

K22P 1320

Reg. No. :

Name :

**III Semester M.A. Degree (CBSS – Reg./Sup./Imp.) Examination. October 2022
(2019 Admission Onwards)
Economics/Development Economics
ECO 3C13 : FINANCIAL ECONOMICS**

Time : 3 Hours

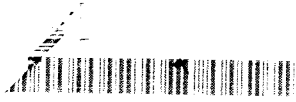
Max. Marks : 60

PART – A

Answer **all** questions.

1. This type of risk is avoidable through proper diversification
 - a) Portfolio risk
 - b) Systematic risk
 - c) Unsystematic risk
 - d) Total risk
2. According to the Capital Asset Pricing Model (CAPM), a security's expected return is equal to the risk-free rate plus a premium
 - a) Equal to the security's beta
 - b) Based on the unsystematic risk of the security
 - c) Based on the total risk of the security
 - d) Based on the systematic risk of the security
3. IPO stands for
 - a) Internal Public Office
 - b) Initial Public Office
 - c) Initial Public Offer
 - d) Internal Police Office
4. The variability in a security's returns resulting from fluctuations in the aggregate market
 - a) Market risk
 - b) Inflation risk
 - c) Credit risk
 - d) Interest rate risk

P.T.O.



PART – C

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

20. 'Portfolio evaluation essentially comprises two functions, performance measurement and performance evaluation.' Discuss.
21. Distinguish between the feasible set of portfolios and the efficient set of portfolios.
22. State and explain the objectives of investment activity.
23. 'Capital formation takes place in the primary market'. Explain.
24. Explain Gordon's share valuation model with suitable illustration. What are the advantages of this model ?
25. Distinguish between commodity futures and financial futures. (4×5=20)

PART – D

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

26. 'CAPM postulates the nature of the relationship between the expected return and the systematic risk of a security.' Explain.
 27. 'Stock exchanges provide the linkage between the savings in the household sector and the investments in the corporate sector.' Explain.
 28. What is systematic risk ? Explain the different types of systematic risk.
 29. Describe the procedure developed by Markowitz for choosing the optimal portfolio of risky assets. (2×10=20)
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