

C 20738

(Pages : 2)

Name.....

Reg. No.....

**SIXTH SEMESTER U.G. DEGREE EXAMINATION, MARCH 2022**

(CBCSS—UG)

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)