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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE  
Fourth Semester MA Economics Degree Examination, April 2024  
MEC4C12 – International Finance  
(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

**Part A: (Multiple Choice Questions). Answer *all* questions. Each carries  $\frac{1}{5}$  weightage**

1. Which among the following is not an invisible transaction in balance of payment  
A. Trade in services B. Interest C. Dividends D. Merchandise trade
2. Euro became the official currency of European union in the year  
A. 2000 B. 1999 C. 1998 D. 1997
3. Who among the following are associated with the elasticity approach  
A. Marshall B. Lerner C. Robinson D. All of the above
4. Exchange rate adjusted for relative price changes is  
A. Nominal exchange rate B. Real exchange rate  
C. Effective exchange rate D. Floating exchange rate
5. The trade weighted index of exchange rate is  
A. Nominal exchange rate B. Real exchange rate  
C. Effective exchange rate D. None of the above
6. A geographical area in which a single currency would create economic benefit is  
A. Swap market B. Future market C. Forward market D. Optimum currency area
7. Brettonwood system effectively came to the end on  
A. 1969 B. 1944 C. 1970 D. 1971
8. Which one belongs to the direct control to attain internal and external balance  
A. Fiscal policy B. Changes in interest rate C. Changes in tariff D. Budgetary policy
9. IMF provides credit for longer periods larger than the quota under  
A. Buffer stock financing facility B. Extended fund facility  
C. Structural adjustment facility D. Compensatory financing facility
10. Most important advantage of pegged exchange rate is  
A. Market efficiency B. Certainty C. Control of business cycles D. Flow of resources
11. International reserve asset during the Bettonwood system predominantly was  
A. Pound Sterling B. US Dollar C. Euro D. German Mark
12. Purchasing power parity theory is associated with  
A. Sidney Alexander B. Gustav Cassel C. Robert Mundell D. Harry Johnson

13. The curve that indicates a depreciation of a currency can initially results in worsening of current account is  
A. IS curve B. LM curve C. BP curve D. J curve
14. Most popular forward contract is for  
A. 30 days B. 90 days C. 180 days D. 364 days
15. Foreign exchange risk associated with preparation of company's balance sheet  
A. Translation exposure B. Accounting exposure  
C. Purchasing power exposure D. Economic exposure

(15 × 1/5 = 3 weightage)

**Part B: Answer any five questions. Each carries one weightage**

16. Define pegged exchange rate system
17. What is currency pass through
18. Explain FEMA
19. State foreign exchange exposures
20. Explain Euro bond market
21. Define NEER
22. What is the nature of BP curve
23. What is meant by autonomous transaction

(5 × 1 = 5 weightage)

**Part C: Answer any seven questions. Each carries two weightage**

24. Explain Mundell Fleming model
25. Elaborate convertibility of Indian Rupee
26. State features of gold standard
27. What are functions of foreign exchange market
28. Derive Marshall Lerner condition
29. Explain optimum currency area
30. Explain the nature of speculation in the foreign exchange market
31. Explain absorption approach to balance of payments
32. What is meant by exchange rate overshooting
33. Explain merits of flexible exchange rates

(7 × 2 = 14 weightage)

**Part D: Answer any two questions. Each carries four weightage**

34. Elaborate European monetary integration
35. Write accounting principles associated with balance of payments
36. Critically examine portfolio balance approach
37. State internal and external balance using Swan diagram

(2 × 4 = 8 weightage)



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(Pages : 4)

Reg. No:.....

Name: .....

**FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE**  
**Fourth Semester MA Economics Degree Examination, April 2024**  
**MEC4C13 – Financial Economics**  
(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

**Part-A**

**Answer all questions**

**Multiple choice questions carry a weightage of 1/5**

1. Which of the following is NOT a type of financial market:
  - a) Stock market
  - b) Bond market
  - c) Derivatives market
  - d) Real estate market
2. Loan Amortization is:
  - a) The process of gradually paying down the principal and interest on a loan
  - b) Occurs only when borrowing from banks
  - c) Leads to decreasing monthly payments over time
  - d) Has no impact on the total cost of borrowing
3. Risk management is the process of:
  - a) Eliminating all potential threats.
  - b) Identifying, assessing, and controlling potential threats
  - c) Predicting the future with certainty.
  - d) Ignoring risks and hoping for the best.
4. Arbitrage is the process of:
  - a) Exploiting price discrepancies between markets for identical assets
  - b) Diversifying a portfolio to minimize risk
  - c) Predicting future market movements
  - d) Investing with a long-term perspective

5. The difference between a company's market value and its book value reflects:
  - a) The accuracy of its accounting practices
  - b) The current market sentiment towards the company
  - c) The amount of cash the company has on hand
  - d) The company's historical profitability
6. Share valuation can be based on:
  - a) The book value of the company's assets
  - b) The present value of future dividends
  - c) Technical analysis of price charts
  - d) A combination of fundamental and technical analysis.
7. Balance sheet means:
  - a) Shows a company's income and expenses over a period
  - b) Reports a company's assets, liabilities, and owner's equity at a specific point in time
  - c) Lists the employees and their salaries
  - d) Tracks the production of goods and services
8. Bond prices are inversely related to:
  - a) Their maturity date
  - b) Their coupon rate
  - c) The creditworthiness of the issuer
  - d) The general level of interest rates
9. Discounting is:
  - a) The process of calculating the present value of future cash flows
  - b) When a bond is sold for less than its face value
  - c) The opposite of compounding
  - d) Used only for depreciating assets
10. Present value (PV) is:
  - a) The current market value of an investment
  - b) The total amount of interest earned over the life of an investment
  - c) The difference between the initial and final value of an investment.
  - d) The amount you need to invest today to reach a desired future sum.



11. Inflation can impact discounted cash flow analysis by:
- a) Having no effect on the calculations
  - b) Requiring adjustments to future cash flows
  - c) Always increasing the NPV of an investment
  - d) Always decreasing the NPV of an investment.
12. Technical analysis focuses on:
- a) Fundamental data about a company's finances
  - b) Chart patterns and market indicators to predict price movements
  - c) The impact of macroeconomic factors on the stock market
  - d) Identifying undervalued stocks based on intrinsic value.
13. How is daily margin calculated in futures trading?
- a) As a percentage of the notional value of the contract
  - b) Based on the creditworthiness of the individual trader
  - c) By the clearinghouse, who sets the initial and maintenance margin requirements
  - d) Not required for cash-settled contracts
14. Three dimensions of risk transfer include:
- a) Hedging, speculating, and diversifying
  - b) Avoiding, mitigating, and accepting
  - c) Internal, external, and operational
  - d) Short-term, long-term, and systematic
15. Futures trading involves:
- a) Owning the underlying asset throughout the contract period
  - b) Speculating on the future price of the asset without taking ownership
  - c) Guaranteeing a fixed price for buying or selling the asset at a set future date
  - d) Directly exchanging the asset with another party without going through an exchange.

(15 x 1/5 = 3 Weightage)

### **Part B**

**Answer any 5 questions**

**Each questions carries weightage of 1**

16. Define finance and explain its significance in modern economies.
17. Differentiate between the value of an asset and its price.
18. Discuss the importance of regulations in financial markets.
19. Differentiate between the present value (PV) and future value (FV) of annuities.
20. What is option technology, and how has it evolved over time?

21. What is yield to maturity (YTM) in the context of bond investing?
22. Differentiate between forward and futures markets.
23. Explain the concept of systematic and unsystematic risk in a portfolio context.

(5 x 1 = 5 Weightage)

### **Part C**

**Answer any 7 questions**

**Each question carries a weightage of 2**

24. Explain the concept of a financial system and its role in the economy.
25. Discuss the trade-off between expected return and risk in investment decisions.
26. Outline the basics of the cost-of-carry model in perfect markets.
27. What are the different methods for measuring risk in financial markets?
28. Explain the concept of using call options as insurance policies.
29. Discuss the sensitivities in option pricing, focusing on Delta.
30. Explain the concept of futures trading and its purpose.
31. Define internal rate of return (IRR) and explain its significance in evaluating investment projects.
32. Briefly explain efficient market hypothesis and its implications for investors.
33. Explain how the discount rate is determined in discounted cash flow analysis.

(7 x 2 = 14 Weightage)

### **Part D**

**Answer any 2 questions**

**Each carries weightage of 4**

34. Explain the principles of fundamental analysis and its significance in stock valuation.
35. Discuss the portfolio theory of optimal risk management.
36. Define financial derivatives and discuss their role in risk management.
37. Discuss the key principles behind net present value (NPV) as an investment decision rule.

(2 x 4 = 8 Weightage)



FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE  
**Fourth Semester MA Economics Degree Examination, April 2024**  
**MEC4E02 – Advanced Econometrics**  
 (2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

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

- 1 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 variables is a lagged-dependent variable
- 2 The annual data of money supply and GDP for 100 countries from 2014 to 2023 is known as
  - A) Short Panel    B) Long Panel    C) Mixed Panel    D) Cross section data
- 3 Which of the following is a correct statement?
  - (i) OLS method does not consider the bi-directional causality between the explanatory variable and explained variable
  - (ii) Simultaneous equation model estimates the parameters of a single equation without considering the information contained in the other equations of the system
  - (iii) Simultaneous equation model takes care of joint dependence
  - A) Only (i) is correct    B) Only (ii) is correct
  - C) Both (i) and (iii) are correct    D) None of them are correct
- 4 If,  $y_t = \beta_0 + \beta_1 t + u_t$   
 $\beta_0 \neq 0$      $\beta_1 \neq 0$   
 Where  $t$  is the time trend. The above equation is a
  - A) Difference stationary process    B) Trend stationary process
  - C) stationary process    D) Both (A) and (C) is correct
- 5 The test to choose between the constant coefficients model and LSDV model is
  - A) Student's t-test    B) Chi-square test    C) F-test    D) Hausman test
- 6 Consider the following regression:
 
$$y_t = \beta_0 + \beta_1 x_t + u_t, \dots \dots \dots (1)$$
 if  $y_t$  and  $x_t$  are  $I(1)$ , then the equation (1) could be a spurious regression when
  - A)  $u_t$  is stationary    B)  $R^2 < DW$  statistic
  - C) Both A and B are correct    D)  $R^2 > DW$  statistic

- 7 The estimation of  $\beta_0$  &  $\beta_1$  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
- 8 Which of the following method can be used if the equation is unidentified
- A) Indirect least squares        B) Two-stage least squares  
C) Three-stage least squares    D) None of the above
- 9 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)        D) Both (i) and (iv)
- 10 If  $y_t = \beta y_{t-1} + u_t$   
Where  $\beta = 1$ , 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) Only (iii) is true
- 11 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
- 12 Box Jenkins methodology consider an ARIMA model with \_\_\_\_\_ R square as the appropriate model
- A) Highest    B) Zero    C) Lowest    D) Negative
- 13 Fixed Effect model
- (i) Does not consider heterogeneity among cross sectional units  
(ii) Allows the intercept to vary across cross section units  
(iii) Allows the slope coefficient to vary across cross section units
- A) Only (i) is true        B) Only (ii) is true  
C) Both (ii) and (iii) are true    D) (i), (ii), and (iii) are true.
- 14 PACF helps to identify
- A) AR terms    B) MA terms  
C) Whether the series is integrated    D) Both B and C are true



- 15 The VAR model has been developed by  
A) C.W.J. Granger B) Christopher A. Sims  
C) D. McFadden D) Robert F. Engle

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

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**Part B**

**Answer any FIVE questions**

*All the questions carry a weightage of 1*

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16. When do you use an ARCH/GARCH model.  
17. Briefly explain the concept of unit root.  
18. State the rank condition.  
19. List out the importance of lags in economics.  
20. Explain the relevance of error correction model.  
21. What do you mean by Partial Adjustment model.  
22. Distinguish between a dynamic forecasting and static forecasting.  
23. Briefly explain how impulse response and variance decomposition is helpful.

5 x 1 = 5

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**Part C**

**Answer any SEVEN questions**

*All the questions carry a weightage of 2*

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24. Construct a hypothetical example for simultaneous equation model with two equations and find out the endogenous, pre-determined and exogenous variables from the above model.  
25. Briefly explain the Koyck model.  
26. Distinguish between a simultaneous equation system and recursive system.  
27. Explain and prove the simultaneous equation bias with the help of an example.  
28. Consider the following simultaneous equations model:

$$C_t = a_0 + a_1 Y_t + u_t \dots \dots \dots (1)$$

$$Y_t = C_t + I_t + G_t \dots \dots \dots (2)$$

Where  $u_{it}$  is the error term.

Can you estimate the parameters of equation (1) using ILS and 2SLS? Why?

29. Explain the use of Durbin h test.  
30. Distinguish between a Dickey fuller test and Augmented Dickey Fuller test with the help of suitable equations.  
31. What do you mean by a Linear Probability Model (LPM)? What are the advantages of Logit and Probit model over LPM?

32. Explain the Vector Auto regression model in case of three variables X Y and Z with two lags.
33. You are running a business and would like to forecast the expected sales. You have data on sales from 1971 to 2023 which is an I(1) variable. How do you forecast the expected sales from 2024 to 2028 using the past data on sales. Explain the steps involved in forecasting.

7 x 2 = 14

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**Part D**

**Answer any TWO questions**

*All the questions carry a weightage of 4*

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34. Explain the following related to Logit model

- a) Count R-square and Pseudo R square
- b) Odds ratio
- c) Various performance metrics with a numerical example.

35. Consider the following relationship.

$$Y = \beta_0 + \beta_1 X + u$$

You have collected data on Y and X from 25 states of India for 45 years. Both the variables are I(0). Explain in detail the process in which you will follow to find the relationship between X and Y. Use relevant equations to answer the question.

36. a) Distinguish among pure random walk, random walk process with a drift and random walk process with a drift and deterministic trend.
- b) Are these processes stationary?
- c) Prove that pure random walk, random walk process with a drift and random walk process with a drift and deterministic trend are stationary/non-stationary.
37. Explain the following related to ARCH/GARCH model
- a) Briefly explain the need for using GARCH model.
  - b) Distinguish between an ARCH and GARCH model.
  - c) Prove that GARCH (1,1) model is a parsimonious version of ARCH(p) model.

2 x 4 = 8



FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE  
Fourth Semester MA Economics Degree Examination, April 2024  
MEC4E05 – Contributions by Nobel Laureates  
(2022 Admission onwards)

Time: 3 hours

Max. Weightage : 30

**PART A (Objective Type Questions)**

**Answer All Questions. Each Questions Carries 1/5 Weightage**

1. Who became the first non-economist to win the Nobel Prize in Economic Sciences?
  - a) Paul Samuelson
  - b) Milton Friedman
  - c) John Maynard Keynes
  - d) Herbert Simon
2. Which economist is known for his work on behavioural economics and wrote the best-selling book '*Nudge*'?
  - a) Daniel Kahneman
  - b) Amos Tversky
  - c) Richard Thaler
  - d) Robert Shiller
3. The concept of 'rational expectations' in economics was introduced by:
  - a) Paul Romer
  - b) Robert Lucas Jr.
  - c) Gary Becker
  - d) James Tobin
4. Who is known for the development of the theory of industrial organization and received the Nobel Prize in 2014?
  - a) Oliver Williamson
  - b) Angus Deaton
  - c) Jean Tirole
  - d) Robert Shiller
5. Amartya Sen, the Nobel laureate in Economics, is known for his work in:
  - a) Development economics
  - b) Behavioral economics
  - c) Public finance
  - d) Game theory
6. Akerlof's 'Market for Lemons' discusses the issues related to:
  - a) Real Estate Markets
  - b) Used Car Markets
  - c) Agricultural Commodities
  - d) Stock Market Bubbles
7. The 'Efficient Market Hypothesis' is closely associated with the work of:
  - a) Daniel Kahneman
  - b) Richard Thaler
  - c) Eugene Fama
  - d) Robert Shiller
8. Who was awarded the Nobel Prize in Economics in 2015 for his research on poverty and economic development?
  - a) Esther Duflo
  - b) Angus Deaton
  - c) Abhijit Banerjee
  - d) Robert Barro

9. Paul Samuelson is renowned for his work in:
  - a) Institutional Change
  - b) Time Series Analysis
  - c) Monetary Policy Analysis
  - d) Static and Dynamic Economic Theory
10. Simon Kuznets' work is primarily associated with:
  - a) Transaction Cost Analysis
  - b) Empirical Research
  - c) Game Theory
  - d) Financial Markets
11. 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
12. The concept of '*Q-ratio*' is associated with the name of ...
  - a) James Meade
  - b) Franco Modigliani
  - c) Harry Markowitz
  - d) James Tobin
13. Who among the following Noble Prize winners is an Austrian economist?
  - a) F.A. von Hayek
  - b) Paul A. Samuelson
  - c) George Stigler
  - d) Oliver Hart
14. The first woman awarded the Nobel prize in Economics
  - a) Esther Duflo
  - b) Mrs. John Robinson
  - c) Elinor Ostrom
  - d) Claudia Goldin
15. '*Free to Choose*' is a book advocating free-market principles authored by:
  - a) Milton Friedman
  - b) Robert Solow
  - c) James Tobin
  - d) Friedrich Hayek

(15 x 1/5 = 3 weightage)

#### **PART B (Very Short Answer Questions)**

**Answer Any Five Questions. Each Question Carries Weightage of 1**

16. Tobin's concept of the Transmission mechanism.
17. Arrow's fundamental theorems of welfare economics.
18. State Vector Autoregression (VAR) model.
19. Oliver Williamson's concept of 'Transaction Cost.'
20. Granger's concept of co-integration.
21. What is Lucas's critique?
22. Time Consistency of Economic Policy by Prescott.
23. Why Claudia Goldin was awarded the Nobel Prize?

(5 x 1 = 5 weightage)



### **PART C (Short Answer Questions)**

**Answer Any Seven Questions. Each Question Carries Weightage of 2**

24. Explain the contributions of Ragner Frisch and Tinbergen to the analysis of the economic process.
25. Define the Kuznet's curve and discuss its implications for economic development.
26. Explain Milton Friedman's analysis of monetary theory.
27. Discuss Lewis's analysis of economic development with unlimited supplies of labour.
28. Explain Ronald Coase's contribution to understanding transaction costs and property rights.
29. What is Robert Fogel's contribution to studying economic and institutional change, and how did his work impact economic history?
30. Explain the contributions of Akerlof and Stiglitz in the context of markets with information asymmetry.
31. How did Edmund Phelps contribute to analyzing intertemporal trade-offs in macroeconomic policy?
32. Describe Abhijit Banerjee's experimental approach to alleviating global poverty.
33. What are the key contributions of Diamond, Mortensen, and Pissarides in the context of markets with search frictions?

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

### **PART D (Essay Questions)**

**Answer Any Two Questions. Each Question Carries Weightage of 4**

34. What is Kenneth Arrow's impossibility theorem, and what does it imply for social choice theory?
35. Discuss Robert Solow's contributions to the theory of economic growth.
36. Outline Amartya Sen's contributions to welfare economics, emphasizing his approach to assessing societal well-being.
37. How does Paul Krugman's new trade theory differ from traditional trade theories, and what factors does it emphasize?

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