



K20P 1014

Reg. No. :

Name :

III Semester M.A. Degree (CBSS – Reg./Suppl./Imp.)
Examination, October 2020
(2014 Admission Onwards)
ECONOMICS/DEV. ECONOMICS
ECO3C13 : Financial Economics

Time : 3 Hours

Max. Marks : 60

PART – A

Answer all questions. Each question carries 1/2 mark :

- Du-Pont Analysis deals with

a) Analysis of Profit	b) Analysis of Current Assets
c) Analysis of Fixed Assets	d) Capital Budgeting
- Which one of the following is not a function of the financial market ?

a) Mobilization of savings	b) Price determination of securities
c) Floating of companies	d) Lowering transaction cost
- M. Narasimham headed

a) The working group constituted by the Government of India in July 1975 for the establishment of Regional Rural Banks
b) The committee on the financial system 1991
c) The committee on Banking Sector Reforms 1997
d) All of the above
- Which of the following gives the option holder a right to buy an underlying asset at an exercise price in future ?

a) Call option	b) Put option
c) Call and put option	d) None of these



5. Benchmark portfolio risk is defined as
- The return difference between the portfolio and the benchmark
 - The variance of the return of the benchmark portfolio
 - The variance of the return difference between the portfolio and the benchmark
 - The variance of the return of the actively-managed portfolio
6. An aggressive share would have a Beta
- Equal to zero
 - Less than zero
 - Greater than one
 - Equal to one
7. How is the P/E ratio calculated ?
- Market value per share/earnings per share
 - Earnings per share/market capitalization
 - Market value/quick ratio
 - None of these
8. According to CAPM, overpriced shares have
- Zero betas
 - Negative alphas
 - Zero alphas
 - Positive alphas
- (8x½=4)**

PART – B
(Very short answers)

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

- P/E ratio
- Hedging
- NBFI
- Primary and secondary markets
- Beta value
- Futures and swaps
- Put option



- Portfolio revision
- Strike price
- Debt-equity ratio
- Preference shares.

(8x2=16)

PART – C
(Short answers)

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

- Elucidate the structure of the Indian financial system.
 - Distinguish between active and passive investment management.
 - Discuss the relationship between risk and return.
 - Analyse the significance of Du-Pont analysis.
 - What are the elements of a financial statement ?
 - Discuss the procedure for the valuation of bond and stocks.
- (4x5=20)**

PART – D
(Long essays)

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

- Give a brief sketch on the financial sector reforms of India since 1991.
 - Critically evaluate the efficacy of the Markowitz model in portfolio management.
 - Discuss the significance of the Capital Asset Pricing Model in the evaluation and pricing of securities.
 - Discuss the role of derivatives in Indian forward markets.
- (2x10=20)**