FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Second Semester MA Economics Degree Examination, April 2025

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 is $1/5$. Total Weightage – 3)

1. The set of all Pareto efficient allocations in an Edgeworth box diagram is called the
   - (a) indifference curve
   - (b) contract curve
   - (c) production possibility curve
   - (d) Edgeworth box

2. The sum of forgone interest and depreciation costs the machine's owner must pay is the
   - (a) competitive rental rate
   - (b) capital asset pricing
   - (c) risk premium
   - (d) all of the above

3. Diversifiable risk can be eliminated by
   - (a) investing in many projects.
   - (b) by holding the stocks of many companies
   - (c) both a and b
   - (d) none of them

4. Which of the following statements is correct about **behavioral** economics
   - (a) It builds upon the standard economic model
   - (b) It does not use the methodology of positive economics
   - (c) It rejects the standard economic model
   - (d) It is the same as economic psychology

5. The "lemons model" predicts quality deterioration in the used car market because
   - (a) used cars require increasing maintenance.
   - (b) suppliers and demanders have different information about cars' quality.
   - (c) used cars are generally of a lower quality than new cars.
   - (d) people will usually buy new cars if they are available.

6. If markets are perfect, a rational actor may reasonably conclude from the high price of a good that the good
   - (a) is produced by a monopoly.
   - (b) is of better quality.
   - (c) has a greater demand for it.
   - (d) is not known about by other consumers.

7. Adverse selection in competitive insurance markets harms

    (a) high risk individuals.   (b) low risk individuals.

    (c) owners of insurance companies. (d) Everyone

8. In the economic analysis of the market for new drugs, it is critical to take into account

    (a) Inefficiency from monopoly power granted by patents

    (b) Inequity generated by drug makers charging more than a medication costs to make

    (c) Incentives for innovation by inventing new drugs

    (d) All of the above

9. An insurance company can protect itself from moral hazard by:

    (a) monitoring.   (b) imposing an 'excess'.

    (c) holding liquid assets   (d) diversification

10. A public good will probably:

    (a) Be expensive in a free market   (b) Be overprovided in the free market

    (c) Not be provided in the free market   (d) Has no opportunity cost

11. A positive consumption externality occurs when:

    (a) The social marginal cost is greater than the private marginal cost

    (b) The social marginal benefit is greater than the private marginal benefit

    (c) The social marginal cost is greater than the private marginal benefit

    (d) The social marginal cost is less than the private marginal cost

12. Monopoly power in a market is likely to:

    (a) increase consumer surplus   (b) increase community surplus

    (c) lead to higher producer surplus (d) lead to lower prices and lower output

13. Common property

    (a) is owned by specific people.

    (b) is inexhaustible.

    (c) refers strictly to land resource.

    (d) refers to goods "owned" by society at large and freely usable by anyone.

14. The accelerator principle states:

    (a) If an increase in the growth of output is expected, investment will increase.

    (b) If an increase in investment is expected, output will increase.

    (c) If an increase in the growth of investment is expected, output will increase.

    (d) Small swings in investment are associated with large swings of output.

15. A Pigouvian subsidy

    (a) cannot exist with externalities.

    (b) is the same thing as a Pigouvian tax.

    (c) is measured in terms of Pigouvian dollars.

    (d) moves production to the socially optimal level of output

16. Define common property resources

17. What is risk-adjusted discount rates?

18. How to calculate present discounted value of an investment?

19. What is mean by theory of second best?

20. Compare positive and negative externality

21. Define Lindahl pricing

22. What are moral hazards?

23. Explain point of bliss

PART C
Short Essay Questions
Answer any 7 (Weightage for each question is 2. Total Weightage – 14)

24. Explain how the price of future goods is determined?

25. Examine the effect of real and nominal interest rates in determining rate of return of an investment

26. Briefly explain Rawl's theory of justice

27. Examine Scitovsky's criterion of welfare

28. Write a note on input-output analysis

29. Briefly explain Coase theorem

30. What are public goods? Examine its features

31. What is asymmetric information? How it works?

32. Explain the case of tragedy of commons

33. Explain various biases in decision making and rules of thump for it

PART D
Essay Questions
Answer any 2 (Weightage for each question is 4. Total Weightage – 8)

34. Examine the general equilibrium analysis and explain its importance.

35. Discuss the criteria of Pareto-optimality of social welfare. What are its major criticisms?

36. Define market failure. Examine various economic situations that lead to market failure.

37. Explain behavioral economics. Examine its various principles and scope.

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Second Semester MA Economics Degree Examination, April 2025

MEC2C06 – Macro Economics Theory and Policies – II

(2022 Admission onwards)

Time: 3 hours   Max. Weightage : 30

SECTION A

Answer all questions. Each question carries 0.2 Weightage

1. In the context of macroeconomics, which theory focuses on the relationship between changes in the money supply and changes in the price level?

   a) Keynesian Economics   b) Monetarism

   c) Supply-side Economics   d) Behavioral Economics

2. Which model focuses on intergenerational income distribution?

   a) Walrasian System   b) Arrow-Debreu Model

   c) Samuelson's Overlapping Generations Model   d) Quantity Theory of Money

3. In the Walrasian system, all markets are assumed to be:

   a) Monopolies   b) Oligopolies

   c) Perfectly Competitive   d) Cartels

4. The Inventory Theoretic Approach to money demand emphasizes:

   a) Speculative motives for holding money   b) Transactional motives for holding money

   c) Precautionary motives for holding money   d) The role of interest rates in money demand

5. James Tobin's Liquidity Preference theory highlights the role of:

   a) Transaction costs in holding money   b) Risk aversion in influencing money demand

   c) Central bank policies in controlling money supply d) Inflation expectations in shaping money demand

6. The Buffer Stock Notion refers to:

   a) The central bank's reserves held for emergencies

   b) Individuals' precautionary demand for money

   c) The desired level of money holdings for transactions

   d) The fluctuation in money supply over time

7. High-powered money refers to:

   a) Currency held by the public only   b) Total money supply in the economy

   c) Reserves held by commercial banks   d) Government bonds

8. The Money Multiplier Model determines:

a) The interest rate set by the central bank   b) The level of inflation in the economy

c) The amount of money supply created by the banking system

d) The level of government spending

9. The Behavioral Model of Money Supply emphasizes the role of

a) Government regulations on money creation   b) Psychological factors influencing money creation

c) The level of interest rates in the economy   d) The quantity of high-powered money

10. The Natural Rate Hypothesis proposes that in the long run, the economy tends to experience:

a) High inflation with low unemployment   b) High unemployment with low inflation

c) Stagflation   d) Deflation with full employment

11. Okun's Law relates:

a) Changes in inflation to changes in unemployment b) The unemployment rate to the GDP growth rate

c) The money supply to the interest rate   d) Inflation to the budget deficit

12. The sacrifice ratio measures the:

a) Cost of reducing inflation in terms of unemployment

b) Optimal level of inflation for economic growth

c) Trade-off between inflation and budget deficits

d) Relationship between inflation and interest rates

13. The primary purpose of Taylor's Rule is to guide central banks in:

a) Setting optimal government spending levels

b) Predicting fluctuations in the stock market

c) Determining appropriate tax rates

d) Establishing interest rates to achieve economic goals

14. Time inconsistency of monetary policy arises due to:

a) Uncertain economic conditions

b) Short-term political pressures

c) Lack of coordination between fiscal and monetary policy

d) Ineffective central bank communication

15. Dynamically Stochastic General Equilibrium (DSGE) models are:

a) Simple and easily interpretable models

b) More complex models incorporating expectations and shocks

c) Primarily focused on short-run economic analysis

d) Only applicable to open economies

(15 x 0.2 = 3 weightage)

SECTION B
Answer any five questions. Each question carries 1 Weightage

16. Briefly explain the concept of Say's Law and its limitations.

17. Describe the key features of the Walrasian general equilibrium model.

18. Briefly explain the concept of the transaction motive for holding money.

19. How does inflation affect money demand according to Milton Friedman's view?

20. Briefly explain the concept of the money multiplier and how it works.

21. What are some factors that can influence the money multiplier?.

22. Briefly explain the concept of the Natural Rate of Unemployment (NAIRU).

23. What are some anti-inflationary measures that governments can implement?

(5 x 1 = 5 weightage)

SECTION C
Answer any seven questions. Each question carries 2 Weightage

24. Discuss the inconsistency between Say's Law and the Quantity Theory of Money.

25. Explain the role of expectations in Samuelson's overlapping generations model.

26. Discuss the role of expectations in Milton Friedman's restatement of the Quantity Theory of Money.

27. Explain the concept of the Buffer Stock Notion and its significance in understanding money demand.

28. Assess the significance of high-powered money in controlling inflation and stabilizing the economy.

29. Discuss the implications of the Fisher Effect in the context of monetary policy.

30. Explain the concept of Adaptive Expectations and its role in shaping inflation dynamics.

31. Analyze the concept of the sacrifice ratio and its significance in formulating monetary policy.

32. Discuss the advantages and disadvantages of a rule-based approach to monetary policy compared to a discretionary approach.

33. Explain the key features of Taylor's Rule and how it helps guide central banks in setting interest rates.

(7 x 2 = 14 weightage)

SECTION D
Answer any two questions. Each question carries 4 Weightage

34. Compare and contrast the Walrasian system and the Arrow-Debreu model.

35. Describe the theoretical differences in approach of Money demand theories of William Baumol and Tobin.

36. How far the Behavioral Model of Money Supply is superior than that of traditional Money Multiplier Model.

37. Analyze the concept of Dynamic Stochastic General Equilibrium (DSGE) models and their role in macroeconomic analysis.

(2 x 4 = 8 weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Second Semester MA Economics Degree Examination, April 2025

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)

A: Multiple Choice

1. Lack of memory property is related to

    a)Uniform distribution   b)Normal distribution

    c)Exponential distribution   d)Log-normal distribution

2. For $F(m, n)$ distribution

    a)Mean exists for $m > 1$ b)Mean exists for $m > 2$

    c)Mean exists for $n > 1$ d)Mean exists for $n > 2$

3. Statistic whose expected value is equal to parameter is known as

    a)Unbiased b)Efficient c)Sufficient d)Consistent

4. Power of a test is represented using

    a)α b)β c)$1 - \alpha$ d)$1 - \beta$

5. Which function cannot be used to import a csv file in R?

    a)read.table() b)read.csv() c)read_excel() d)None of these

B: Fill in the blanks

6. Mean of lognormal distribution with parameters μ and σ is _____

7. For t distribution with 1 degree of freedom, mean_____

8. If relative efficiency of T_1 with respect to T_2 is more than 1 then _____ is less efficient.

9. The exact level of significance is also known as _____

10. In R programming the function class() belongs to _____ library.

C: State True of False

11. Normal distribution is platykurtic.

12. Chi-square random variable is the square of a standard normal random variable.

13. Confidence coefficient is related to point estimation.

14. F test is used for testing the significance of variance.

15. Variable in R can be assigned using leftward, rightward and equal to operators.

PART – B
Short answer questions
Answer any 5 questions. Each question carries weightage 1.

16. Give any 5 properties of normal distribution.

17. A continuous random variable is uniformly distributed over the interval $[-3,5]$. Find $P(X > 0)$.

18. Define sampling distribution.

19. State central limit theorem.

20. Check if sample mean is unbiased for θ in $U(0, \theta)$. If not suggest one.

21. Distinguish between simple and composite hypothesis with examples.

22. How do you install a package in R? Give an example.

23. Distinguish between the data structures 'vectors' and 'lists' in R.

PART – C
Short Essay Questions
Answer any 7 questions. Each question carries weightage 2

24. For an exponential distribution with mean 2, find $P(X > 2)$.

25. Define normal variate and standard normal variate. What are the importance of normal distribution?

26. Discuss the relation between Chi-square, t, and F distributions.

27. A random sample of size 255 is drawn from a normal population with mean 115 and variance 20. Obtain the mean and standard deviation of the sample mean.

28. For a random sample of size n from a normal population with mean μ and unit variance, verify if $\frac{1}{n}\sum x_i^2$ is unbiased for $\mu^2 + 1$.

29. What is meant by estimation of parameters? Distinguish between point and interval estimation.

30. The lengths in inches of 5 screws made by a machine are 2.0, 2.1, 1.9, 2.2 and 2.3. Examine whether the average length of screws produced by the machine is 2 at 5% level.

31. Define ANOVA. What are its assumptions? Distinguish between one way and two way ANOVA.

32. How will you test whether theoretical frequencies are closer to observed frequencies?

33. Write a note on Data Frames in R.

34. The length of human pregnancies from conception to birth approximates a normal distribution with a mean of 266 days and a standard deviation of 9 days. What length of time marks the shortest 70% of all pregnancies?

35. a) Derive the $100 \times (1 - \alpha)\%$ confidence interval for the difference of means of normal populations when the population variances are unknown and sample sizes are small.

b) A random sample of 1000 workers from factory A shows the mean wages were ₹ 47 per week with a standard deviation of ₹ 23. A random sample of 1500 workers from factory B gives a mean wage of ₹ 49 per week with a standard deviation of ₹ 30. Obtain the 98% confidence interval for the difference of means.

36. a) Distinguish between independent and dependent sample t-tests. Explain each of them briefly.

b) The following are the weights before and after of 8 adult females experimenting with a new diet.

Before	127	130	114	139	150	147	167	153
After	122	120	116	132	144	138	155	152

Test the hypothesis that the diet is not effective at $\alpha = 0.01$.

37. Construct the R programme for equality of two population proportions.

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Second Semester MA Economics Degree Examination, April 2025

MEC2C07 – Public Finance Theory & 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 Tiebout hypothesis suggests that:

    a) Consumers always prefer public goods over private goods

    b) People "vote with their feet" by choosing communities with preferred public services

    c) Government intervention is necessary for market efficiency

    d) Private markets always allocate resources optimally

2. Which economic concept argues that individuals can efficiently resolve externalities through private negotiations, without the need for government intervention?

    a) Tiebout hypothesis   b) Coase theorem

    c) Pigovian tax   d) Merit goods theory

3. According to the modern view of fiscal policy, what is the primary focus in economic management?

    a) Achieving a balanced budget

    b) Ensuring stable employment and economic growth

    c) Minimizing government spending

    d) Implementing regressive tax policies

4. Which principle of taxation suggests that individuals should contribute to government revenue based on their ability to bear the tax burden?

    a) Cost of service principle   b) Benefit principle

    c) Ability to pay principle   d) Objective approach

5. The Concentration theory of shifting taxation suggests that:

    a) Taxes should be concentrated on the wealthy to promote equity

    b) Taxes should be spread evenly across all income groups

    c) Taxes should be shifted to those who can bear the burden without reducing economic activity

    d) Taxes should be avoided to prevent economic distortions

6. What does the Laffer Curve illustrate in the context of taxation?

   a) The relationship between tax rates and government spending

   b) The trade-off between tax rates and tax revenue

   c) The impact of inflation on taxable capacity

   d) The optimal level of government debt for economic growth

7. What is the primary objective of the Goods and Services Tax (GST) in India?

   a) To reduce the overall tax burden on consumers

   b) To simplify the tax structure and promote ease of doing business

   c) To increase the revenue of individual states

   d) To eliminate the need for central government taxation

8. Which of the following best describes the primary focus of the PPBS?

   a) Short-term financial management

   b) Long-term strategic planning and resource allocation

   c) Daily operational decision-making

   d) Cost-cutting measures in the current fiscal year

9. In the modern theory of tax incidence, who bears the economic burden of a tax?

   a) Only consumers   b) Only producers

   c) Both consumers and producers   d) Government and foreign entities

10. What is the impact of a balanced budget multiplier on the economy?

    a) It does not affect aggregate demand.

    b) It increases aggregate demand by a multiple of the initial change in government spending or taxation.

    c) It decreases aggregate demand by a fixed percentage.

    d) It only affects the government's budget surplus.

11. What is the primary rationale for implementing Fiscal Federalism?

    a) To concentrate financial power at the central government level

    b) To promote competition among states

    c) To achieve economic efficiency and accountability

    d) To minimize state government involvement in fiscal matters

12. Who among the following is appointed as the chairman of the 16th Finance Commission?

    a) NK Singh   b) YV Reddy

    c) Aravind Panagariya   d) D Subbarao

13. Which of the following represents the revenue deficit of the government?

    a) Total expenditure minus total revenue

    b) Revenue expenditure minus revenue receipt

    c) Fiscal deficit minus interest payments

    d) Current account deficit

14. Which economic theory advocates for the government's active role in managing the economy, including fiscal policy?
    a) Classical economics
    b) Keynesian economics
    c) Monetarism
    d) Supply-side economics

15. Which type of taxes is based on a higher percentage of income as income increases?
    a) Proportional tax
    b) Progressive tax
    c) Regressive tax
    d) Flat tax

(15x1/5= 3 weightage)

Part B- Short Answer Type Questions
Answer any five questions
Each question carries a weightage of 1

16. Positive externalities

17. Merit goods

18. Performance budgeting

19. Incidence of tax

20. Laffer curve

21. 15th Finance Commission

22. Sustainability of public debt

23. FRBM Act

(5x1= 5 weightage)

Part C- Short Essay type questions
Answer any seven questions
Each question carries a weightage of 2.

24. Discuss the economic rationale behind classifying goods into different categories.

25. Evaluate the role of government intervention in addressing market failures and ensuring a more efficient allocation of resources.

26. Briefly describe the link between monetary and fiscal policy

27. Compare Performance Budgeting, Planning and Programme Budgeting System (PPBS), and Zero-Base Budgeting (ZBB).

28. Discuss Richard Musgrave's modern concept of the incidence of tax

29. Define elasticity and buoyancy in the context of taxation. Explain the significance of these concepts for tax revenue and economic stability

30. What is Fiscal Federalism, and what are the key rationales behind the distribution of fiscal responsibilities among different levels of government?

31. Discuss the significant problems or challenges in centre-state financial relations in India.

32. Explain the concept of fiscal deficit and deficit financing in the context of the central government's finances in India.

33. Describe the composition of expenditure for the central government in India. Highlight key areas where government spending is directed and discuss any notable shifts or patterns over recent years.

(7x2=14 weightage)

34. Examine the concept of market failure and the rationale for government intervention in economic activities. Discuss specific instances of market failures, such as externalities and public goods, and explain how government intervention can correct these failures.

35. Examine the traditional view of fiscal policy and its limitations in addressing economic challenges. Discuss how the modern view of fiscal policy, including concepts like functional finance and compensatory fiscal policy, has evolved to address the shortcomings of the traditional approach.

36. Explore the principles of taxation, including the cost-of-service principle, benefit principle, and ability-to-pay principle. Compare and contrast the subjective and objective approaches to taxation.

37. Analyse the fiscal federalism framework in India, considering the constitutional assignment of functions and sources of revenue.

(2x4=8 weightage)