



K22P 1320

Reg. No. :

Name :

III Semester M.A. Degree (CBSS – Reg./Sup./Imp.) Examination, October 2022
(2019 Admission Onwards)
Economics/Development Economics
ECO 3C13 : FINANCIAL ECONOMICS

Time : 3 Hours

Max. Marks : 60

PART – A

Answer all questions.

- This type of risk is avoidable through proper diversification
 - Portfolio risk
 - Systematic risk
 - Unsystematic risk
 - Total risk
- According to the Capital Asset Pricing Model (CAPM), a security's expected return is equal to the risk-free rate plus a premium
 - Equal to the security's beta
 - Based on the unsystematic risk of the security
 - Based on the total risk of the security
 - Based on the systematic risk of the security
- IPO stands for
 - Internal Public Office
 - Initial Public Office
 - Initial Public Offer
 - Internal Police Office
- The variability in a security's returns resulting from fluctuations in the aggregate market
 - Market risk
 - Inflation risk
 - Credit risk
 - Interest rate risk

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- Which of the following is not related with money market ?
 - Treasury Bills
 - Certificate of Deposits
 - Commercial Bills
 - Shares
- The annual rate of return that a fundholder will earn under the assumption that the bond is held to maturity and the investment payments are invested
 - YTM
 - NPV
 - ARR
 - CY
- Which of the following is not a financial derivative ?
 - Stock
 - Futures
 - Options
 - Forward Contracts
- The Capital Market regulator is
 - RBI
 - IRDA
 - NSE
 - SEBI

(8×0.5=4)

PART – B

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

- Define a futures contract.
- What is a call option ?
- What is portfolio revision ?
- What is unsystematic risk ?
- What is meant by optimal portfolio ?
- What is a Capital Market Line ?
- What is a financial market ?
- What is present value of an annuity ?
- What is meant by duration of the bond ?
- What is Beta ?
- What is Ratio Analysis ?

(8×2=16)



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PART – C

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

- 'Portfolio evaluation essentially comprises two functions, performance measurement and performance evaluation.' Discuss.
- Distinguish between the feasible set of portfolios and the efficient set of portfolios.
- State and explain the objectives of investment activity.
- 'Capital formation takes place in the primary market'. Explain.
- Explain Gordon's share valuation model with suitable illustration. What are the advantages of this model ?
- Distinguish between commodity futures and financial futures.

(4×5=20)

PART – D

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

- 'CAPM postulates the nature of the relationship between the expected return and the systematic risk of a security.' Explain.
- 'Stock exchanges provide the linkage between the savings in the household sector and the investments in the corporate sector.' Explain.
- What is systematic risk ? Explain the different types of systematic risk.
- Describe the procedure developed by Markowitz for choosing the optimal portfolio of risky assets.

(2×10=20)