

Reg. No. : .....

Name : .....

K20P 1014

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  $\frac{1}{2}$  mark :

1. Du-Pont Analysis deals with
  - a) Analysis of Profit
  - b) Analysis of Current Assets
  - c) Analysis of Fixed Assets
  - d) Capital Budgeting
2. 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
3. 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
4. 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

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

**PART – B**

**(Very short answers)**

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

9. P/E ratio
10. Hedging
11. NBF1
12. Primary and secondary markets
13. Beta value
14. Futures and swaps
15. Put option

- 16. Portfolio revision
- 17. Strike price
- 18. Debt-equity ratio
- 19. Preference shares.

(8×2=16)

**PART – C**  
**(Short answers)**

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

- 20. Elucidate the structure of the Indian financial system.
- 21. Distinguish between active and passive investment management.
- 22. Discuss the relationship between risk and return.
- 23. Analyse the significance of Du-Pont analysis.
- 24. What are the elements of a financial statement ?

25. Discuss the procedure for the valuation of bond and stocks.

(4×5=20)

**PART – D**  
**(Long essays)**

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

- 26. Give a brief sketch on the financial sector reforms of India since 1991.
- 27. Critically evaluate the efficacy of the Markowitz model in portfolio management.
- 28. Discuss the significance of the Capital Asset Pricing Model in the evaluation and pricing of securities.

29. Discuss the role of derivatives in Indian forward markets.

(2×10=20)