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(Pages : 2)

Name.....
Reg. No.....**SIXTH SEMESTER U.G. DEGREE EXAMINATION, MARCH 2023**

(CBCSS—UG)

Economics

ECO 6B 11—FINANCIAL ECONOMICS

(2019 Admission onwards)

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)