

Date:15-03-2022

Registration number:

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

MA Economics - III SEMESTER

SEMESTER EXAMINATION: OCTOBER 2021

(Examination conducted in March 2022)

**EC 9518: Financial Economics**

Time- 2 ½ hrs Max Marks-70

This question paper contains 1 printed page and three parts

**Part A**

**Answer any FIVE questions (2x5 =10 marks)**

1. Distinguish between risk and uncertainty.
2. What is the isolation effect?
3. Explain time value of money.
4. What is a coupon bond?
5. State the assumptions of MM1.
6. What is a commercial paper?
7. What are mutual funds?

**Part B**

**Answer any THREE questions (3X10 =30 marks)**

1. Briefly explain the Friedman Savage hypothesis.
2. Derive CAPM equation.
3. Explain the pecking order theory.
4. What are the functions of a stock exchange?
5. i. A stock has just paid a dividend of $0.25. Dividends are expected to grow at a constant annual rate of 5 per cent. The required rate of return on the share is 10 per cent. Calculate the price of the stock.

ii. A single share of XYZ Corporation is priced at $25. Dividends are expected to grow at a rate of 8 per cent, and the dividend just paid was $0.50. What is the required rate of return on the stock?

**Part C**

**Answer any TWO questions (2x15 =30 marks)**

1. Examine the causes and implications of the global financial crisis.
2. Explain the different methods of raising capital in a primary market.
3. Write a note on agency cost of outside equity and debt with numerical example.