

Date: 13-04-2018 ( 1pm )

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

**B.Sc. ECONOMICS– VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2018**

**ECS 6216: Financial Institutions & Markets**

**Time- 2 ½ hrs Max Marks-70**

**This paper contains TWO printed page and THREE parts**

(For supplementary candidates)

Do not write the register number on the question paper

Please attach the question paper along with the answer script.

**PART A**

**Answer any TEN of the following 3 X10=30**

1. What are the problems of using expected value in modeling risky outcome?
2. State the Friedman Savage hypothesis.
3. Give the meaning of the term time value of money.
4. Explain the difference between present value and net present value.
5. What is IRR?
6. Define mean variance frontier.
7. What does a security market line show?
8. State the Modigliani Miller theorem.
9. Differentiate between call option and put option.
10. What is the difference between organized and unorganized money market?
11. Explain the difference between money market and capital market.
12. State the functions of SEBI.

**PART B**

**Answer any TWO of the following 5 x 2 =10**

1. Consider an economy in which the risk-free rate of return is 8 per cent and the expected rate of return on the market index is 18 per cent. The variance of the return on the market index is 20 per cent. Two portfolios A and B have expected return 5 per cent and 10 per cent, and variance 20 per cent and 50 per cent, respectively. (a).Work out the β coefficients of portfolio A and B. (b) The risk of a portfolio can be decomposed into market risk and idiosyncratic risk. What are the proportions of market risk and idiosyncratic risk for the two portfolios A and B?

ECS 6216-A-18

1. Explain Arrow Pratt’s measures of risk aversion.
2. What is the difference between zero coupon bonds and coupon bonds? Calculate the yield rate of a 91 days zero coupon bond if the price is Rs.98.20, maturity value is Rs. 100. Is this particular coupon is being sold at premium or at discount?

**Part C**

**Answer any TWO of the following 15x 2 = 30**

1. What are the different project appraisal techniques? Which one do you think is better and why?
2. ‘The Modigliani–Miller theorems imply that firms’ leverage ratio does not affect their value.’ What assumptions underlie this statement? Give two scenarios by relaxing the assumptions in which the statement is invalid.
3. Write a note on bill market of India and its problems.