

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
MA DEGREE EXAMINATION MAY 2025
(Fourth Semester)
Branch - ECONOMICS

MAJOR ELECTIVE COURSE – II FINANCIAL ECONOMICS

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	----- of the following best describes the financial system's role in economic growth. a) Regulating prices in the market b) Facilitating savings and investments c) Controlling government spending d) Maintaining social welfare programs	K1	CO1
	2	A diversified financial structure helps in economic growth by ----- a) Concentrating wealth in one sector b) Reducing investment risks and enhancing capital flow c) Increasing the dependency on a single financial institution d) Limiting international trade	K2	CO1
2	3	The rate at which present value equals future value is known as ----- a) Discount rate b) Interest rate c) Yield to maturity d) Internal rate of return (IRR)	K1	CO2
	4	----- of the following factors affects the Yield to Maturity of a bond. a) Coupon payments b) Current market price c) Time to maturity d) All of the above	K2	CO2
3	5	----- regulatory body oversees securities markets in the U.S. a) Federal Reserve b) Securities and Exchange Commission (SEC) c) International Monetary Fund (IMF) d) World Bank	K1	CO3
	6	A put option allows the holder to ----- a) Buy an asset at a specified price b) Sell an asset at a specified price c) Exchange one asset for another d) Receive periodic interest payments	K2	CO3
4	7	The Net Present Value (NPV) is calculated by ----- a) Subtracting initial investment from the present value of cash inflows b) Adding all future cash inflows without discounting c) Calculating the payback period d) Multiplying cash inflows by the interest rate	K1	CO4
	8	The Investment decision making involves ----- a) Choosing among alternative investment opportunities b) Increasing consumption spending c) Reducing savings to fund expenses d) Only investing in government bonds	K2	CO4
5	9	The Capital market regulations are necessary to ----- a) Increase the prices of all listed securities b) Prevent fraudulent activities and insider trading c) Reduce foreign investment in the economy d) Promote monopolistic practices	K1	CO5

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5	10	The SEBI was established in India to ----- a) Promote foreign direct investment b) Protect the interests of investors and regulate the securities market c) Formulate India's fiscal policy d) Control inflation rates	K2	CO5
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SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Explain the functions of Financial Markets.	K3	CO1
		(OR)		
	11.b.	Distinguish between the Primary and Secondary markets.		
2	12.a.	Describe the factors influence Yield to Maturity.	K3	CO2
		(OR)		
	12.b.	Distinguish between the Present Value and Future Value with examples.		
3	13.a.	Assume the characteristics of Future Markets.	K4	CO3
		(OR)		
	13.b.	Write a short notes on: a) Equity Shares b) Preference Shares c) Convertible Shares d) Non-Convertible Shares		
4	14.a.	Explain how credit ratings influence investor confidence, interest rates, and portfolio management.	K4	CO4
		(OR)		
	14.b.	Evaluate the impact of CRISIL ratings on capital markets.		
5	15.a.	List out the main objectives of SEBI.	K3	CO5
		(OR)		
	15.b.	Discuss the role of NSDL in modernizing the Indian capital market.		

SECTION - C (30 Marks)

Answer ANY THREE questions

ALL questions carry EQUAL Marks

(3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO
1	16	Discuss the role of financial institutions in economic development.	K3	CO1
2	17	Classify the types of Capital Market Instrument.	K4	CO2
3	18	Identify the types of options.	K3	CO3
4	19	Distinguish between the equity investment and debt investment.	K4	CO4
5	20	Analyze the impact of SEBI regulations on IPOs and FPOs in India.	K5	CO5

Z-Z-Z

END