



K15P 0012

Reg. No. :

Name :

Third Semester M.A./M.Sc./M.Com. Degree (Reg./Sup./Imp.)
Examination, November 2015
(2014 Admn.)
ECONOMICS/DEV. ECONOMICS
ECO3C13 : Financial Economics

Time: 3 Hours

Max. Marks : 60

PART - A

Answer **all** questions. **Each** question carries ½ marks.

1. An investment which is easily saleable or marketable without loss of money and without loss of time is said to possess
 - a) Safety
 - b) Liquidity
 - c) Return
 - d) Solvency
2. The right of the existing equity shareholders to get shares out of fresh issue made by a company is called
 - a) Bonus issue
 - b) Right issue
 - c) Agency right
 - d) Pre-emptive right
3. The impact of economic, political and social changes is system-wide and that portion of total variability in security returns caused by such system-wide factors is referred to as
 - a) Interest Rate Risk
 - b) Market Risk
 - c) Systematic Risk
 - d) Purchasing Power Risk
4. The statistical measures that indicates the interactive risk of a security relative to others in a portfolio of securities
 - a) Standard Deviation
 - b) Inter quartile range
 - c) Co-efficient of correlation
 - d) Covariance



5. The CAPM is really an extension of the portfolio theory of
 - a) Markowitz
 - b) William Sharpe
 - c) John Linter
 - d) Jan Mossin
6. A forward contract is a simple
 - a) Real Estate Security
 - b) Derivative Security
 - c) Risk Bearing Security
 - d) Hybrid Security
7. A _____ is a deposit to be made to the clearing house by the parties entering into a futures contract.
 - a) Contribution
 - b) Collateral security
 - c) Margin
 - d) Futures turn
8. The following one is not a factor affecting the price of a stock option as per "The Black – Scholes Model"
 - a) The current stock price
 - b) The risk free interest rate
 - c) The strike price
 - d) None of these

(8x½=4)

PART – B

Short answer type questions. Answer **any 8** questions. **Each** question carries **2** marks.

9. What is Leveraged Lease ?
10. What is Book Building ?
11. What is credit rating ?
12. What is option ?
13. What is purchasing power risk ?
14. What do you mean by portfolio analysis ?
15. What is Arbitrage ?
16. What is market risk ?



17. What do you mean by Market Fund Cash Ratio ?
18. What is securities market ?
19. What do you mean by SML ?

(8x2=16)

PART – C

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

20. What are the assumptions of the Black-Scholes Option Pricing Model (BSOPM) ?
21. What is Arbitrage Pricing Theory ?
22. Mention the phases of portfolio management.
23. What are the limitations of Markowitz Model ?
24. What are the assumptions of CAPM ?
25. What do you mean by market to market ?

(4x5=20)

PART – D

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

26. What is an index future ? How is it differ from other futures contracts ?
27. What are financial derivatives ? How do they help to hedge the risk in financial transactions ?
28. Explain the Binomial Model of option pricing.
29. What do you mean by Financial Statement Analysis ? What are the different tools of analysis ?

(2x10=20)