



Register Number:  
Date: 25-11-2020

**ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27**  
**MA ECONOMICS - III SEMESTER**  
**SEMESTER EXAMINATION: NOVEMBER 2020**  
**EC9518: FINANCIAL ECONOMICS**

**Time- 2 1/2 hrs**

**Max Marks-70**

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

**PART A: Answer any FIVE**

**(5x2=10)**

1. Define IRR.
2. What is the Prospect theory?
3. Give the meaning of portfolio weight.
4. Define leverage ratio.
5. What is a forward contract?
6. Define securitisation.
7. What is the difference between primary and secondary market?

**PARTB: Answer any THREE**

**(3x10=30)**

8. Explain Friedman Savage hypothesis.
9. Write a note on arbitrage pricing model.
10. Explain the different methods of raising equity.
11. Discuss the different project evaluation techniques along with its limitations.
12. Write a note on agency cost of outside equity.

**PARTC: Answer any TWO**

**(2x15=30)**

13. State the axioms and explain the expected utility theorem.
14. Detail the assumptions and explain the capital asset pricing model(CAPM)
15. Critically examine Modigliani Miller theorem in the presence of tax.

**EC9518\_A\_20**