**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU -27**

**B.Sc Economics –VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2023**

**(Examination conducted in May 2023)**

**ECSDE 6218: Financial institutions and markets**

**(For 2022-23 batch students )**

**Time: 2 ½ Hours Max Marks: 70**

**This paper contains 1 printed page and 3 parts**

**PART-A**

1. **Answer any TEN (3 X 10=30 marks)**
2. Differentiate between risk and uncertainty.
3. Explain independence axiom.
4. What is a lottery? Mention its types.
5. Define portfolio and portfolio weight.
6. What is a stock? Give its pricing equation.
7. What is arbitrage?
8. Graphically represent the payoff curve for debt holders and equity holders.
9. Mention the assumptions of MM1.
10. What is debt overhang problem?
11. List the functions of a stock market.
12. What is a bill of exchange?
13. What are derivatives? Mention its types.

**PART-B**

1. **Answer any TWO (5 X 2= 10 marks)**
2. Explain Markowitz hypothesis.
3. What do you mean by IRR? List its limitations.
4. Briefly explain the functions of SEBI.

**PART-C**

1. **Answer any TWO (15 X 2= 30 marks)**
2. Briefly explain prospect theory.
3. Detail the assumptions and explain the capital asset pricing model.
4. Write a short note on agency cost of outside equity and debt.