

K15P 0012



Reg. No. :

Name :

Third Semester M.A./M.Sc./M.Com. Degree (Reg./Sup./Imp.)
Examination, November 2015
(2014 Admn.)
ECONOMICS/DEV. ECONOMICS
ECO3C13 : Financial Economics

Time: 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. **Each** question carries $\frac{1}{2}$ marks.

1. An investment which is easily saleable or marketable without loss of money and without loss of time is said to possess
a) Safety b) Liquidity c) Return d) Solvency
2. The right of the existing equity shareholders to get shares out of fresh issue made by a company is called
a) Bonus issue b) Right issue
c) Agency right d) Pre-emptive right
3. The impact of economic, political and social changes is system-wide and that portion of total variability in security returns caused by such system-wide factors is referred to as
a) Interest Rate Risk b) Market Risk
c) Systematic Risk d) Purchasing Power Risk
4. The statistical measures that indicates the interactive risk of a security relative to others in a portfolio of securities
a) Standard Deviation b) Inter quartile range
c) Co-efficient of correlation d) Covariance



5. The CAPM is really an extension of the portfolio theory of
- a) Markowitz
 - b) William Sharpe
 - c) John Linter
 - d) Jan Mossin
6. A forward contract is a simple
- a) Real Estate Security
 - b) Derivative Security
 - c) Risk Bearing Security
 - d) Hybrid Security
7. A _____ is a deposit to be made to the clearing house by the parties entering into a futures contract.
- a) Contribution
 - b) Collateral security
 - c) Margin
 - d) Futures turn
8. The following one is not a factor affecting the price of a stock option as per "The Black - Scholes Model"
- a) The current stock price
 - b) The risk free interest rate
 - c) The strike price
 - d) None of these
- (8x½=4)

PART - B

Short answer type questions. Answer **any 8** questions. **Each** question carries **2** marks.

9. What is Leveraged Lease ?
10. What is Book Building ?
11. What is credit rating ?
12. What is option ?
13. What is purchasing power risk ?
14. What do you mean by portfolio analysis ?
15. What is Arbitrage ?
16. What is market risk ?



- 17. What do you mean by Market Fund Cash Ratio ?
- 18. What is securities market ?
- 19. What do you mean by SML ?

(8×2=16)

PART – C

Short essay type questions. Answer **any 4** questions. **Each** question carries **5** marks.

- 20. What are the assumptions of the Black-Scholes Option Pricing Model (BSOPM) ?
- 21. What is Arbitrage Pricing Theory ?
- 22. Mention the phases of portfolio management.
- 23. What are the limitations of Markowitz Model ?
- 24. What are the assumptions of CAPM ?
- 25. What do you mean by market to market ?

(4×5=20)

PART – D

Essay type questions. Answer **any 2** questions. **Each** question carries **10** marks.

- 26. What is an index future ? How is it differ from other futures contracts ?
- 27. What are financial derivatives ? How do they help to hedge the risk in financial transactions ?
- 28. Explain the Binomial Model of option pricing.
- 29. What do you mean by Financial Statement Analysis ? What are the different tools of analysis ?

(2×10=20)



17. What do you mean by Market Fund Cash Ratio ?

18. What is securities market ?

19. What do you mean by SML ?

(8×2=16)

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21. What is Arbitrage Pricing Theory ?

22. Mention the phases of portfolio management.

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24. What are the assumptions of CAPM ?

25. What do you mean by market to market ?

(4×5=20)

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