K24P 3311

Reg. No. : ....

Name : ....

III Semester M.A. Degree (C.B.S.S. – Supple./Imp.) Examination, October 2024
(2021 and 2022 Admissions)
ECONOMICS/DEV. ECONOMICS
ECO3C13 – Financial Economics

Time : 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. (Objective type questions) **(8×½=4)**

1. High P/E ratios tend to indicate that a company will
   a) grow quickly
   b) grow at the same speed as the average company
   c) grow slowly
   d) not grow

2. Financial derivatives include
   a) stocks b) bonds
   c) futures d) none of the above

3. The ____________ model is a model that describes the relationship between systematic risk and expected return for assets, particularly stocks.
   a) CAPM b) Return c) Risk d) Investment

4. Which of the following is not used in Future pricing ?
   a) Cost of carry model b) Expectation model
   c) CAPM d) Binomial model

5. ________ is a technique of reducing the risk involved in a portfolio.
   a) Beta b) Variance c) Range d) Diversification

6. Which one of the following is the procedure of finding out the Present Value (PV) ?
   a) Discounting b) Compounding
   c) Time value of money d) All of above

P.T.O.

7. Money has time value because
   a) Money today is more certain than money tomorrow
   b) Money today is worth more than money tomorrow in terms of purchasing power
   c) There is a possibility of earning risk free return on money invested today
   d) All of the above

8. The greater the beta, the ________ of the security involved.
   a) greater the unavoidable risk
   b) greater the avoidable risk
   c) less the unavoidable risk
   d) the avoidable risk

PART – B
(Short answer questions)

Answer **any eight** questions. Answer should **not** exceed **1½** pages **each**. **(8×2=16)**

9. What do you mean by financial inclusion ?
10. Explain the concept of risk and return of an asset.
11. What is meant by beta of a stock ?
12. Define preference stock.
13. What are financial futures ?
14. Differentiate between present value and future value of money.
15. What do you mean by yield of a bond?
16. Define financial statements.
17. What is a derivative ?
18. Differentiate between passive investment and active investment.
19. Define micro finance.

PART – C
(Short essay)

Answer **any 4** questions. Answer should **not** exceed **2½** pages **each**. **(4×5=20)**

20. Explain the functions of financial markets.
21. Explain the various financial ratios used for evaluating a company's performance.
22. What are the various factors that determine option values ?

23. Describe the P E Ratio Approach.

24. Explain in detail capital asset pricing model.

25. Describe the uses of future contracts.

PART – D

(Long essay)

Answer **any two** questions. Answer should **not** exceed **6** pages **each**. **(2×10=20)**

26. How is the Binomial option pricing model different from Black Scholes option pricing model ?

27. Explain in detail the various financial sectors reforms in India.

28. Describe the valuation of preference stock in detail.

29. What is an Asset mix ? What are the various steps involved in the selection of Asset mix ?