1M4M21501   (Pages : 3)   Reg. No:..............................

Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, March/April 2021

MEC4C12 – International Finance

(2019 Admission onwards)

Time: 3 hours   Max. Weightage : 30

Part-A

Answer all questions

Multiple choice questions carry a weightage of 1/5

1. The curve that indicates a situation in which a depreciation of a currency an initially results in the worsening of the country's trade balance

   a)BP curve   b)IS curve   c)J curve   d)Laffer curve

2. The absorption approach to balance of payment was given by

   a)Sidney Alexander   b)J.S. Mill   c)Alfred Marshall   d)Gustav Cassell

3. Which one of the following is considered as non-debt creating foreign investment inflow?

   a)External assistance   b)Foreign direct investment

   c)Borrowing from I.M.F   d)Commercial borrowings

4. Interest payments are included in which account of balance of payment

   a)Current account   b) Capital account

   c)Visible account   d) Official account

5. Under flexible exchange rate system, exchange rates are determined by

   a)Individuals   b)Monetary authority

   c)Market forces   d)None of the above

6. Euro Dollars denote

   a)Dollar deposits in Europe   b)Euro deposits in US

   c)Dollar deposits outside US   d)Euro deposits outside US

7. Devaluation will improve balance of payment deficit if the sum of elasticity of export and import of the devaluing country is

   a)Greater than one   b)less than one

   c)zero   d)negative

8. Tarapore committee was associated with

   a)Fiscal reforms   b)Capital account convertibility

   c)Banking sector   d)None of the above

9. Expenditure switching policies is mainly work through changes in

   a)Exchange rate   b)Domestic interest rate

   c)Foreign interest rate   d)International capital flow

10. Which among the following is considered as risk-less activity

    a)Speculation   b)Swap

    c)Arbitrage   d)futures

11. Which is considered as vehicle currency

    a)SDR   b)US Dollar   c)Euro   d)Pound Sterling

12. The equation of foreign trade multiplier is

    a)Rupee – Dollar Ratio   b)mpm + mps

    c)Tax – GDP Ratio   d)1/mpm + mps

13. If the accommodating capital is zero in the balance of payments of a country, there will be

    a)Equilibrium in the balance of payments

    b)Disequilibrium in the balance of payments.

    c)Deficit in the balance of payments

    d)surplus in the balance of Payments

14. Gold convertibility of dollar was abandoned in

    a)1962   b)1966   c)1971   d)1973

15. Most popular forward market is have a duration of

    a)30   b)60   c)90   d)180

                              (15x 1/5 = 3 weightage)

Part B
Answer any 5 questions
Each questions carries weightage of 1

16. Explain foreign exchange risk

17. What is Marshall Learner condition

18. Define hedging

19. What is exchange rate band system

20. Explain NEER

21. Explain currency swap

22. Write a note on BP curve

23. What is dollarization

(5 x 1 =5 weightage)

Part C
Answer any 7 questions
Each question carries a weightage of 2

24. Elaborate the reasons for collapse of Bretton Wood system

25. Explain the law of one price

26. Explain the operation of SDRs

27. What is elasticity approach to balance of payments

28. Explain future market

29. Distinguish between spot and forward market

30. Explain interest arbitrage

31. Derive foreign trade multiplier

32. Explain Mundell Fleming Model

33. What is meant by exchange rate over shooting

(7 x 2 = 14 weightage)

Part D
Answer any 2 questions
Each question carries a weightage of 4

34. Derive the exchange rate determination under monetary approach

35. Explain the significance of IMF in the present international monetary system

36. Elaborate the structure and working of foreign exchange market

37. Solve the assignment problem using the Swan diagram

(2 x 4 = 8 weightage)

M4M21502   (Pages : 3)   Reg. No:................................

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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, March/April 2021

MEC4C13 – Financial Economics

(2019 Admission onwards)

Time: 3 hours   Max. Weightage : 30

Part-A

Answer all questions

Multiple choice questions carry a weightage of 1/5

1. Which is the long-term planning for making and financing proposed capital outlay?
   (a) financial system   (b) capital budgeting

   (c) financial management   (d) risk management

2. Who develop CAPM model?

   (a) Markowitz   b) Bernoulli

   c) Gossen   d) Marshall

3. The purpose of the financial markets is to:

   (a) Lower the yield on bonds   b)Allocate saving efficiently

   (c)Increase the price of common stocks   d)Control inflation

4. A bond carries a specific interest rate which is called:

   (a) Coupon rate   b)par value

   c) maturity period   d)market value

5. It is the weighted average of all possible returns multiplied by their respective

   probabilities:

   (a) Portfolio   b)return

   (c)expected rate of return   d)rate of return

6. The discount rate at which two projects have identical is referred to as Fisher's rate of

   intersection:

   (a) present values   (b) net present values

   (c) IRRs   (d) profitability indexes

7. Which is the sum of the present values of all the cash flows of the project:

   (a) IRR   b)ARR   c)BCR   d)NPV

8. Risk is commonly measured by the:

   (a) Variance   b)standard deviation

   (b) variance and standard deviation   d)mean, variance and standard deviation

9. In the case of ....bonds, the value is inversely related to short term interest rates:

  (a) Inverse float bonds   b)Perpetual bonds

  c)Option bonds   d)Fixed rate bonds

10. Which is the length of time required to recover the initial outlay on the project:

  (a) Payback period   b)accounting rate of return

  c)profitability index   d)break-even analysis

11. It is the study of ratios between various items or groups of items in financial statements:

  (a) Valuation ratio   b) profitability ratio

  c)turnover ratio   d)financial ratio

12. Financial decisions are concerned with which one of the following:

  (a) making investment decisions that optimize economic value

  (b) making asset management decisions that optimize economic wealth

  (c) raising capital that is needed for growth

  (d) all the above

13. In the .... the future value of all cash inflow at the end of time horizon at a particular rate of interest is calculated:

  (a) Risk-free rate   (b) Compounding technique

  (c) Discounting technique   (d) Risk Premium

14. The discount rate at which two projects have identical is referred to as Fisher's rate of intersection:

  (a) present values   (b) net present values

  (c) IRRs   (d) profitability indexes

15. A capital investment is one that:

  (a) has the prospect of long-term benefits.

  (b) has the prospect of short-term benefits.

  (c) is only undertaken by large corporations.

  (d) applies only to investment in fixed assets.

(15 x 1/5 = 3 weightage)

Part B
Answer any 5 questions
Each questions carries weightage of 1

16. What is financial statement?

17. Distinguish between Market value v/s Book value.

18. Explain the components of cash flows.

19. Explain the various factors influencing allocating resources overtime.

20. How is beta calculated?

21. Define financial derivatives?

22. What is the effect of change in risk aversion on the security market line?

23. Distinguish between Call option and Put option.

<div align="right">(5 x 1 = 5 weightage)</div>

Part C
Answer any 7 questions
Each question carries a weightage of 2

24. What are the main functions of financial system?

25. Briefly explain Discounted Dividend model.

26. Explain the significant differences in Balance sheet and Income statement.

27. A six-month long forward contract of a non-income-paying security. The risk free rate of interest is 6 percent per annum. The stock price is Rs.30 and the delivery price is RS. 28. Compute the value of forward contract.

28. Explain the three dimensions of Risk transfer.

29. Explain the procedure of Compounding and Discounting in Investment decision.

30. Explain the determinants of the risk premium on the market portfolio.

31. Distinguish between Forward and future contracts. How options work?

32. Explain the measure of the risk and return of a Portfolio.

33. Explain Spot price parity for Gold.

<div align="right">(7 x 2 = 14 weightage)</div>

Part D
Answer any 2 questions
Each question carries a weightage of 4

34. Distinguish between forward and future contracts. Briefly explain the key participants in derivatives market.

35. Describe the Capital Asset Pricing Model.

36. Explain Efficient market hypothesis and point out important principles of market valuation.

37. Explain Portfolio theory of Optimal risk management.

<div align="right">(2 x 4 = 8 weightage)</div>

1M4M21503   (Pages : 4)   Reg. No:................................

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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, March/April 2021

MEC4E02 – Advanced Econometrics

(2019 Admission onwards)

Time: 3 hours   Max. Weightage : 30

Part A
Answer all questions
All the questions carry a weightage of 1/5

1. If , $y_t = \beta_0 + \beta_1 t + \beta_2 y_{t-1} + u_t$

    $\beta_0 \neq 0 \quad \beta_1 \neq 0 \quad \beta_2 = 1$

    (i) $E(y_t) = y_0$ (ii) $E(y_t - t\beta_0 - t\beta_1 t - y_0)^2 = t\sigma^2$

    A) Only (i) is correct   B) Only (ii) is correct

    C) Both (i) and (ii) are correct   D) Neither (i) nor (ii) is correct

2. The estimation of β_0 & β_1 of the following consumption function using the OLS

    will give,

    $C_t = \beta_0 + \beta_1 Y_t + u_t$

    $Y_t = C_t + I_t$

    A) Unbiased and inconsistent estimators   B) Biased and inconsistent estimators

    C) Biased and consistent estimators   D) Unbiased and consistent estimators

3. Which of the following is an INCORRECT statement?

    A) The parameters of an unidentified equation can be estimated using OLS

    B) The Indirect Least Square method is suitable for an exactly identified equation

    C) An over identified equation can be estimated using 2SLS

    D) Both ILS and 2SLS are equation based estimators

4. Which of the following problems is overcame by Koyck transformation

    A) Autocorrelation   B) Heteroskedasticity

    C) Multicollinearity   D) Model misspecification error

5. Suppose you are using the specification:

    wage $=\alpha+\beta$ Education $+ \delta$ Male $+\varphi$ Education x Male $+\varepsilon$

    In this specification the influence of Education on wage is the same for both males

    and females if,

    A) $\delta= 0$ B) $\varphi= 0$ C) $\delta=\varphi$ D) $\delta+\varphi=0$

6. An autoregressive model is the one

A) That is used to avoid the problem of Heteroscedasticity

B) That helps to draw valid inference regarding causality between the variables

C) Where the dependent variable is a lagged variable

D) Where one of the explanatory variable is a lagged-dependent variable

7. Almon technique has advantage over Koyck model as one of the explanatory variable (y_{t-1}) is likely to be correlated with the error term under Koyck model.

A)True   B)False

8. Which of the following is a system method

A) Indirect least squares   B) Two-stage least squares

C) Three-stage least squares   D) None of the above

9. $If, y_t = \beta_0 + y_{t-1} + u_t$ Where β_0 is a non-zero number, then

A)$E(y_t) = t\beta_0 + y_0$ B)$E(y_t - t\beta_0 - y_0)^2 = t\sigma^2$ C)$\Delta y_t = \beta_0 + u_t$ D) All are true

10. If $y_t = \beta \cdot y_{t-1} + u_t$ Where $\beta = 1$, then y_t,

   (i)   does not contain unit root

   (ii)   is a difference stationary process

   (iii)   is a pure random walk process

A) Only (i) is true   B) Both (i) and (ii) are true

C) Both (ii) and (iii) are true   D) (i), (ii), and (iii) are true

11. If $y_t = y_{t-1} + u_t$ Where u_t is a white white-noise process, then which of the following is INCORRECT ?

A)$E(y_t) = y_0$ B)$E[y_t - y_0]^2 = \sigma^2$

C)Δy_t is a stationary process   D)None of these

12. A variable becomes non-stationary if it has a

   (i) time varying mean   (ii) time varying variance

   (iii) constant mean   (iv) constant variance

A) Either (i) or (ii)   B) Only (iii)   C) Both (iii) and (iv)

13. Which of the following is/are the features of a white noise process.

   $(i) E(y_t) = 0$

   $(ii) E[y_t - y_0]^2 = \sigma^2$

   $(iii) y_t = \rho_i y_{t-i} + u_t;$ where, $\rho_i \neq 0$

A) Only (i) B) (i) and (ii)   C) (i), (ii) and (iii)   D) Only (iii)

14. Which of the following is TRUE in case of AIC

A) AIC penalizes the model for adding more indepedndent variables

B) An ARIMA model with higher AIC is better than an alternative model with lower AIC

C) The value of AIC falls when the log likelihood rises   D) Both A and C are true

15. Match the following

i) $\frac{-2}{T}\ln(likelihood) + \frac{K}{T}\ln(T)$ a) AIC

ii) $\frac{-2}{T}\ln(likelihood) + \frac{2K}{T}$ b) SBC

iii) $\frac{-2}{T}\ln(likelihood) + \frac{2K}{T}\ln(\ln(T))$ c) HQC

A) i-a, ii-b, iii-c   B) i-a, ii-c, iii-b   C) i-b, ii-a, iii-c   D) i-c, ii-a, iii-b

$$(15 \times \frac{1}{5} = 3 \text{ weightage})$$

Part B
Answer any FIVE questions
All the questions carry a weightage of 1

16. Distinguish between auto regressive model and distributed lag model.

17. What do you mean by a dummy variable trap?

18. How do you use dummy variable to test for a structural break?

19. Distinguish between trend stationary and difference stationary process.

20. What do you understand by an error correction model?

21. What are the features of a stationary stochastic process?

22. What do you mean by Granger causality test?

23. What is identification in case of simultaneous equation model? (5 x 1 = 5 weightage)

Part C
Answer any SEVEN questions
All the questions carry a weightage of 2

24. Consider the following simultaneous equation:

$$M_t = a_0 + a_1 Y_t + a_2 M_{t-1} + u_{1t} \dots\dots (1)$$
$$Y_t = b_0 + b_1 M_t + b_2 I_t + u_{2t} \dots\dots\dots (2)$$

Where M_t is money supply in time period t, Y is income and I is investment.

a) Find out the endogenous, pre-determined and exogenous variables from the above model.

b) Derive reduced form equations of the structural equations 1 and 2.

25. Briefly explain the Ad Hoc estimation procedure of distributed lag model with the help of an example.

26. How Koyck did transform an infinite distributed lag model? What are the advantages of Koyck transformation?

27. What is meant by unit root in time series? How do you detect it?

28. Consider the following simultaneous equations model:

$$C_t = \beta_0 + \beta_1 Y_t + U_t$$
$$Y_t = C_t + I_t \quad \text{Where } U_t \text{ is the error term,}$$

"In the above model covariance between Y_t and U_t are zero". Do you agree with the statement? Use mathematical derivations to prove your answer.

29. What do you mean by a Linear Probability Model (LPM)? What are the limitations of LPM?

30. Briefly explain the concept of spurious regression. How do you detect it?

31 Consider a money demand function.

$$M_t = a_0 + a_1 Yt - a_2 R_t + u_t$$

Where M is money stock, Y is national income, and R is the interest rate. Explain the estimation procedure when all the variables are I(1).

32. Explain the features of a white noise process. Why do we assume that error term is a white noise process?

33 How do you estimate the relationship between inflation and economic growth when the theory suggests that inflation affect growth positively up to a threshold and negatively after the threshold? **(7 x 2 = 14 weightage)**

Part D
Answer any TWO questions
All the questions carry a weightage of 4

34. Consider the following structural model

$$z_1 = 3z_2 \quad 2y_1 + y_2 + u_1 \qquad .. (1)$$

$$z_2 = z_3 + y_3 + u_2 \qquad .. (2)$$

$$z_3 = z_1 - z_2 \quad 2y_3 + u_3 \qquad .. (3)$$

Identify equations 1,2, and 3 using the order and rank conditions.

35 Discuss LPM model and its short comings. How probit model is superior than LPM?

36. Briefly explain the steps of Box-Jenkin procedure. Compare the following models using the diagnostics given and choose the best model among them. Explain your reasons to choose the particular model.

Model	ARIMA (1,1,0)	ARIMA (0,1,1)	ARIMA (2,1,0)	ARIMA (0,1,2)
Number of Significant Coefficients (excluding constant and trend)	1	1	1	1
R^2	0.62	0.57	0.65	0.60
Log likelihood	114.47	110.94	115.51	107 70
AIC	-3.81	-3.69	-3.91	-3 74
SBC	-3.67	-3.55	-3 72	-3.56
HQC	-3 75	-3.63	-3.81	-3.67

37 What do you mean by a random walk process? Explain various types of random walk processes. Are these random walk processes stationary? Why? Use relevant mathematical derivations to prove your answer **(2 x 4 = 8 weightage)**

1M4M21504   (Pages 3)   Reg. No: ...

Name·

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, March/April 2021

MEC4E05 – Contributions by Noble Laureates

(2019 Admission onwards)

Time: 3 hours   Max. Weightage 30

PART A (OBJECTIVE TYPE QUESTIONS)

Answer All Questions. Each Questions Carries 1/5 Weightage

1   Who among the following economist won Nobel Prize in Economics?

    a) Harry Markowitz   b) Jagdish Bhagwati

    c) Peter Fredriksson   d) Nicholas Kaldor

2. The analysis of market power and regulation are pioneered is by

    a) Lloyd S. Shapley   b) Jean Tirole

    c) Gary Becker   d) Robert C. Merton

3   For which work, Eric S. Maskin and Roger Myerson got the Nobel Prize winners in Economics in the year 2007?

    a) Analysis of consumption, poverty, and welfare

    b) Integrating climate and innovation with macroeconomic Analysis

    c) Trade patterns and location of economic activity

    d) Foundations of mechanism design theory

4. Behavioral Economics is associated with

    a) Bengt Holmström   b) Amartya Sen

    c) William Nordhaus   d) Richard Thaler

5   The first black person to win a Nobel Memorial Prize in Economi Sciences is

    a) Herbert A. Simon   b) W Arthur Lewis

    c) Franco Modigliani   d) Robert Fogel

6. Nobel Prize in Economic Science in 2020 is awarded to

    a) Contract Theory   b) Mechanism design theory

    c) Markets with search frictions   d) Auction Theory

7   Who was the first women to be awarded Nobel prize in Economics?

    a) Esther Duflo   b) Herta Müller

    c) Elinor Ostrom   d) Ada E. Yonath

8. In which year Amartya Sen won Nobel Prize in Economics
   a) 1997   b) 1998
   c) 1999   d) 2001

9 The Time Consistency of Economic Policy is given by
   a) Agnus Deaton   b) Oliver Williomson
   c) Edward Prescott   d) Edmund Phelps

10. The book 'The Theory of International Economic Policy – Trade and Welfare' was
    written by
    a) Paul Krugman   b) Bertil Ohlin
    c) Edmund Phelps   d) James Meade

11 The theory of rational Expectation is pioneered by
   a)Robert Lucas   b)John Muth
   c)Franco Modigliani   d)JM Keynes

12. Who among the following won Nobel Prize in Economics for his development of theory
    and methods for analyzing discrete choice?
    a) Michael Spence   b) George Akerlof
    c) Joseph Stiglitz   d) Daniel McFadden

13 Constitutional Economics was founded by the work of
   a) Trygve Haavelmo   b) James Meade
   c) Maurice Allais   d) James M. Buchanan

14. Who among the following two Economists were pioneered in the branch of Cliometrics?
    a) Merton Miller & William F Sharpe   b) John Harsanyi & Reinhard Selten
    c) Lawrence Klein & Theodore Schultz   d) Robert Fogel & Douglass North

15 Who among the following Noble Prize winners is a Swedish economist?
   a) George Stigler   b) Gunnar Myrdal
   c) Paul A. Samuelson   d) John Hicks

(15 x 1/5 = 3 weightage)

PART B (Short Answer Questions)
Answer Any Five Questions. Each Questions Carries Weightage of 1

16. Peter Arthur Diamond concept of 'Dynamic Inefficiency'

17 What is Nash Equilibrium?

18. State the 'Kuznet Cycle'

19 Why Solow's growth model is known as Exogenous Model

20. Amartya Sen's Concept of 'Capability'

21 Akerlof Concept of 'Market for Lemons'

22. Tobin's concept of 'Transmission mechanism'

23 Mundell's Theory of optimum currency area.

<div align="right">(5 x 1 = 5weightage)</div>

PART C (Short Essay Questions)
Answer Any Seven Questions. Each Questions Carries Weightage of 2

24. Examine Arrow's impossibility theorem.

25 Discuss Paul Samuelson's static and dynamic economic theory

26. Narrate life-cycle hypothesis of Franco Modigliani.

27 Examine Milton Friedman's hypothesis on consumption theory

28. Outline Amartya Sen's social choice theory

29 Briefly Discuss contributions of John F Nash to economic science.

30. Analyze the economic governance given by Elinor Ostram.

31 How Clive Granger developed and applied "cointegration", to differentiate between, short-term fluctuations and long-term trends.

32. Why Jean Tirole was awarded Nobel Prize?

33. How Paul R. Milgrom and Robert B. Wilson contributed towards auction theory and inventions of new auction formats.

<div align="right">(7 x 2 = 14 weightage)</div>

PART D (Essay Questions)
Answer Any Two Questions. Each Questions Carries Weightage of 4

34. Critically evaluate Robert Solow's contributions to economic growth and development theory

35. Examine Ronald Coarse's contributions of transaction cost and property rights to ensure socially optimum solution.

36. Explain Edmund Phelps analysis of inter temporal trade off in macroeconomic Policy

37 Discuss Abhijit Banerjee and Esther Duflo's experimental approach to alleviate global poverty

<div align="right">(2x 4 = 8 weightage)</div>