



K24P 3311

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

(8×½=4)

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

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

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

PART – B

(Short answer questions)

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

9. What do you mean by financial inclusion ?
10. Explain the concept of risk and return of an asset.
11. What is meant by beta of a stock ?
12. Define preference stock.
13. What are financial futures ?
14. Differentiate between present value and future value of money.
15. What do you mean by yield of a bond?
16. Define financial statements.
17. What is a derivative ?
18. Differentiate between passive investment and active investment.
19. Define micro finance.

PART – C

(Short essay)

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

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



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

PART – D

(Long essay)

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

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