

## FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Second Semester MA Economics Degree Examination, April 2023

MEC2C05 – Micro Economics : Theory and Applications - II

(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

**PART A****Objective Type Questions****Answer All Questions (Weightage for each question 1/5. Total Weightage-3)**

1. Interest rate actually available in the financial market is  
A. Real interest rate B. Nominal Interest Rate C. Rate of Returns D. None of the Above
2. Firms will chose to hire that number of machines for which  
A. Marginal Revenue Product=Market Rental Rate  
B. Marginal Physical Product=Market Rental Rate  
C. Marginal Cost=Market Rental Rate D. None of the Above
3. According to Net Present Value Criteria Invest if present value of expected future cash flow from an investment  
A. Equal to the cost of investment B. Less than the cost of investment  
C. Larger than cost of investment D. Does not depend on cost
4. If transformation curve is convex it indicates  
A. Constant returns B. Increasing returns C. Decreasing returns D. No returns
5. What is optimum degree of specialisation  
A. MRT for any two products must be same for any two firms producing it  
B. MRS should be same for individuals between two products  
C. MRT between any factor and any product must be same for any pair of firms using that factor and producing that product  
D. None of the above
6. Reversibility test is associated with  
A. Kaldor Criteria B. Hicks Criteria C. Pareto Criteria D. Scitovisky Paradox
7. Which of the following is a way to correct externalities due to emission  
A. Emission Standards B. Fees C. Transferable Permits D. All of the above
8. Which of the following is non rival and excludable  
A. Jeans B. Cable TV C. Fish D. Defence

9. Public goods are those goods which are usually
  - A. Not supplied by the market
  - B. Undersupplied by the market
  - C. Oversupplied by the market
  - D. Supplied sufficiently by the market
10. In "market for lemons" who has more information
  - A. Sellers
  - B. Buyers
  - C. Intermediaries
  - D. Observers
11. Lindhal Pricing used the idea of Marginal Utility to tax Public Goods suggested earlier by which economist
  - A. Marshall
  - B. Hayek
  - C. Wicksell
  - D. Friedman
12. General Equilibrium of exchange is
  - A. Not unique
  - B. Unique
  - C. Not market clearing
  - D. None of these
13. Richard Thaler won the Nobel prize in Economics for his contributions to behavioural economics in which year
  - A. 2013
  - B. 2014
  - C. 2016
  - D. 2017
14. Rule of thumb is closely related to
  - A. Nudge
  - B. Bias
  - C. Heuristics
  - D. None of these
15. Which of the following individuals are associated with developing behavioural economics
  - A. Daniel Kahneman
  - B. Vernon L Smith
  - C. Robert Shiller
  - D. All of the above

## PART B

### Short Answer Type

**Answer any 5 (Weightage for each question 1. Total Weightage-5)**

16. Differentiate between single period and perpetual rate of returns.
17. Explain positive and negative externalities by giving suitable examples.
18. Can a state built infrastructure (for example a "road") be considered a public good?
19. What do you understand by technical coefficients in Input Output analysis?
20. What is market signalling?
21. What is the relationship between real and nominal interest rate?
22. Give two examples of biases in decision making
23. What is the difference between "rationality" and "bounded rationality"?



## **PART C**

### **Short Essay Questions**

**Answer any 7 (Weightage for each question 2. Total Weightage-14)**

24. How do we determine the demand for future goods?
25. What is Pareto criteria? Is it a good measure of welfare?
26. Explain with examples the importance of Tragedy of Commons.
27. What is the difference between a "common property resource" and a "public good"?
28. Explain why moral hazards (for instance in the insurance market) is considered as a case of market failure?
29. Explain the importance of behavioural economics in decision making theory
30. What is the role of property rights in correcting market failure?
31. What are the difficulties of compensating for a loss as suggested by Kaldor Hicks Criteria?
32. Is it advisable to break down a "monopoly" and create a "competitive market" to increase welfare in a democratic state? Why/Why not?
33. Explain the capital asset pricing model.

## **PART D**

### **Essay Type**

**Answer any 2 (Weightage for each question 4. Total Weightage-8)**

34. What is an Input Output model? Explain the Hawkins Simon condition and its importance in Input Output analysis.
35. Explain the Coase Theorem. What does it suggest on removing externalities?
36. What is asymmetric information? With suitable examples explain why asymmetric information leads to adverse selection?
37. Critically examine Behavioural Economics as an alternative to Neo Classical Micro Economic theory

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Second Semester MA Economics Degree Examination, April 2023

MEC2C06 – Macro Economics : Theories &amp; Policies II

(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

**Part A (Multiple Choice Questions)****Answer all questions****Each questions carries  $\frac{1}{4}$  weightage**

1. The classical model is inconsistent and invalid because
  - (a) the excess demand function for money from the monetary side of the classical model depends on the absolute price level through the quantity theory equation but does not depend on relative prices at all
  - (b) the excess demand function for money from the real side of the classical model depends solely on relative prices and not on the absolute price level
  - (c) both (a) and (b)
  - (d) none of these
2. Which of the following statement(s) is/are true in the case of Say's identity?
  - (a) the demand for good always equals the supply of goods
  - (b) the excess of planned demand over planned supply for goods as a whole is zero
  - (c) the real national income is always at the fully employment level
  - (d) all the above
3. Arrow-Debreu equilibrium happens when
  - (a) all goods – current and future – can be exchanged now, via a complete set of future market
  - (b) only present commodities are exchanged
  - (c) only future commodities are exchanged via future market
  - (d) none of these
4. Which one of the following according to Milton Friedman is not a key determinant of demand for money?
  - (a) aggregate wealth
  - (b) Precautionary motive
  - (c) Relative rates of return obtainable on different forms of assets
  - (d) physical non-human capital goods and human capital
5. Liquidity preference refers to
  - (a) the extent to which investors prefer to keep their assets in money
  - (b) RBI's shareholdings in other financial institutions



- (c) community's preference for gold  
(d) community's effective demand for capital goods
6. According to Tobin's asset demand for money an increase in the current market yield
- (a) has no effect upon the quantity of bonds or money demanded
  - (b) increases quantity of bonds demanded and decreases quantity of money demanded
  - (c) decreases quantity of bonds demanded and increases quantity of money demanded
  - (d) increases quantity of bonds demanded with no change in quantity of money demanded
7. Money multiplier determines
- (a) Total supply of money in the economy
  - (b) High powered money
  - (c) Components of money supply
  - (d) Employment and output in the economy
8. High powered money is
- (a) Bank's reserves at the central bank
  - (b) All loans and advances of banks
  - (c) Money held by banks
  - (d) Currency held by public and reserves with the central bank
9. Advocates of the theory of rational expectations believe that
- (a) the sacrifice ratio can be much smaller if policymakers make a credible commitment to low inflation
  - (b) if disinflation catches people by surprise, it will have minimal impact on unemployment
  - (c) wage and price setters never expect the central bank to follow through on its announcements
  - (d) expected inflation depends on the rates of inflation that people have recently observed
10. From one year to the next, inflation falls from 5 to 4 percent, while unemployment rises from 6 to 7 percent. Which of the following events could be responsible for this change?
- (a) the central bank increases the growth rate of the money supply
  - (b) the government cuts spending and raises taxes to reduce the budget deficit
  - (c) newly discovered oil reserves cause world oil prices to drop
  - (d) none of these
11. The Taylor rule shows combinations of (A) \_\_\_\_\_ and (B) \_\_\_\_\_ which characterize (C) \_\_\_\_\_ of the central bank.
- a) (A) interest rates; (B) the real money stock; (C) monetary targeting
  - b) (A) inflation; (B) interest rates; (C) inflation targeting
  - c) (A) real GDP; (B) interest rates; (C) the monetary policy
  - d) (A) inflation; (B) real GDP (C) the monetary policy

12. Advocates for setting monetary policy by rule rather than discretion often argue that
- (a) central bankers with discretion are tempted to renege on their announced commitments to low inflation
  - (b) central bankers following a rule will be more responsive to the needs of the political process
  - (c) fiscal policy is a much better tool for economic stabilization than is monetary policy
  - (d) it is sometimes useful to give the economy a burst of surprise inflation
13. Anticipation of an increase in the rate of inflation will
- (a) cause the short run Phillips curve to shift upward to the right
  - (b) cause an increase in the real rate of interest
  - (c) reduce the normal rate of unemployment in the long run
  - (d) cause the rate of inflation to slow down, other things remaining constant
14. Consider the following statements about the natural unemployment rate:
1. long run Phillips curve is vertical at the natural unemployment rate
  2. at the natural rate of unemployment, the actual rate of the inflation is not stable
- Which of the statements given above is/are correct?
- (a) 1 only
  - (b) 2 only
  - (c) both 1 and 2
  - (d) neither 1 nor 2
15. Which of the following is NOT an argument for maintaining a positive rate of inflation?
- (a) it permits real interest rates to be negative
  - (b) it allows real wages to fall without cuts in nominal wages
  - (c) it increases the variability of relative prices
  - (d) it would be costly to reduce inflation to zero

(12 x ¼ = 3 weightage)

### **Part B (Short Answer Questions)**

**Answer any five questions**

**Each questions carries a weightage of 1**

16. Classical dichotomy
17. Brokerage cost
18. Reserve ratio
19. High powered money
20. NAIRU
21. Sacrifice ratio
22. Time inconsistency of monetary policy
23. Taylor's rule

(5 x 1 = 5 weightage)



**Part C (Short Essay Questions)**

**Answer any seven questions**

**Each question carries 2weightage**

24. Distinguish between Say's equality and Say's identity.
25. "Trying to extend the Walrasian general equilibrium model from a barter economy to a monetary economy by incorporating quantity theory of money leads to inconsistency problem." Explain.
26. Describe the inventory theoretic approach to demand for money.
27. Discuss the portfolio selection approach to the speculative demand for money.
28. Explain the concept of money multiplier. What factors determine the size of the money multiplier?
29. Discuss the determinants of high-powered money.
30. Explain the concept of the Phillips curve. Is there any difference between monetarist and Keynesian views of the Phillips curve.
31. Explain the concept of rational expectations. How does this view of how expectations are formed differ from the assumption made in adaptive expectations hypothesis?
32. What are the arguments for inflation targeting?
33. What causes the lags in the effect of monetary policy on aggregate demand? What are the implications of these lags for the debate over rule versus discretion in policy formulation?

**(7 x 2 = 14 weightage)**

**Part D (Essay Questions)**

**Answer any two questions**

**Each question carries 4weightage**

34. Explain Samuelson's overlapping generations model.
35. Compare Milton Friedman's formulation of the money demand function with the Keynesian liquidity preference theory.
36. Explain the behavioural model of money supply determination.
37. "Output deviates from its natural level only in response to an unexpected increase in the price level." Explain.

**(2 x 4 = 8 weightage)**

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(Pages : 3)

Reg. No:.....

Name: .....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Second Semester MA Economics Degree Examination, April 2023

MEC2C07- Public Finance Theory and Practice

(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

**Part A-(Multiple Choice Questions)**

Answer all questions

Each question carries 1/5 weightage

1. The concept of merit good was developed by  
a) Musgrave b) Adam Smith c) Lindahl d) Marshall
2. Income tax is generally based on the principle of  
a) Benefit received Principle b) Ability to pay principle  
c) Willingness to pay Principle d) None of these
3. Education is an example of  
a) Public good b) Merit good c) Social good d) Club good
4. Incidence of tax means  
a) Direct money burden b) Actual tax burden c) Indirect money burden
5. A tax that can be shifted is called:  
a) Direct tax b) Progressive tax c) Indirect tax d) None
6. The Concentration theory of tax shifting and incidence was developed by  
a) Physiocrats b) Mercantilist c) Keynesians d) Classical school
7. Elastic revenue response to marginal tax rate reduction is called:  
a) Marginal tax curve b) Laffer Curve c) Functional curve d) None of these
8. The balanced budget principle was advocated by:  
a) Classical school b) Keynesians c) Mercantilists d) Neo-Classical School
9. Grants recommended by the finance Commission are known as:  
a) Conditional Grants b) Plan Grants c) Statutory Grants
10. Public Debt Management refers to  
a) Terms of new bonds b) Proportion of different components of public debt  
c) Maturity d) All the above
11. .... refers to refusal to repay the debt.  
a) Capital levy b) Sinking Fund c) Repudiation d) None of the above



12. When individuals with unequal tax paying ability should be taxed unequally in order to equal sacrifice is called :  
 a) Vertical Equity    b) Horizontal Equity    c) Tax paying ability    d) None of these
13. A multilevel decentralized fiscal system involving sharing of fiscal responsibilities between central, state and local government is referred to as:  
 a) Fiscal union    b) Fiscal Equalisation    c) Fiscal Federalism    d) Fiscal Generalism
14. India's dual GST model based on which of the following country  
 a) France    b) England    c) Canada    d) Russia
15. Who is the chairman of 15<sup>th</sup> Finance commission in India?  
 a) Shaktikanta Das,    b) Nand Kishore Singh,    c) Y.V.Reddy    d) Dr.C.Rangarajan
- ( 15x1/5= 3 weightage)

### Part B- Short Answer Type Questions

*Answer any five questions*

**Each question carries a weightage of 1**

16. What are club goods?
17. Functional Finance
18. What is the concept of Laffer curve?
19. What is the meaning of taxable capacity?
20. What do you mean by fiscal federalism?
21. What is the main objective of deficit financing?
22. State the Domar stability condition.
23. What is Tiebout hypothesis.

(5x1=5 weightage)

### Part C- Short Essay type questions

*Answer any seven questions*

**Each question carries a weightage of 2.**

24. Explain the merits and demerits of zero base budgeting.
25. Explain the ability to pay theory of taxation.
26. What is the Coase theorem for externalities and property rights?
27. What is automatic stabilizers and discretionary stabilizer?
28. Examine the major principles of taxation.
29. Explain Musgrave's modern concept of incidence of tax.
30. Give a brief account of problems of center-state financial relations in India
31. What are the trends in revenue and expenditure of central government?
32. Discuss the techniques and problems in public debt management in India.
33. "The developmental expenditures of the central and state is now failing drastic changes"  
 Do you agree?

(7x2=14 weightage)

**Part D- Essay-type questions**

*Answer any two questions Each question carries a weightage of 4*

34. Examine how the objectives of allocation, distribution, stabilization and growth are attained in an economy.
35. What are the sources and functions of public revenue?
36. Explain the structure and problems of Indian tax system.
37. How does government use fiscal and monetary policy to stabilize the economy?

**(2x4=8 weightage)**



FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Second Semester MA Economics Degree Examination, April 2023

MEC2C08 – Quantitative Methods for Economic Analysis II

(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

**PART – A****Answer all questions.****(Each question carries weightage 1/5)****Multiple choice**

1. For a continuous random variable
  - a. Total area under the probability curve is zero.
  - b. Total area under the probability curve is one.
  - c. Total area under the probability curve is greater than zero.
  - d. Total area under the probability curve is less than one.
2. For Student's t distribution mean exists
  - a. Always.
  - b. For  $n=1$
  - c. For  $n>1$
  - d. For no value of  $n$
3. For an estimator  $T$ , if  $E(T) = \mu$ , then
  - a.  $T$  is sufficient for  $\mu$ .
  - b.  $T$  is unbiased for  $\mu$ .
  - c.  $T$  is consistent for  $\mu$ .
  - d.  $T$  is efficient for  $\mu$ .
4. ANOVA is used for
  - a. Testing the equality of several population means
  - b. Testing the equality of several population variances
  - c. Testing the equality of several population proportions
  - d. None of the above.
5.  $\text{pnorm}(x, \text{mean}=2.5, \text{sd}=2)$  gives the
  - a. Probability density function
  - b. Probability mass function
  - c. Cumulative distribution function
  - d. None of the above.

**Fill in the blanks**

6. Log of a lognormal random variable follows .....
7. If  $X \sim N(0,1)$ , then  $X^2$  follows .....
8. Statistic used for estimating a parameter is called .....
9.  $1 - P(\text{Type II error})$  is known as .....
10. `runif()` is the command for .....

**State True or False**

11. Exponential distribution have lack of memory property.
12. F distribution is not a sampling distribution.
13. Confidence interval is also known as fiducial interval
14. In testing we always reject the null hypothesis
15. The R function `rt(n,df)` is used to obtain density function of t distribution

**PART - B**

**Short answer questions**

**Answer any 5 questions.**

**(Each question carries weightage 1.)**

16. Define rectangular distribution. Give its mean and variance.
17. Distinguish between estimator and estimate. Give examples for each.
18. Define F statistic. Give its probability density function.
19. Give the confidence interval for the difference of means explaining each term.
20. Define consistency of an estimator. What are the sufficient conditions for an estimator to be consistent?
21. Distinguish between the two types of errors in testing.
22. Distinguish between critical region and critical value.
23. Distinguish between `dnorm()` and `pnorm()` in R.

**PART - C**

**Short Essay Questions**

**Answer any 7 questions.**

**(Each question carries weightage 2)**

24. Define normal distribution. What are its properties?
25. Explain in detail 'Exponential distribution'
26. Write a note on sampling distributions.
27. What is central limit theorem? What are its assumptions?
28. Obtain the 95% confidence interval for the mean of a normal population if a sample of size 9 has mean 5 and population variance is 4.
29. Check whether sample mean is consistent for population mean based on a random sample of size  $n$  from  $(\mu, \sigma^2)$ .



30. In a die rolling experiment, getting 3 or 6 is identified as a success. Suppose that 9,000 times the die was rolled resulting in 3240 successes. Do you have reasons to believe that the die is an unbiased one?
31. Explain  $\chi^2$  test for goodness of fit.
32. What is meant by ANOVA? What are its assumptions?
33. Explain the R command for paired t test.

**PART – D**  
**Essay Questions**  
**Answer any 2 questions.**  
**(Each question carries weightage 4.)**

34. Heights of students is normally distributed with mean 164cms and standard deviation 4cms. Find the probability that the height of students is  
 (a) more than 176 cms  
 (b) less than 162 cms  
 (c) between 160 and 175 cms
35. Discuss in detail the sampling distribution of sample mean and variance assuming the population to be normal.
36. If  $X_1$  and  $X_2$  are two i.i.d.  $P(\lambda)$  r.v.s. S.T.  $X_1 + X_2$  is sufficient for  $\lambda$ .
37. A random sample of 16 men from state A had a mean height of 68 inches and sum of squares from the sample mean 132. A random sample of 25 men from state B had the corresponding values 66.5 and 165 respectively. Can the samples be regarded as drawn from populations having the same mean?
38. The following table give the yield (in kg) per plot for 5 trial plots of 4 different fertilizers

Plot No	Fertilizer			
	I	II	III	IV
1	42	48	68	80
2	50	66	52	94
3	62	68	76	78
4	34	78	64	82
5	52	70	70	66

Carry Out an analysis of variance and draw your conclusions.