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eav rune questions. Answer any 4 questions. Each question carries:

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Third Semester M.A./M.Sc./M.Com. Degree (Reg./Suppl./Imp.) Examination, November 2016 ECONOMICS/DEVELOPMENT ECONOMICS

> ECO 3C13: Financial Economics (2014 Admission Onwards)

Time: 3 Hours Max. Marks: 60

PART-A

Answer all questions. Each question carries 1/2 marks.

- 1. A lease agreement which involves the sale of an asset already owned by the firm (vendor) and leasing out the same asset back to the vendor from the buyer.
 - a) Straight lease

b) Modified lease

c) Financial lease

- d) Sale and lease back
- 2. The process of selecting the optimal portfolio from among all feasible portfolios
 - a) Portfolio selection

b) Portfolio strategy

c) Portfolio revision

- d) Portfolio execution
- 3. A call option provides the right to buy a specified share at a specified price price during a period of time or at a point of time. called
 - a) Strike price

b) Retail price

c) Call price

- d) Arbitrage price
- 4. The ultimate economic function of financial derivatives (forwards, futures, swaps etc.) is to
 - a) Provide means of increase return
 - b) Provide means to risk reduction
 - c) Provide means to settle the contracts
 - d) Provide means to increase marketability

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- 5. Which of the following is an element of investment?
 - 'a) Risk only

b) Return only

c) Capital

- d) Risk, Return and Time
- 6. The assets which represent a claim of the supplier of funds against the assets and income of the borrower of funds
 - a) Fixed assets

b) Current assets

c) Insured Assets

- d) Financial Assets
- 7. Mutual Fund is originated in
 - a) USA

b) France

c) Britain

- d) Germany
- The ratio which establishes the relation between shareholders fund and total asset of the firm
 - a) Debt equity ratio

b) Operating ratio

c) Proprietary ratio

d) Return on Capital employed

(8×1/2=4)

PART-B

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

- 9. What is Du-Pont control chart?
- 10. What is dual credit rating?
- 11. What is Portfolio management?
- 12. What do you mean by financial derivatives ?
- 13. What is dividend discount model?
- 14. What is time value of money?
- 15. What do you mean by passive investment management?
- 16. What do you mean by portfolio execution?
- 17. What is meant by financial statement?
- 18. What is ratio analysis?
- 19. What is future value of an annuity?

 $(8 \times 2 = 16)$



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PART-C

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

- 20. What are the regulatory functions adopted by SEBI to control dealings in Stock Exchanges?
- 21. Mention the role of Portfolio Management.
- 22. Mention the role of primary markets in a financial system.
- 23. What are the different elements of risk?
- 24. Define the following:
 - a) Coupon Rate
 - b) Current yield
 - c) Spot Interest Rate
 - d) Yield to Maturity (YTM).
- 25. Explain the merits of Foreign Direct Investment in India.

 $(4 \times 5 = 20)$

PART-D

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

- "Capital Asset Pricing Model (CAPM) can be used to evaluate the pricing of securities". Discuss.
- 27. Mention the role of ratio analysis in financial statement analysis.
- 28. How can we calculate the effect of risk return of portfolios with more than two securities?
- 29. What is time value of money? Mention future value of a single amount and present value of a single amount. (2×10=20)