

Ex/PG/ECO/304/2025

MASTER OF ARTS EXAMINATION, 2025

(3rd Semester)

ECONOMICS

PAPER : PG/ECO/304

(Financial Economics I)

Time : 2 Hours

Full Marks : 30

Answer any *two* questions :

2×15=30

1. (a) What are the assumptions and basic results of the Modigliani-Miller Theorem? What will happen if the assumption of no personal taxes is removed?

(b) Explain any two capital budgeting techniques with their advantages and disadvantages. (3+3+3)+(3+3)=15
2. (a) What are the arbitrage portfolios? How are these created using the arbitrage pricing theory? How is the arbitrage portfolio theory different from the capital asset pricing model?

(b) What are capital allocation line and capital market line?
(2+4+4)+5=15

ECO-1272

[Turn Over]

(2)

3. (a) How are forward contracts different from futures contracts?

(b) How can you create a bull spread using call options?

(c) How are arbitrageurs different from speculators?

(d) What is a short put?

(e) How can you price a future contract on a share with a dividend yield? 3+4+2+2+4=15
4. (a) Is the fundamental analysis a better predictor of stock prices than the technical analysis?

(b) What are deep discount bonds?

(c) What are the risks associated with bond pricing?

(d) How can you value a stock which has a constant growth of dividends? 5+3+3+4=15

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