EAR).

To calculate the effective annual rate of return for each option, we can use the formula:

EAR = (1 + (i/n))^n - 1

Where i is the annual interest rate, and n is the number of times the interest is compounded per year.

For 12% interest compounded annually, the EAR would be:

EAR = (1 + (0.12/1))^1 - 1 = 0.12 or 12%

For 12% interest compounded quarterly, the EAR would be:

EAR = (1 + (0.12/4))^4 - 1 = 0.1236 or 12.36%

For 12% interest compounded monthly, the EAR would be:

EAR = (1 + (0.12/12))^12 - 1 = 0.1268 or 12.68%

For 12% interest compounded daily, the EAR would be:

EAR = (1 + (0.12/365))^365 - 1 = 0.1275 or 12.75%

Therefore, investing in a scheme that pays 12% interest compounded daily would provide the highest effective annual rate of return, making it the best option for an investment of Rs. 10,000 for one year. However, it is important to note that the difference in returns between the different compounding frequencies is relatively small, so other factors such as liquidity and risk should also be taken into consideration when making an investment decision.

Television, shoes, houses and books are the type of *

- Supplier Goods
- Producer Goods
- Consumer Goods

The analysis of movement of cash/money inflow and outflow in an organisation is done by *

- Cash Flow Analysis
- Ratio Analysis
- Balance Sheet
- All of the above

Money has time value because *

- ○ Individuals prefer future consumption to present consumption.
- ○ Money today is more certain than money tomorrow
- ○ Money today is wroth more than money tomorrow in terms of purchasing power.
- ○ There is a possibility of earning risk free return on money invested today.
- ◉ (B), (C) and (D) above.

National Income estimate in India is prepared by *

- ○ Reserved Bank of India
- ◉ Central Statistical Organization
- ○ NITI Aayog
- ○ Both A & C

Current ratio is 2.5 and the liquid ratio is 1.5. Working capital is ₹ 75,000. The value of the stock in INR held will be *

- ○ 60000
- ◉ 50000
- ○ 100000
- ○ 70000

Current Ratio = Current Assets (C.A)/ Current Liabilities (C.L) = 2.5
So, CA= 2.5 CL

C.A - C.L = 75000
2.5Cl - C.L = 75000
1.5C.L = 75000

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