



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.

- Using 'derivatives' it is possible to
  - Avoid price risk
  - Avoid price fluctuations
  - Lock-in an asset price
  - All of these
- Which of the following is NOT true about "Futures" ?
  - Standardized
  - Stock exchange traded
  - No counter party risk
  - OTC traded
- Bonds which can be redeemed at the issuer's discretion prior to the specified maturity (redemption) date is called
  - Puttable bonds
  - Callable bonds
  - Convertible bonds
  - None of these
- RBI introduced Repos in 1992 and Reverse Repos in
  - 1992
  - 1991
  - 1996
  - 2001
- The Markowitz model assumes most investors are
  - risk neutral
  - risk seekers
  - risk averse
  - risk moderators
- Which of the following helps in analyzing the return to equity Shareholders ?
  - Return on deposits
  - Earnings Per Share
  - Net Profit Ratio
  - 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                          (8×½=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)