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Name.....

Reg. No.....

**SIXTH SEMESTER (CBCSS—U.G.) DEGREE EXAMINATION
APRIL 2026**

Economics

ECO 6B 11—FINANCIAL ECONOMICS

(2020 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. Derivatives.
2. Forward contracts.
3. Spot price.
4. Equity capital.
5. Debt - equity ratio.
6. Dividend.
7. Time value of money.
8. Internal rate of return.
9. Annuity.
10. Secondary market.
11. Bond yield.
12. Portfolio management.
13. Average annual return.

Turn over

14. Capital market.
15. Hedging.

(25 marks)

Section B

Paragraph Type Questions.
All questions may be answered.
Each question carries 5 marks.
Maximum mark is 35.

16. What are the types and uses of derivatives ?
17. Distinguish between forward and future contracts.
18. Explain the binomial option pricing model.
19. Distinguish between equity and preference share capital.
20. State and explain Modigliani and Miller's hypotheses.
21. What are the fundamentals of the valuation of securities ?
22. What do you mean by risk-return trade-off ?
23. What are the types of risk in the management of a portfolio ?

(35 marks)

Section C

Essay Type Questions.
Answer any two questions.
Each question carries 10 marks.

24. Explain Black-Scholes option pricing model.
25. What are the issues and challenges in the measurement of risk and return ?
26. Explain the use of the CAPM model in investment analysis.
27. Explain the factors determining financial investments.

(2 × 10 = 20 marks)