



PART – D
(Essay)

Answer **any two** questions. **Each** question carries **10** marks. No answer should exceed **six** pages.

26. Critically examine the financial sector reforms initiated in India since 1991.
27. What is the role of a regulator in a financial system ? Examine the role of SEBI in Indian Financial System.
28. Examine the role of derivatives market in a financial system. What are the different types of derivative products ?
29. Discuss the key characteristics of passive and active fund management. (2×10=20)



Reg. No. :

Name :

Third Semester M.A. Degree (Reg./Suppl./Imp.)
Examination, November 2017
(2014 Admn. Onwards)
ECONOMICS/DEVELOPMENT ECONOMICS
ECO 3C13 : Financial Economics

Time : 3 Hours

Max. Marks : 60

PART – A

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

1. Which of the following is a product whose value is derived the value of one or more basic variables, called bases or underlying asset in a contractual manner ?

a) Bond	b) Preference share
c) Equity	d) Derivatives
2. SEBI was established in the year

a) 1991	b) 1972	c) 1992	d) 1996
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3. Bonds which can be sold back to the issuer on specified dates, prior to the redemption date is called

a) Puttable bonds	b) Callable bonds
c) Convertible bonds	d) None of these
4. Which among the following helps the RBI to manage liquidity conditions in the economy with banks having an avenue to surplus funds or avail funds ?

a) Repos
b) Reverse repos
c) Money market Mutual Funds
d) None of these



5. According to Markowitz, rational investors will seek efficient portfolios because these portfolios are optimal based on
- Risk
 - Expected return
 - Transaction cost
 - Expected return and risk
6. DU PONT analysis deals with
- Analysis of Current Assets
 - Analysis of profit
 - Capital budgeting
 - Analysis of fixed assets
7. When price of underlying asset increases then good option is
- Buy call option
 - Sell call option
 - Buy put option
 - Sell put option
8. Stocks differs from shares in the sense that stock is a
- Certificate of ownership of a particular company
 - Certificates ownership of one or more company
 - Issued only to preferred share holders
 - None of these

(8x½=4)

PART – B
(Very Short Answers)

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

9. Define the following with respect to an asset :
- Book value
 - Liquidation value
 - Market value
 - Intrinsic value.
10. Distinguish between P&L statement and cash flow statement.
11. What is Return on Equity (RoE) ?
12. Distinguish between absolute valuation and relative valuation.



13. What are the different types of bonds ?
14. Distinguish between arbitrage and hedging.
15. What is meant by financial intermediaries ?
16. What is portfolio management ?
17. Identify the factors driving the growth of derivatives.
18. Compare 'forwards and futures'.
19. Discuss different types of swaps. **(8x2=16)**

PART – C

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

20. Discuss the relationship between return and risk.
21. Critically examine the Markowitz portfolio management model.
22. Explain the following :
- Valuation of common stock
 - Net Asset Value (NAV)
 - Price Earnings (P/E) ratio
 - Valuation of bond.
23. What is meant by financial system ? Identify the different components of a financial system.
24. Examine the use of Capital Asset Pricing Model (CAPM) in evaluating the price of securities.
25. Examine the following :
- Public issue
 - Right issue
 - Bonus issue
 - Private placement.

(4x5=20)