



K23P 1320

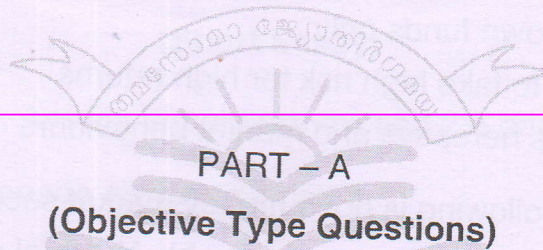
Reg. No. :

Name :

III Semester M.A. Degree (C.B.S.S. – Reg./Supple./Imp.)
Examination, October 2023
(2020 Admission Onwards)
ECONOMICS/DEV. ECONOMICS
ECO3C13 : Financial Economics

Time : 3 Hours

Max. Marks : 60



Answer **all** questions.

1. Which of the following is NOT a characteristic of efficient financial markets ?
 - a) Low transaction costs
 - b) High liquidity
 - c) Perfect information
 - d) Limited competition
2. What is the primary goal of financial management ?
 - a) Maximizing shareholder wealth
 - b) Maximizing company sales
 - c) Minimizing company expenses
 - d) Maximizing employee satisfaction
3. Which of the following is a measure of a company's profitability ?
 - a) Current ratio
 - b) Return on assets
 - c) Debt-to-equity ratio
 - d) Inventory turnover ratio
4. What is the role of a financial intermediary ?
 - a) To regulate financial markets
 - b) To provide loans to individuals and businesses
 - c) To facilitate the buying and selling of financial assets
 - d) To enforce financial regulations

P.T.O.



5. Investment is the
- Net additions made to the nations capital stocks
 - Persons commitment to buy a flat or house
 - Employment of funds on assets to earn returns
 - Employment of funds on goods and services that are used in production process
6. Speculator is a person
- Who evaluates the performance of the company
 - Who uses his own funds only
 - Who is willing to take high risk for high returns
 - Who considers heresays and market behaviours
7. Which one of the following is not a money market securities ?
- Treasury bills
 - National savings certificate
 - Certificate of deposit
 - Commercial paper
8. An example of a derivative security is
- A common share of general motors
 - A call option on mobil stock
 - A commodity futures contract
 - b and c

(8×½=4)

PART – B

(Short answer questions)

Answer **any 8** questions. Answer should **not** exceed **1½** pages **each**.

- What is the financial system ?
- Define financial inclusion.
- Why is the time value of money important in finance ?
- What is compounding in the context of the time value of money ?
- Describe risk in the context of investments.
- What is the role of central banks in the financial system ?

15. What is a derivative ?
16. What is portfolio management ?
17. Define micro-finance.
18. Differentiate the present and future values of money.
19. What is mean by market risk ?

(8×2=16)

PART – C
(Short Essay)

Answer **any 4** questions. Answer should **not** exceed **2½** pages **each**.

20. How can investors manage investment risk ?
21. How does the financial system promote economic growth ?
22. How is the efficient frontier constructed ?
23. Explain the Capital Asset Pricing Model (CAPM).
24. What factors should be considered when constructing a portfolio ?
25. Discuss the factors determining the value of options.

(4×5=20)

PART – D
(Long Essay)

Answer **any 2** questions. Answer should **not** exceed **6** pages **each**.

26. Discuss the financial sector reforms in India.
27. What is mean by valuation of equities ? Discuss various methods for it.
28. Critically examine Modern Portfolio Theory (MPT).
29. Describe the nature and role of derivative market in India.

(2×10=20)