



K18P 0961

Reg. No. : .....

Name : .....

**Third Semester M.A. Degree (Reg./Suppl./Imp.) Examination, October 2018  
(2014 Admn. Onwards)**

**Economics/App. Economics/Dev. Economics**

**ECO3C13 : FINANCIAL ECONOMICS**

Time : 3 Hours

Max. Marks : 60

**PART - A**

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

1. Using 'derivatives' it is possible to
  - a) Avoid price risk
  - b) Avoid price fluctuations
  - c) Lock-in an asset price
  - d) All of these
2. Which of the following is NOT true about "Futures" ?
  - a) Standardized
  - b) Stock exchange traded
  - c) No counter party risk
  - d) OTC traded
3. Bonds which can be redeemed at the issuer's discretion prior to the specified maturity (redemption) date is called
  - a) Puttable bonds
  - b) Callable bonds
  - c) Convertible bonds
  - d) None of these
4. RBI introduced Repos in 1992 and Reverse Repos in
  - a) 1992
  - b) 1991
  - c) 1996
  - d) 2001
5. The Markowitz model assumes most investors are
  - a) risk neutral
  - b) risk seekers
  - c) risk averse
  - d) risk moderators
6. Which of the following helps in analyzing the return to equity Shareholders ?
  - a) Return on deposits
  - b) Earnings Per Share
  - c) Net Profit Ratio
  - d) Return on Investment

P.T.O.



7. When price of an underlying asset increases then good option is
- a) buy call option
  - b) sell call option
  - c) buy put option
  - d) sell put option
8. In the context of the Capital Asset Pricing Model (CAPM) "the relevant risk" is
- a) unique risk
  - b) zero risk
  - c) systematic risk
  - d) none of these
- (8×1/2=4)

## PART – B

## (Very Short Answers)

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

9. What are the important factors which influences the prices of stocks ?
10. Examine the role of capital market in an expanding economy.
11. Define the following with respect to an asset
- a) Book value
  - b) Terminal value
  - c) Time value of money
  - d) Present value.
12. What is meant by Balance Sheet ?
13. How Earning Per Share (EPS) is estimated ?
14. Distinguish between primary market and secondary market with their functions .
15. Prepare a note on Warren Buffett.
16. Distinguish between money market and capital market.
17. Identify the salient features of a forward market.
18. What are the different types of swaps ?
19. What is portfolio management ?
- (8×2=16)



PART – C

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

20. What is the role of a regulator in a financial system ? Examine the role of SEBI in Indian financial system.
21. What is meant by financial system ? Identify the different components of a financial system.
22. Explain the following :
  - a) Time value of money
  - b) Present value and future value of an annuity
  - c) Relationship between the price of bond and the rate of interest.
  - d) Present value and future value of a single amount.
23. Critically examine the Markowitz portfolio management model.
24. Discuss the role of Du Pont analysis in performance measurement.
25. Discuss the role of financial intermediaries in a financial system. (4×5=20)

PART – D

(Essay)

Answer **any two** questions, **each** questions carries **10** marks. No answer should exceed **six** pages.

26. Examine the use of Capital Asset Pricing Model (CAPM) in evaluating the price of securities.
27. Discuss the tradeoff between risk and return. Analyze the risk and return of a single asset and of a portfolio.
28. Critically examine the financial sector reforms initiated in India since 1991.
29. Examine the role of derivatives market in a financial system. What are the different types of derivative products ? (2×10=20)