12

1B4A23173 (Pages : 4) Reg. No:.....

Name: .....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, April 2023

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. ..... is not a characteristic of speculation.

   a)Hedging b) Risk taking c)Profit motive d)Exchange rate fluctuation

2. The world's four major trading currencies are all free to float against each other. They include all the following except

   a)The British Pound b)The Japanese Yen c)The Spanish Peso d)The US Dollar

3. The Bretton Woods System called for:

   a) The IMF to promote development

   b) Floating exchange rates against the Japanese Yen

   c) Fixed exchange rates against the US Dollar

   d) Floating exchange rates against US Dollar

4. By definition, currency appreciation occurs when

   a) The value of all currencies fall relative to gold.

   b) The value of all currencies rise relative to gold.

   c) The value of one currency rises relative to another currency.

   d) The value of one currency falls relative to another currency.

5. A forward currency transaction:

   a) is always at a premium over the spot rate

   b) means that delivery and payment must be made within one business day (USA/Canada) or two business days after the transaction date

   c) calls for exchange in the future of currencies at an agreed rate of exchange

   d) sets the future date when delivery of a currency must be made at an unknown spot exchange rate

6. A floating exchange rate
   a) is determined by the national governments involved
   b) remains extremely stable over long periods of time
   c) is determined by the actions of central banks
   d) is allowed to vary according to market forces
7. Gold standard introduced in
   a) 1913 b) 1930 c) 1876 d)1944
8. If purchasing power parity were to hold even in the short run, then:
   a) real exchange rates should tend to decrease over time;
   b) quoted nominal exchange rates should be stable over time
   c) real exchange rates should tend to increase over time;
   d) real exchange rates should be stable over time;
9. The headquarters of IMF is
   a) Geneva b)Paris c) Washington D.C d)Brussels
10. Under managed floating exchange rates, if the rate of inflation in the United States is less thanthe rate of inflation of its trading partners, the dollar will likely:
   a) appreciate against foreign currencies
   b) depreciate against foreign currencies
   c) be officially revalued by the government
   d) be officially devalued by the government
11. The exchange rate system that best characterizes the present international monetary arrangement used by industrialized countries is:
   a) freely fluctuating exchange rates
   b) adjustable pegged exchange rates
   c) managed floating exchange rates
   d) pegged or fixed exchange rates
12. If export contracts are written in terms of foreign currency and import contracts are denominatedin domestic currency, a depreciation of the dollar during the currency contract period
   a) should increase the dollar value of export
   b) should not have any effect on the dollar value of U.S. imports
   c) must increase the balance of trade
   d) all of the above

13. The asset market approach is most helpful in explaining
    a) why exchange rates remain quite stable
    b) why governments change their money supplies
    c) long-term exchange rate movements
    d) short-term exchange rate movements
14. The purchasing-power-parity theory has limitations in forecasting exchange rate fluctuations for all of the following reasons except
    a) inflation affects exchange rates
    b) international capital flows affect exchange rates
    c) governments sometimes impose trade restrictions such as tariffs and quotas
    d) not all products are internationally tradeable
15. The least common type of transaction in the foreign exchange is a
    a) forward transaction b)spot transaction
    c) swap transaction d)none of the above

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

16. What do you mean by spot market?
17. Elucidate real effective exchange rate.
18. Explain hybrid system of exchange rate.
19. Define foreign trade multiplier.
20. What do you mean by devaluation?
21. Explain floating exchange rate system.
22. Illustrate dollarization.
23. Define Euro currency market.

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

24. Explain functions of foreign exchange market.
25. Examine the exchange rate overshooting model.
26. Distinguish between fixed and flexible exchange rate system.
27. Analyze purchasing power parity theory.
28. Discuss the monetary approach to exchange rate determination.
29. Examine the Swan's model of internal and external stability.

30. Analyze contemporary system of floating exchange rate.

31. Elucidate the functions of IMF.

32. Evaluate expenditure switching and expenditure changing policies.

33. Give a brief account of International monetary system.

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

34. Critically analyze asset market model of exchange rate determination.

35. Evaluate the Mundell –Fleming Model.

36. Critically examine the absorption approach to balance of payment.

37. Examine the evolution of Bretton woods system. What were the factors that led to the collapse of Bretton woods system?

13

1B4A23174 (Pages : 4) Reg. No:.....

Name: .....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, April 2023

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. What do you mean by financial statements?
   a. Documents that provide information about a company's financial performance
   b. Documents that provide information about a company's marketing performance
   c. Documents that provide information about a company's human resource performance
   d. None of the above
2. What is the difference between market value and book value?
   a. Market value is the value of a company's stock, while book value is the value of its assets
   b. Market value is the value of a company's assets, while book value is the value of its liabilities
   c. Market value is the value of a company's debt, while book value is the value of its equity
   d. Market value is the current value of an asset, while book value is its value on the balance sheet
3. Define present value?
   a. The value of future cash flows discounted to their current value
   b. The value of current cash flows discounted to their future value
   c. The value of current cash flows discounted to their present value
   d. The value of future cash flows discounted to their future value
4. What is loan amortization?
   a. The process of borrowing money from a bank
   b. The process of paying off a loan over time through regular payments
   c. The process of repaying a loan in a lump sum payment
   d. The process of negotiating a loan with a lender

5. What do you mean by compounding?
   a. The process of earning interest on both the principal and the interest earned
   b. The process of earning interest only on the principal
   c. The process of earning interest on the interest earned
   d. The process of repaying a loan in regular payments
6. What is the difference between market risk and firm-specific risk?
   a. Market risk is the risk that affects only a specific company, while firm-specific risk is the risk that affects all securities in the market
   b. Market risk and firm-specific risk are the same thing
   c. Market risk is the risk that affects all securities in the market, while firm-specific risk is the risk that affects only a specific company
   d. None of the above
7. Define beta:
   a. A measure of a stock's volatility relative to the overall market
   b. A measure of a stock's dividend yield
   c. A measure of a company's debt-to-equity ratio
   d. A measure of a company's profitability
8. Forward contract is the:
   a. A contract between two parties to buy or sell an asset at a price determined by a third party
   b. A contract between two parties to buy or sell an asset at a price determined by the government
   c. A contract between two parties to buy or sell an asset at a predetermined price at a future date
   d. A contract between two parties to buy or sell an asset at the current market price
9. What are the three dimensions of risk transfer?
   a. Avoiding, mitigating, and accepting
   b. Hedging, insuring, and diversifying
   c. Analyzing, assessing, and controlling
   d. Ignoring, minimizing, and maximizing
10. Define efficient frontier:
   a. The line that connects all portfolios with the highest expected return
   b. B) The line that connects all portfolios with the lowest risk
   c. The line that connects all portfolios with the highest Sharpe ratio
   d. The line that connects all portfolios with the highest return-to-risk ratio

11. What is the market risk premium?
    a. The difference between the expected return on the market portfolio and the risk-free rate
    b. The difference between the expected return on an individual security and the risk-free rate
    c. The difference between the expected return on an individual security and the market portfolio
    d. The difference between the expected return on a low-risk asset and the risk-free rate
12. Black-Scholes model used to:
    a. A model used to estimate the price of a forward contract
    b. A model used to estimate the price of an option
    c. A model used to estimate the price of a stock
    d. A model used to estimate the price of a bond
13. How does volatility affect option prices?
    a. Higher volatility leads to lower option prices
    b. Volatility has no impact on option prices
    c. It depends on the type of option being traded
    d. Higher volatility leads to higher option prices
14. What is the put-call parity relation?
    a. The relationship between the price of a call option and the price of a put option
    b. The relationship between the price of a forward contract and the spot price of an asset
    c. The relationship between the price of a stock and the price of a bond
    d. The relationship between the price of a commodity and the price of a currency
15. Which of the following is NOT a factor affecting the price of a bond?
    a. Interest rates
    b. Maturity date
    c. Coupon rate
    d. Dividend yield

(15 x 1/5 =3 Weightage)

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

16. What are the main financial decisions of a household?
17. How does inflation impact discounted cash flow analysis?
18. What is the difference between coupon bonds and current yield?
19. Discuss the discounted Dividend Model.

20. What are the different types of valuation models?
21. Write a note on portfolio theory of optimal risk management.
22. What is the difference between systematic and unsystematic risk?
23. What is the put-call parity relation?

(5 x 1 = 5 Weightage)

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

24. Discuss the various functions of the financial system?
25. Explain the concept of compounding and how it is used to calculate the present value of an investment.
26. Explain how forward and futures contracts can be used to hedge risk.
27. How do diversification strategies affect the risk of a portfolio?
28. A land investor is considering investing in a parcel of land valued at Rs.200,000. They believe the land will appreciate at a rate of 5% per year. The investor has a required rate of return of 10% and can pay for the land using an annuity over 10 years. What is the present value of the annuity?
29. What is the Black-Scholes Model and how does it determine an option's price?
30. What is a forward contract and how does it differ from a future contract?
31. Discuss the various financial ratios.
32. Write a short note on Time value of money.
33. Explain the trade-off between expected return and risk.

(7 x 2 = 14 Weightage)

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

34. What is the Efficient Market Hypothesis and how does it impact asset valuation?
35. Briefly explain the structure of financial system with special reference to India.
36. How can investors use the CAPM to assess the expected return of a portfolio? What are the advantages and disadvantages of using the CAPM to evaluate the risk of a portfolio?
37. Explain the concept of hedging and its importance in risk management.

(2 x 4 = 8 Weightage)

14

1B4A23175 (Pages : 4) Reg. No:.....

Name: .....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, April 2023

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. Which of the following is a necessary condition for identification of a simultaneous equation

   A) Order condition B) Rank condition

   C) Both order and rank condition D) None of the above

2. The right-hand side of a structural equation will definitely contain

   A) Endogenous variable B) Exogenous variable

   C) Predetermined variable D) Both endogenous and exogenous variable

3. Indirect Least Squares method can be applied when the equation is

   A) Unidentified B) Exactly identified

   C) Over identified D) Both (B) and (C) are correct

4. If $Y_t = Y_{t-1} + u_t$. where $u_t$is the white noise error term, thenthe above equation is a

   A) White noise process B) Trend stationary process

   C) Stationary process D) Difference stationary process

5. Consider the following system of equations.

   $C_t = a_0 + a_1 Y_t + u_t$ ..... (1)

   $Y_t = C_t + I_t$ ..... (2)

   The equation (1) will definitely have the problem of

   A) Autocorrelation B)Multicollinearity

   C) Heteroskedasticity D) Endogeneity

6. Granger causality method can be used if variables are

   A) White noise process B) Stationary

   C) Non-stationary D) Both (B) and (C) are correct

7. According to _____, "Cointegration and error correction are equivalent representation."

A) Spurious regression B) Dickey fuller test

C) Granger representation theorem D) ARIMA model

8. Which of the following method can be used if the equation is over identified

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

C) Both ILS and 2SLS D) None of the above

9. If $Y_t = 0.7\,Y_{t-1} + 0.5\,Y_{t-1} + u_t$. where u_t is the white noise error term, then Y_t is a

A) Stationary process B) White noise process

C) Non-stationary process D) Trend stationary process

10. If $Y_t = 0.5 + Y_{t-1} + u_t$, then Y_t

(i) does not contain unit root

(ii) is a trend 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 not true

11. ARMA model can be applied only if the variable is

A)Stationary B)Non-stationary

C) Pure random walk process D) Both (A) and (B) are correct

12. Box Jenkins methodology consider an ARIMA model with _____ log likelihood as the appropriate model

A) Highest B) Zero C) Lowest D) Negative

13. Which of the following is an INCORRECT statement?

(i) The probability value estimated from Logit model can be greater than one.

(ii) Logit model gives a linear association between the explanatory variable and probability of happening of the event.

A) Only (i) B) Only (ii)

C) Both (i) and (ii) D) Neither (i) nor (ii)

14. The plots of PACF helps to identify

A) AR terms B) MA terms

C) Whether the series is integrated D) Both B and C are true

15. Which of the following is INCORRECT regarding the Probit Model?

(i) it can be applied when the dependent variable is an ordinal variable with three categories.

(ii) We can use R-square to understand the goodness of fit

(iii) for each unit increase in explanatory variable, the probability increases/ decreases by same unit.

A) only (i) B) only (i) and (iii)

C) only (ii) and (iii) D) (i), (ii) and (iii)

$15 \times \frac{1}{5} = 3$

Part B

Answer any FIVE questions

All the questions carry a weightage of 1

16. What do you mean by identification in case of a simultaneous equation model?
17. Explain the concept of endogeneity with an example.
18. How does an Indirect Least Squares method differ from an instrumental variable method?
19. Distinguish between a stochastic trend and deterministic trend.
20. Write down the equations of a "random walk process with a drift" and "random walk process with a drift and deterministic trend".
21. Write a short note on instrumental variable method.
22. What is an integrated process?
23. Briefly explain the Augmented Dickey Fuller test. **5 x 1 = 5**

Part C

Answer any SEVEN questions

All the questions carry a weightage of 2

24. Distinguish between a structural equation and reduced form equation with the help of an example.
25. Briefly explain the Koyck approach to distributed lag model.
26. a) When do you use a 2SLS method

    b) Explain the 2SLS method with the help of a suitable example.
27. Explain the identification step of Box-Jenkin's procedure in detail.
28. Consider a model with three variables X, Y, and Z. How do you test for granger causality amongst these variables.
29. Explain the statistics to test the goodness of fit of a logit model.

30. Distinguish between a stationary and non-stationary time series. How do you test if a series is stationary?

31. Explain the steps involved in the estimation of an ARIMA model.

32. Explain the time series properties of a pure random walk process. Is it a stationary series. Why? Prove using relevant mathematical derivations.

33. How do you estimate Keynesian demand for money? $7 \times 2 = 14$

Part D

Answer any TWO questions

All the questions carry a weightage of 4

34. Consider the following simultaneous equation system where a,b,c,d,e,f,g,h,i and j are coefficients.

$$X_t = aW_{t-1} + b\,Y_t + c\,X_{t-1} + d\,Z_t + u_1 \ldots\ldots\ldots\ldots (1)$$

$$Y_t = eX_t + f\,Y_t + g\,Y_t + u_2 \ldots\ldots\ldots\ldots (2)$$

$$Z_t = h\,Y_t + i\,Z_{t-1} + j\,M_t + u_3 \ldots\ldots\ldots\ldots (3)$$

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

35. You have data on Price and exchange rate from India for 60 years and both variables are integrated of order one. Price is expressed in rupees and exchange rate is expressed as rupees per dollar. You are interested to estimate how price changes when the exchange rate increases by one rupee.

a) Do you expect a spurious regression if you apply OLS? Why?

b) How would you estimate the long run relationship between exchange rate and prices. Use relevant equations to answer the question.

c) Explain the concept of short-run adjustment with the help of relevant equations.

36. Answer the following questions regarding the qualitative response regression model

a) Briefly explain the linear probability model

b) What are the limitations of linear probability model?

c) Explain the logit model in detail.

d) How does the logit model is superior to linear probability model?

37. You are interested to empirically test the Export led growth hypothesis. Explain the steps involved in the estimation of the Export led growth hypothesisin detail. Use relevant equations to answer the question. $2 \times 4 = 8$

1B4A23176 (Pages : 3) Reg. No:.....

Name: .....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, April 2023

MEC4E05 – Contributions by Nobel 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 Nobel Prize winner is known as the 'Father of the Euro'?
   a) Robert Engel
   b) Robert A. Mundell
   c) Robert Fogel
   d) Robert C. Merton
2. Who among the following Nobel Prize winner was the visiting professor at the Indian Statistical Institute (ISI), Delhi?
   a) Amartya Sen
   b) George A. Akerlof
   c) Abhijit Banerjee
   d) Thomas Sergent
3. Who among the following Noble Prize winners described the relationship between economic growth and income inequality?
   a) Simon Kuznets
   b) Robert Solow
   c) Stiglitz
   d) W. Arthur Lewis
4. James E. Meade was awarded the Nobel Prize for his contribution to
   a) Optimum allocation of resources
   b) analysis of the financial market
   c) International capital movements
   d) Consumption and monetary theory
5. Who among the following economist played a prominent role in developing microeconomic foundations for macroeconomics?
   a) Robert Lucas
   b) Robert Engel
   c) Oliver Williamson
   d) Harry Markowitz
6. Who among the following is a psychologist won Nobel Prize in Economics?
   a) Vernon L. Smith
   b) Daniel Kahneman
   c) Richard Thaler
   d) Joseph E. Stiglitz
7. The book "The Future of the Commons: Beyond Market Failure & Government Regulations" was written by
   a) Agnus Deaton
   b) Elinor Ostrom
   c) Abhijit Banerjee
   d) Amartya Sen

8. Who among the following economist coined the term 'econometrics' for studies in which he used statistical methods to describe economic systems?

a) Ragnar Frisch
b) Paul Samuelson
c) Robert Engel
d) Clive Granger

9. For which work, Richard H. Thaler won the Nobel Prize in Economics.

a) Asset price analysis
b) Behavioural economics
c) Contract theory
d) Auction theory

10. Who among the following economist analyzed the labour market effects of minimum wages, immigration and education using natural experiments?

a) Ben S. Bernanke
b) Paul Milgrom
c) David Card
d) Robert B. Wilson

11. Which among the following is NOT a contribution of Milton Friedman?

a) Consumption analysis
b) Stabilization policy
c) Monetary analysis
d) International trade

12. The concept of Q-ratio is associated with the name of …

a) James Tobin
b) Harry Markowitz
c) Franco Modigliani
d) James Meade

13. Who among the following won Nobel Prize for analyzing economic time series with time-varying volatility?

a) Robert Lucas
b) Robert Engel
c) Agnus Deaton
d) Robert B. Wilson

14. The analyses of saving and financial markets are pioneered by …

a) Franco Modigliani
b) Simon Kuznet
c) Joseph E. Stiglitz
d) Finn E. Kydland

15. The concept of the capability approach to development is given by…

a) Abhijit Banerjee
b) Amartya Sen
c) Arthur Lewis
d) Gunnar Myrdal

(15 x 1/5 = 3 weightage)

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

16. What is Tobin Tax?
17. What is Coarse Theorem?
18. Why Christopher A. Sims was awarded Nobel Prize?
19. Oliver Williamson's concept of 'Transaction Cost.'
20. What is Granger Causality Test?
21. State Life-Cycle Hypothesis.
22. What is the Hicksian demand function
23. Fogel's concept of 'Cliometrics.'

(5 x 1 = 5 weightage)

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

24. Examine the static and dynamic economic theory developed by Paul Samuelson.
25. ExplainMilton Friedman's hypothesis on consumption theory.
26. Describe the theory of portfolio choice given by Harry Markowitz.
27. State and explain Arrow's Impossibility Theorem and its implications for social choice.
28. Discuss the role of property rights and transaction costs in relation to the Coase Theorem.
29. Deliberate the non-cooperative game theory given by John F. Nash.
30. Discuss the model of market with asymmetric informationgiven byAkerloff and Stiglitz.
31. Explain Edmund Phelps'sarguments on the trade-off between unemployment and inflation.
32. Describe Abhijit Banerjee's experimental approach to alleviating global poverty.
33. Evaluate the Thomas Sergent's rational expectation model and its implications.

(7 x 2 = 14 weightage)

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

34. Explain the economic development model with Unlimited Supplies of Labor.
35. Briefly discuss the contributions of Robert Mundell to economics
36. Elucidate Bertil Ohlin's contribution to the theory of international trade.
37. Describe Paul Krugman's explanation of the pattern of international trade.

(2 x 4 = 8 weightage)