



**K21P 0915**

Reg. No. : .....

Name : .....

**III Semester M.A. Degree (CBSS – Reg./Suppl./Imp.)  
Examination, October 2021  
(2018 Admission Onwards)  
ECONOMICS/DEVELOPMENT ECONOMICS  
ECO 3C13 : Financial Economics**

Time : 3 Hours

Max. Marks : 60

**PART – A**

Answer **all** questions. **Each** question carries **half** marks.

1. According to Markowitz, rational investors will seek efficient portfolio because these portfolios are optimal based on
  - a) expected return
  - b) risk
  - c) expected return and risk
  - d) transaction cost
2. When price of underlying asset increases then good option is
  - a) buy the call option
  - b) sell the call option
  - c) buy the put option
  - d) sell the put option
3. Example of derivative securities is
  - a) return backed security
  - b) mortgage backed security
  - c) cash flow backed security
  - d) interest backed security
4. Type of contract which involves future exchange of assets at a specified price is classified as
  - a) future contracts
  - b) present contract
  - c) spot contract
  - d) forward contract

P.T.O.



5. Which of the following is not one of the assumptions of portfolio theory ?
- a) Liquidity of positions
  - b) Investor preference are based only on expected return
  - c) Low transactions cost
  - d) A single investment period
6. Which item would not be included in the calculation of the Price/Earnings ratio ?
- a) Profit available to ordinary shareholders
  - b) Total dividends distributed
  - c) Market price of share
  - d) Number of ordinary shares outstanding
7. What is the difference between shares and bonds ?
- a) Bonds represent ownership whereas shares do not
  - b) Shares represent ownership whereas bonds do not
  - c) Shares and bonds both represent equity
  - d) Shares and bond both represent liabilities
8. The dividend discount model
- a) Ignores capital gains
  - b) Incorporates the after tax value of capital gains
  - c) Includes capital gains implicitly
  - d) Restricts capital gains to a minimum

(8×½=4)

PART – B  
(Very Short Answers)

Answer **any eight** questions. **Each** question carries **2** marks. **No** answer should exceed **one** page.

9. What is time value of money ?
10. What are the different forms of 'swap' ?
11. What is meant by financial inclusion ?
12. What is meant by 'asset mix' ?



13. What is P/E ratio ?
14. What are the different forms of 'options' ?
15. What is meant by dual credit rating ?
16. What is 'beta' ?
17. Explain the tradeoff between risk and return.
18. What are the different types of stocks ?
19. Compare 'forwards and futures'.

(8×2=16)

PART – C

Answer **any four** questions. **Each** question carries **5** marks. **No** answer should exceed **two** and **half** pages.

20. Illustrate the use, functions and users derivatives.
21. Discuss the role of Du Pont analysis in performance measurement.
22. What are the different components of a financial system ?
23. Examine the use of Capital Asset Pricing Model (CAPM) in evaluating the price of securities.
24. What are the different methods for raising capital in a primary market ?
25. What are the important regulatory functions of SEBI ?

(4×5=20)

PART – D  
(Essay)

Answer **any two** questions. **Each** question carries **10** marks. **No** answer should exceed **six** pages.

26. Comment on India's capital market reforms since 1991.
27. Critically examine the Markowitz portfolio management model.
28. Illustrate the role of Non Banking Financial Intermediaries (NBFI) in the development of Indian economy.
29. What are the different types of derivative products ? Examine the role of derivatives market in a financial system.

(2×10=20)