19U625

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Name: ....

Reg.No: ....

SIXTH SEMESTER B.A. DEGREE EXAMINATION, APRIL 2022
(CBCSS - UG)
CC19U ECO6 B11 - FINANCIAL ECONOMICS
(Economics - Core Course)

(2019 Admission - Regular)

Time : 2.5 Hours

Maximum : 80 Marks

Credit : 4

Part A (Short answer questions)
Answer *all* questions. Each question carries 2 marks.

1. Write any two reasons for Time Preference of Money.

2. What is multiple compounding period?

3. Distinguish between cash inflow and cash outflow.

4. What do you mean by internal rate of return?

5. Define the variable income securities.

6. What is default yield?

7. What are the different types of systematic risk?

8. What is meant by explicit cost and implicit cost?

9. Distinguish between specific and combined cost.

10. What you mean by cost of retained earnings?

11. What are derivatives? Write with an example.

12. What you mean by contract cycle?

13. Different types of financial future contract.

14. What you mean by put option?

15. Different types of SWAP contracts in derivatives.

(Ceiling: 25 Marks)

Part B (Paragraph questions)

Answer *all* questions. Each question carries 5 marks.

16. A bond has a face value of Rs 1000 and a coupon rate of 10%. It will be redeemed after 4 years at 10% premium. Find the present value of bond at a required rate.

17. The value of a bond is equal to the present value of its expected cash flows. Explain.

18. Higher the return,higher will be the risk.In this context discuss the various risk associated with investment.

19. How the interest rate influences the market price of bonds and debentures? Explain with example.

20. What is meant by CAPM model and explain beta calculation under CAPM model?

21. Distinguish between European style and American style option.

22. What is the time value of an option? Describe the factors influencing the time value of an option.

23. Explain the Black Scholes- Merton option model.

(Ceiling: 35 Marks)

Part C (Essay questions)

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

24. Discuss the quantitative models of equity valuation. What are their limitations?

25. How would you assess the return of financial assets? Explain in detail.

26. How cost of debt computed? Explain.

27. Discuss the profit and loss accruing to the buyer and seller of a call and put option.

(2 × 10 = 20 Marks)

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