34

2M4A22501 (Pages : 3) Reg. No:.....

Name: .....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, April 2022

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 headquarters of European Union is

   a)Paris b)Brussels c)Frankfurt d)London

2. The purchasing power parity theory was formulated by

   a)Sidney Alexander b)Joan Robinson c)Alfred Marshall d)Gustav Cassell

3. Spot sale of a currency combined with forward repurchase is a feature of

   a)Forward b)Option c)Arbitrage d)Currency swap

4. Remittances from abroad are included in which account of balance of payment

   a)Current account b) Capital account c)Visible account d) Official account

5. Largest foreign exchange market in the world

   a)London b)New York c)Singapore d)Tokyo

6. Portfolio balance approach considers

   a)Money only b)Money and domestic bond

   c)Money, domestic bond and foreign bond

   d)Money, domestic bond, foreign bond and private debentures

7. If the sum of the two trade elasticities are less than one, then devaluation will

   a)Improve current account b)Worsen current account

   c)No effect on current account d)None of the above

8. Rupee is convertible in

   a)Current account only b)Capital account only

   c)Current and capital account d)None of the above

9. Exchange rate of a currency against the basket of currencies

   a)Nominal Exchange rate b)Effective Exchange rate

   c)Real Exchange rate d)Relative Exchange rate

10. The avoidance of foreign exchange risks is known as

a)Hedging b)Speculation c)Spot d)future

11. SDR came into effect from

a)January 1, 1970 b)March 1, 1970

c)January 1, 1969 d)January 1, 1971

12. If the Rupees per Dollar exchange rate changes from Rs 74 to 76 in an year by the market force, it implies

a)Appreciation of $ b)Depreciation of $

c)Devaluation of $ d)Revaluation of $

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. Absoption approach examines the effect of devaluation on

a)current account b)capital account

c)national income d)foreign exchange reserves

15. Most popular forward market is have a duration of

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

(15 x 1/5 = 3 weightage)

Part B

Answer any 5 questions

Each questions carries weightage of 1

16. What is meant by effective exchange rate
17. Explain currency pass through
18. Define arbitrage
19. What is managed floating exchange rate
20. Explain speculation in foreign exchange market
21. Explain SWIFT mechanism
22. Write a note on currency board arrangement
23. What is unilateral transfers in balance of payment account

(5 x 1 = 5 weightage)

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

24. Explain monetary approach to balance of payment
25. Elaborate the role and functions of IMF
26. Explain the participants in the foreign exchange market
27. What is asset market approach
28. Explain internal and external balance using Swan diagram
29. Explain the theory of optimum currency area
30. What is meant by disequilibrium in international transactions
31. Derive Marshall Lerner condition
32. Explain Euro currency market
33. What is foreign exchange risks

(7 x 2 = 14 weightage)

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

34. Critically examine the purchasing power parity theory
35. Explain the types of dealing rates in the foreign exchange market
36. Elaborate the structure and working of Bretton Wood system
37. Explain Mundell Fleming model

(2x4= 8 weightage)

2M4A22502 (Pages : 4) Reg. No:.....

Name: .....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, April 2022

MEC4C13 – Financial Economics

Time: 3 hours Max. Weightage : 30

Part-A

Answer all questions

Multiple choice questions carry a weightage of 1/5

1. Most of the speculative purchases are made on the basis of:
   (a) Margin trading (b) Arbitrage
   (c) Wash sale (d) none of these
2. Liability side of the balance sheet comprises:
   (a) Capital and reserve b)Long term liabilities
   c)Current liabilities d)All the above
3. The trader who promises to buy in ..... contract is said to be in 'long position':
   (a) Forward (b) Option (c) Swap (d) None of these
4. It is used for developing probability profile of a criterion of merit by randomly combining values of variables that bear on the chosen criteria:
   (a) Scenario analysis (b) sensitivity analysis
   (c) simulation analysis (d) break even analysis
5. Agreed price of ..... contract is known as strike price:
   (a) Option (b) Future (c) Swap (d) None of these
6. 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.
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. 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
9. 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
10. Risk is commonly measured by the:
   (a) Variance b)standard deviation
   c)variance and standard deviation d)mean, variance and standard deviation
11. An Option that gives the right to sell is called:
   (a) Put option (b) call option
   (c) European option (d) swap
12. 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
13. An attempt to gaining short term profit from the price difference or movements of securities are called:
   (a) Investment b)Hedging
   c)Speculation d)All the above
14. 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
15. .....is the price at which the bond is traded in the stock exchange:
   (a) Redemption value (b) Face value
   (c) Market value (d) Maturity value

Part B **(15 x 1/5 = 3 weightage)**

Answer any 5 questions
Each questions carries weightage of 1

16. Write a note on Beta and risk premium on individual securities.
17. What are the important financial instruments?
18. Distinguish between Market value v/s Book value.

19. Explain the various factors influencing allocating resources overtime.

20. Why study finance?

21. What is Coupon bonds?

22. Define Time value of Money.

23. What are the different ways of classifying financial markets?

(5 x 1 = 5 weightage)

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

24. Write a short note on inflation and discounted cash flow analysis.

25. Briefly explain the various financial ratios.

26. Explain different types of financial derivatives in detail.

27. Briefly explain the valuation of a bond.

28. How hedge ratio is calculated?

29. Explain the trade-off between expected return and risk in financial analysis.

30. Elaborate the idea of Portfolio theory of Optimal risk management.

31. What are the important principles of market valuation?

32. Briefly explain Discounted Dividend model.

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

(7 x 2 = 14 weightage)

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

34. Describe the Capital Asset Pricing Model.

35. Briefly explain Risk and process of Risk management. What are the three dimensions of risk transfer?

36. Explain the flow of funds and functions of financial system.

37. Explain present value of an annuity and future value of an annuity and also find the present value of Rs. 10,000 receivables after 8 years if the rate of discount is

    (i) 12 percent and (ii) 15 percent.

(2 x 4 = 8 weightage)

3M4A22503

(Pages : 4)

Reg. No:.....

Name: .....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, April 2022

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. Simultaneous equation bias results in
   A) Unbiased and consistent estimators B) Unbiased and inconsistent estimators
   C) Biased and inconsistent estimators D) Biased and consistent estimators
2. Simultaneous equation always has
   A) Endogenous variable B) Exogenous variable
   C) Predetermined variable D) None of the above is correct
3. Two stage 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. $If, y_t = \beta_0 + \beta_1 t + u_t$

   $\beta_0 \neq 0 \quad \beta_1 \neq 0$

   Where t is the time trend. The above equation is a
   A) Difference stationary process
   B) Trend stationary process
   C) White noise process
   D) Both (A) and (B) is correct
5. Which of the following equation(s) is/are a reduced form equation(s)?

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

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

   A) Equation (1) B)Equation (2)
   C) Both (1) and (2) D) Neither (1) nor (2)
6. Under adaptive expectations, an economic agent's forecast error is
   A) Zero B) Indeterminate
   C) Positive D) Negative
7. According to the Granger representation theorem, "Cointegration and error correction are equivalent representation."
   A)True
   B)False
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. If, $y_t = \beta_0 + y_{t-1} + u_t$
Where β_0 is zero, then
A) $E(y_t) = y_0$
B) $E(y_t - y_0)^2 = t\sigma^2$
C) $\Delta y_t = u_t$
D) All are true

10. If $y_t = \beta y_{t-1} + u_t$
Where $\beta = 0.7$, 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 true

11. If $y_t = y_{t-1} + u_t$
Where u_t is a white-noise process, then which of the following is INCORRECT ?
A) y_t contains unit root
B) $Variance = \sigma^2$
C) Δy_t is a stationary process
D) OLS cannot be applied if Yt is used in the estimation

12. Box Jenkins methodology consider an ARIMA model with _____ AIC as the appropriate model
A) Highest B) Zero C) Lowest D) Negative

13. Which of the following is an INCORRECT statement?
(i) marginal effect of change in explanatory variable cannot be estimated in Logit model.
(ii) Probit 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. ACF 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 Linear Probability Model (LPM)?
(i) it can be applied when the dependent variable is an ordinal variable with three categories.
(ii) the estimated probability from LPM can exceed 1.
(iii) the estimated probability from LPM is always between zero and one.
(iv) for each unit increase in explanatory variable, the probability increases/ decreases by same unit.
A) only (i) and (iii)
B) only (ii) and (iii)
C) only (iv)
D) only (i), (iii) and (iv)

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

Part B

Answer any FIVE questions

All the questions carry a weightage of 1

16. How does Hausman test helps to understand the presence of endogeneity?

17. Consider the following equations

$$C_t = a_0 + a_1 Y_t + u_{1t} \quad \text{(1)}$$

$$Y_t = C_t + I_t \quad \text{(2)}$$

Do you agree with the statement that "the covariance between Y_t and u_{1t} is equal to zero"? Why?

18. What do you mean by simultaneous equation bias?

19. What is an integrated process?

20. How do you detect the presence of spurious regression?

21. Write a short note on Partial Adjustment model.

22. How does ACF and PACF helps to identify the ARIMA process?

23. "The Dickey Fuller test specification may contain autocorrelation" Do you agree with the statement? How do you address it? **(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:

$$C_t = a_0 + a_1 Y_t + u_{1t} \quad \text{(1)}$$

$$Y_t = C_t + I_t + G_t \quad \text{(2)}$$

Where Ct is consumption expenditure in time period t, Y is income, I is investment and G is government expenditure.

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

b) Derive reduced form equations of the structural equation 1.

25. Briefly explain the Almon's Polynomial model.

26. Distinguish among Pure Random Walk, Random Walk with Drift and Random Walk with Drift and Determnistic Trend with suitable examples.

27. Assume that you are going to forecast Y_t. Write down the equations of Y_t if it follows,

a) AR(2) process

b) MA(3) process

c) ARMA (1,2) process

d) ARIMA (1,0,1) process

e) ARIMA (1,1,2) process

28. Consider the following simultaneous equations model:

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

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

Where u_{1t} is the error term.

How do you estimate the parameters of equation (1) using 2SLS?

29. What do you mean by a Linear Probability Model (LPM)? What are the advantages of Logit and Probit model over LPM?

30. What do you mean by a unit root? How does Dickey Fuller test helps to understand the presence of unit root?

31. Consider the following equation:

$Y_t = a_0 + a_1 EX_t + u_t$

Where Y is national income and EX is export and both the series are integrated of order one. Can you use OLS to estimate the estimate the above relationship? How do you the estimate the above relationship.

32. Explain the features of a stationary stochastic process. How does a white noise process differ from a stationary stochastic process?

33. How do you estimate the Cobb Douglas production function?

(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

$x_1 = 2x_2 - 3y_1 + y_2 + u_1$ ..... (1)

$x_2 = x_3 + y_3 + u_2$ ..... (2)

$x_3 = x_1 - x_2 + y_1 + 4y_2 - 2y_3 + u_3$ ..... (3)

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

35. Explain the need for univariate forecasting. Explain the steps involved in ARIMA modelling.

36. Explain various econometric issues in the estimation of the relationship between inflation and economic growth.

37. Distinguish between Autoregressive model and Distributed lag model. Explain the Koyck approach to distributed lag model.

(2 x 4 = 8 weightage)

37

2M4A22504

(Pages : 3)

Reg. No:.....

Name: .....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, April 2022

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. In which year Amartya Sen won Nobel Prize in Economics
   a) 1997
   b) 1998
   c) 1999
   d) 2001
2. The youngest Nobel Laureates in Economic Science is
   a) Lloyd Shapley
   b) Edward C. Prescott
   c) Harry Markowitz
   d) Esther Duflo
3. The theory of 'Circular cumulative causation' was developed by
   a) John Hicks
   b) W. Arthur Lewis
   c) Franco Modigliani
   d) Gunnar Myrdal
4. 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
5. Angus Deaton was awarded the Nobel Prize for his contribution in
   a) Analysis of Asset Pricing
   b) Consumption, poverty, and welfare
   c) Welfare Economics
   d) Contract Theory
6. Who among the following won Noble prize for his analysis of markets with information asymmetry?
   a) Michael Spence
   b) George Akerlof
   c) Joseph Stiglitz
   d) All of the Above
7. Who among the following Noble Prize winners is aSwedish economist?
   a) Gunnar Myrdal
   b) Paul A. Samuelson
   c) George Stigler
   d) Kenneth Arrow
8. The first non-economist to win the Nobel prize is.....
   a) Thomas J. Sargent
   b) John F. Nash
   c) Daniel Kahneman
   d) Herbert A. Simon
9. Who won Nobel prize for the development of the input-output method and for its application to important economic problems?
   a) Wassily Leontief
   b) Robert Solow
   c) Ragnar Frisch
   d) John F. Nash

10. The analysis of matching theory is pioneered by

a) Christopher A. Pissarides
b) Thomas J. Sargent
c) Christopher A. Sims
d) Robert C. Merton

11. Which among the following is NOT a contribution of Amartya Sen?

a) Social Choice Theory
b) Consumption, Poverty, and Welfare
c) Economic Theories ofFamines
d) Economic and Social Justice

12. Constitutional economics was pioneered by the work of

a) James M. Buchanan
b) James Meade
c) Maurice Allais
d) Trygve Haavelmo

13. The book 'Good Economics for Hard Times' was written by

a) Paul Krugman
b) Angus Deaton
c) Amartya Sen
d) Abhijit Banerjee

14. The concept of 'Egonomics' was first proposed by

a) Thomas C. Schelling
b) Finn E. Kydland
c) Edward C. Prescott
d) Robert J. Aumann

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. Why Abhijit Banerjee and Esther Duflo were awarded Nobel Prize?
17. What is Nash Equilibrium?
18. Tobin's concept of 'Transmission mechanism'.
19. State the 'Kuznet Swing'
20. What is 'Solow Residual'
21. Mundell's Theory of optimum currency area.
22. What is Identity Economics
23. What is Coarse theorem?

(5 x 1 = 5 weightage)

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

24. Explain Simon Kuznet's modern economic growth
25. Examine Milton Friedman's hypothesis on consumption theory.
26. Explain Milton Friedman's contributions of monetary theory.
27. How Clive Granger developed and applied "cointegration", to differentiate between, short-term fluctuations and long-term trends.
28. Explain the driving forces behind the business cycles given by Kydland and Prescort.
29. Why Angus Deaton was awarded Nobel Prize?
30. Explain the theory market with search friction by Diamond, Mortensen and Pissarides.
31. Narrate Harry Markowit's analysis of financial market.
32. Describe Mundell model of an open macro economy.
33. Briefly Discuss theory of non-cooperative games.

(7 x 2 = 14 weightage)

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

34. Discuss methods of analyzing economic time series with time-varying volatility (ARCH) given by Robert Engel.
35. Describe Simon Kenneth Arrow's contributions to economic growth and development theory.
36. Briefly discuss the contributions of Amartya Sen to welfare economics.
37. Critically evaluate Robert Solow's contributions to economic growth and development theory.

(2x 4 = 8weightage)