

MASTER OF ARTS EXAMINATION, 2024

(2nd Year, 1st Semester, Supplementary)

ECONOMICS

[FINANCIAL ECONOMICS MECONEF21]

Time : Two hours

Full Marks : 30

Answer any two questions:

15 x 2 = 30

1. A) What are the necessary conditions for the Arbitrage Pricing Theory to hold?
B) What do you mean by Efficient Frontier?
C) How can you derive the Capital Market Line from the Capital Allocation line?
D) Differentiate between systematic and non-systematic risk. 5 + 3 + 4 + 3 = 15

2. A) What is the implication of the efficient market hypothesis in the context of investment decisions?
B) What is the basic difference between fundamental analysis and technical analysis for analyzing the share prices of a company?
C) What do you mean by interest rate risk of a bond? How does it affect bond return?
D) Between Net Present Value method and Internal Rate of Return Method, which is a better way to analyse capital budgeting and why? 3 + 3 + 4 + 5 = 15

3. A) What is the difference between a long put and a short call?
B) How can you create a Bull strategy using call options?
C) What are the Modigliani Miller hypotheses? Prove them. 3 + 5 + 7 = 15