

K17P 1375



Reg. No. : .....

Name : .....

**Third Semester M.A. Degree (Reg./Suppl./Imp.)  
Examination, November 2017  
(2014 Admn. Onwards)  
ECONOMICS/DEVELOPMENT ECONOMICS  
ECO 3C13 : Financial Economics**

Time : 3 Hours

Max. Marks : 60

**PART - A**

Answer all questions. Each question carries half marks.

1. Which of the following is a product whose value is derived the value of one or more basic variables, called bases or underlying asset in a contractual manner ?
  - a) Bond
  - b) Preference share
  - c) Equity
  - d) Derivatives
2. SEBI was established in the year
  - a) 1991
  - b) 1972
  - c) 1992
  - d) 1996
3. Bonds which can be sold back to the issuer on specified dates, prior to the redemption date is called
  - a) Puttable bonds
  - b) Callable bonds
  - c) Convertible bonds
  - d) None of these
4. Which among the following helps the RBI to manage liquidity conditions in the economy with banks having an avenue to surplus funds or avail funds ?
  - a) Repos
  - b) Reverse repos
  - c) Money market Mutual Funds
  - d) None of these

P.T.O.





5. According to Markowitz, rational investors will seek efficient portfolios because these portfolios are optimal based on
- a) Risk
  - b) Expected return
  - c) Transaction cost
  - d) Expected return and risk
6. DU PONT analysis deals with
- a) Analysis of Current Assets
  - b) Analysis of profit
  - c) Capital budgeting
  - d) Analysis of fixed assets
7. When price of underlying asset increases then good option is
- a) Buy call option
  - b) Sell call option
  - c) Buy put option
  - d) Sell put option
8. Stocks differs from shares in the sense that stock is a
- a) Certificate of ownership of a particular company
  - b) Certificates ownership of one or more company
  - c) Issued only to preferred share holders
  - d) None of these

(8×½=4)

PART – B  
(Very Short Answers)

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

9. Define the following with respect to an asset :
- a) Book value
  - b) Liquidation value
  - c) Market value
  - d) Intrinsic value.
10. Distinguish between P&L statement and cash flow statement.
11. What is Return on Equity (RoE) ?
12. Distinguish between absolute valuation and relative valuation.





13. What are the different types of bonds ?
14. Distinguish between arbitrage and hedging.
15. What is meant by financial intermediaries ?
16. What is portfolio management ?
17. Identify the factors driving the growth of derivatives.
18. Compare 'forwards and futures'.
19. Discuss different types of swaps. (8×2=16)

PART – C

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

20. Discuss the relationship between return and risk.
21. Critically examine the Markowitz portfolio management model.
22. Explain the following :
  - a) Valuation of common stock
  - b) Net Asset Value (NAV)
  - c) Price Earnings (P/E) ratio
  - d) Valuation of bond.
23. What is meant by financial system ? Identify the different components of a financial system.
24. Examine the use of Capital Asset Pricing Model (CAPM) in evaluating the price of securities.
25. Examine the following :
  - a) Public issue
  - b) Right issue
  - c) Bonus issue
  - d) Private placement. (4×5=20)





PART – D  
(Essay)

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

26. Critically examine the financial sector reforms initiated in India since 1991.
27. What is the role of a regulator in a financial system ? Examine the role of SEBI in Indian Financial System.
28. Examine the role of derivatives market in a financial system. What are the different types of derivative products ?
29. Discuss the key characteristics of passive and active fund management. (2×10=20)