D 100730 **(Pages : 2)** **Name.......................................**

Reg. No...................................

SIXTH SEMESTER U.G. DEGREE EXAMINATION, MARCH 2024

(CBCSS—UG)

Economics

ECO 6B 11—FINANCIAL ECONOMICS

(2019 Admission onwards)

Time : Two Hours and a Half Maximum : 80 Marks

Section A (Short Answer Questions)

Maximum marks in this Section is 25.
Students can attempt **all** *questions.*
Each question carries a maximum of 2 marks.

1. Net Present Value.
2. Financial derivatives.
3. Preference capital.
4. IRR and MIRR.
5. Financial Economics.
6. Dividend discount model.
7. Forward contract and future contract.
8. Gilt-edged securities.
9. Spot price and future price.
10. Cost of capital.
11. Hedging.
12. Put call parity theorem.
13. Determination of present value of a perpetuity.
14. Primary market.
15. Bond yield *vs* interest rate.

Turn over

Section B (Short Essay/Paragraph Questions)

Maximum marks in this Section is 35.
Students can attempt **all** *questions.*
Each question carries a maximum of 5 *marks.*

16. What do you mean by forward contracts ? Explain the determination of forward prices.
17. What are the various types of Investment criteria ?
18. Define Risk. Explain various methods of measuring risk.
19. Explain the cost of carry model in derivatives.
20. What are different types of risks in derivative ?
21. What are the uses of derivatives ?
22. Differentiate between capital market line and security market line.
23. What are the various types of financial derivatives ?

Section C (Long Essay Questions)

Answer any **two** *questions.*
Each question carries a maximum of 10 *marks.*

24. Differentiate between call options and put options. Explain binomial option pricing model.
25. What do you mean by valuation of securities ? Discuss Modigliani-Miller hypothesis.
26. Evaluate the use of the CAPM model in investment analysis and as a pricing formula.
27. What is risk-return tradeoff ? Explain the measurement of risk and return of a portfolio.

(2 × 10 = 20 marks)

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Time : Two Hours and a Half Maximum : 80 Marks

Answer may be written **either** *in English* **or** *in Malayalam.*

Section A (Short Answer Type Questions)

All questions may be answered.
Each question carries 2 marks.
Maximum mark is 25.

1. Financial Economics.
2. Time value of money.
3. Net present value.
4. Portfolio management.
5. Share capital.
6. Debenture.
7. Debt - Equity ratio.
8. Forward contracts.
9. Hedging.
10. Spot market.
11. Capital market.
12. Risk - Return trade-off.
13. Benefit-cost ratio.
14. Internal rate of return.
15. Dividend.

(25 marks)

Turn over

Section B (Paragraph Type Questions)

All questions may be answered.
Each question carries 5 *marks.*
Maximum mark is 35.

16. Explain the Binomial Option Pricing Model (BOPM).
17. State the relation between spot and future prices.
18. Distinguish between the put option and the call option.
19. Explain the use of the CAPM model in investment analysis.
20. State the difference between equity capital and preference capital.
21. What are the fundamentals of the valuation of securities ?
22. Explain the P/E ratio approach.
23. Narrate any two investment criteria.

(35 marks)

Section C (Essay Type Questions)

Answer any **two** *questions.*
Each question carries 10 *marks.*

24. State and explain Modigliani and Miller's hypotheses.
25. Explain the factors determining financial investments.
26. Explain Black - Scholes option pricing model.
27. What do you mean by the Beta of an asset ? What are the determinants of beta ?

(2 × 10 = 20 marks)

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Economics

ECO 6B 11—FINANCIAL ECONOMICS

(2019 Admissions)

Time : Two Hours and a Half Maximum : 80 Marks

Section A (Short Answer Questions)

Answer at least **ten** *questions.*
Each question carries 3 *marks.*
All questions can be attended.
Overall Ceiling 30.

1. Security market line.
2. Derivatives market.
3. Dividend.
4. Equity valuation.
5. Put-call parity theorem.
6. Angel investors.
7. Primary market.
8. Gilt-edged securities.
9. Stock exchanges.
10. Cost of capital.
11. Financial derivatives.
12. Financial Economics.
13. Hedging.
14. Options.
15. Asset portfolio.

(10 × 3 = 30 marks)

Section B (Short Essay/Paragraph Questions)

Answer at least **five** *questions.*
Each question carries 6 *marks.*
All questions can be attended.
Overall Ceiling 30.

16. Explain dividend discount model.
17. Elucidate various methods of measuring risk.
18. What are the uses of derivatives ?

Turn over

19. Differentiate between forward contracts and future contracts.

20. Explain the top-down approach of investment valuation.

21. Explain the trade-off between risk and return.

22. Explain various methods for valuation of securities.

23. Explain binomial option pricing model. Point out major advantage of a binomial option pricing model.

(5 × 6 = 30 marks)

Section C (Long Essay Questions)

Answer any **two** *questions.*
Each question carries 10 *marks.*

24. Define investment criteria. Explain various criteria of investment.

25. Critically analyze Modigliani-miller hypothesis.

26. What do you mean by financial derivatives ? Discuss various types of financial derivatives.

27. Explain the capital asset pricing model. Discuss the uses of the CAPM model in investment analysis.

(2 × 10 = 20 marks)