



Reg. No. : .....

Name : .....

**III Semester M.A. Degree (C.B.S.S. – Reg./Supple./Imp.)**  
**Examination, October 2023**  
**(2020 Admission Onwards)**  
**ECONOMICS/DEV. ECONOMICS**  
**ECO3C13 : Financial Economics**

Time : 3 Hours

Max. Marks : 60

**PART – A**  
**(Objective Type Questions)**

Answer **all** questions.

- Which of the following is NOT a characteristic of efficient financial markets ?  
 a) Low transaction costs                      b) High liquidity  
 c) Perfect information                        d) Limited competition
- What is the primary goal of financial management ?  
 a) Maximizing shareholder wealth        b) Maximizing company sales  
 c) Minimizing company expenses        d) Maximizing employee satisfaction
- Which of the following is a measure of a company's profitability ?  
 a) Current ratio                                b) Return on assets  
 c) Debt-to-equity ratio                        d) Inventory turnover ratio
- What is the role of a financial intermediary ?  
 a) To regulate financial markets  
 b) To provide loans to individuals and businesses  
 c) To facilitate the buying and selling of financial assets  
 d) To enforce financial regulations

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- Investment is the  
 a) Net additions made to the nations capital stocks  
 b) Persons commitment to buy a flat or house  
 c) Employment of funds on assets to earn returns  
 d) Employment of funds on goods and services that are used in production process
- Speculator is a person  
 a) Who evaluates the performance of the company  
 b) Who uses his own funds only  
 c) Who is willing to take high risk for high returns  
 d) Who considers heresays and market behaviours
- Which one of the following is not a money market securities ?  
 a) Treasury bills                                b) National savings certificate  
 c) Certificate of deposit                        d) Commercial paper
- An example of a derivative security is  
 a) A common share of general motors  
 b) A call option on mobil stock  
 c) A commodity futures contract  
 d) b and c

(8×½=4)

**PART – B**  
**(Short answer questions)**

Answer **any 8** questions. Answer should **not** exceed **1½** pages **each**.

- What is the financial system ?
- Define financial inclusion.
- Why is the time value of money important in finance ?
- What is compounding in the context of the time value of money ?
- Describe risk in the context of investments.
- What is the role of central banks in the financial system ?



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- What is a derivative ?
- What is portfolio management ?
- Define micro-finance.
- Differentiate the present and future values of money.
- What is mean by market risk ?

(8×2=16)

**PART – C**  
**(Short Essay)**

Answer **any 4** questions. Answer should **not** exceed **2½** pages **each**.

- How can investors manage investment risk ?
- How does the financial system promote economic growth ?
- How is the efficient frontier constructed ?
- Explain the Capital Asset Pricing Model (CAPM).
- What factors should be considered when constructing a portfolio ?
- Discuss the factors determining the value of options.

(4×5=20)

**PART – D**  
**(Long Essay)**

Answer **any 2** questions. Answer should **not** exceed **6** pages **each**.

- Discuss the financial sector reforms in India.
- What is mean by valuation of equities ? Discuss various methods for it.
- Critically examine Modern Portfolio Theory (MPT).
- Describe the nature and role of derivative market in India.

(2×10=20)