



Reg. No. :

Name :

**III Semester M.A. Degree (C.B.S.S. – Supple./Imp.) Examination, October 2024
(2021 and 2022 Admissions)
ECONOMICS/DEV. ECONOMICS
ECO3C13 – Financial Economics**

Time : 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. (Objective type questions)

(8×½=4)

- High P/E ratios tend to indicate that a company will
 - grow quickly
 - grow at the same speed as the average company
 - grow slowly
 - not grow
- Financial derivatives include
 - stocks
 - bonds
 - futures
 - none of the above
- The _____ model is a model that describes the relationship between systematic risk and expected return for assets, particularly stocks.
 - CAPM
 - Return
 - Risk
 - Investment
- Which of the following is not used in Future pricing ?
 - Cost of carry model
 - Expectation model
 - CAPM
 - Binomial model
- _____ is a technique of reducing the risk involved in a portfolio.
 - Beta
 - Variance
 - Range
 - Diversification
- Which one of the following is the procedure of finding out the Present Value (PV) ?
 - Discounting
 - Compounding
 - Time value of money
 - All of above

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- Money has time value because
 - Money today is more certain than money tomorrow
 - Money today is worth more than money tomorrow in terms of purchasing power
 - There is a possibility of earning risk free return on money invested today
 - All of the above
- The greater the beta, the _____ of the security involved.
 - greater the unavoidable risk
 - greater the avoidable risk
 - less the unavoidable risk
 - the avoidable risk

PART – B

(Short answer questions)

Answer **any eight** questions. Answer should **not** exceed 1½ pages each. (8×2=16)

- What do you mean by financial inclusion ?
- Explain the concept of risk and return of an asset.
- What is meant by beta of a stock ?
- Define preference stock.
- What are financial futures ?
- Differentiate between present value and future value of money.
- What do you mean by yield of a bond?
- Define financial statements.
- What is a derivative ?
- Differentiate between passive investment and active investment.
- Define micro finance.

PART – C

(Short essay)

Answer **any 4** questions. Answer should **not** exceed 2½ pages each. (4×5=20)

- Explain the functions of financial markets.
- Explain the various financial ratios used for evaluating a company's performance.
- What are the various factors that determine option values ?



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- Describe the P/E Ratio Approach.
- Explain in detail capital asset pricing model.
- Describe the uses of future contracts.

PART – D

(Long essay)

Answer **any two** questions. Answer should **not** exceed 6 pages each. (2×10=20)

- How is the Binomial option pricing model different from Black Scholes option pricing model ?
- Explain in detail the various financial reforms in India.
- Describe the valuation of preference stock in detail.
- What is an Asset mix ? What are the various steps involved in the selection of Asset mix ?