

**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**

**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.

$(2 \times 10 = 20)$