Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, April 2025

MEC4C12 – International Finance

(2022 Admission onwards)

Time: 3 hours   Max. Weightage : 30

Part-A
Answer all questions
Multiple choice questions carrying a weightage of 1/5

1. The outright purchase and sale of foreign currency for cash settlement not more than two business days is called:

   (a) Spot transaction   (b) Forward Transaction

   (c) Futures transaction   (d) Option transaction

2. Which one of the following gives the holder the right to buy foreign currency at a specified price?

   (a) Call option   (b) Put option

   (c) Strike option   (d) Any of the above

3. The simultaneous buying and selling of foreign currencies with the intention of making profits from the exchange rate differentials is called:

   (a) Currency swaps   (b) Currency options

   (c) Arbitrage   (d) Hedging

4. Which one of the following is an indicator showing a country's goods and services are becoming more expensive in relation to those of another country?

   (a) Nominal exchange rate   (b) Real exchange rate

   (c) Effective exchange rate   (d) Either (a) or (b)

5. The official reduction in the external value of domestic currency in terms of other currencies so as to curb deficits in BOPs is called:

   (a) Depreciation   (b) Devaluation

   (c) Appreciation   (d) Revaluation

6. Which one of the following systems involves pegging of the exchange rates a given level at a given time?

   (a) Adjustable peg system   (b) Crawling peg system

   (c) Managed float system   (d) Any of the above

7. The monetary approach to exchange rate determination is also known as the:

    (a)   Mint parity theory

    (b)   Purchasing power parity theory

    (c)   Balance of payments theory

    (d)   Asset portfolio theory

8. The BOPs takes into account:

    (a)   All visible items of trade

    (b)   All invisible items of trade

    (c)   Both visible and invisible items of trade

    (d)   All merchandise export and import

9. Which one of the following measures enables export promotion and import restriction so as to correct BOP disequilibrium?

    (a)   Exchange controls   (b)   Monetary Expansions

    (c)   Devaluation   (d)   Overvaluation

10. How changes in exchange rates affect a country's BOPs by influencing the relative prices of its exports and imports is the central idea behind the:

    (a)   Elasticity approach to BOPs

    (b)   Absorption approach to BOPs

    (c)   Monetary approach to BOPs

    (d)   All of the above

11. Which one of the following means starting of wholly-owned subsidiaries, new ventures or acquiring a stake in an existing firm by a foreign country?

    (a)   FDI   (b)   FPI

    (c)   FII   (d)   Any of the above

12. The freedom to convert local financial assets into foreign financial assets and vice versa at market determined rates of exchange is called:

    (a)   Exchange rate absorption

    (b)   Exchange rate overshooting

    (c)   Current account convertibility

    (d)   Capital account convertibility

13. Which among the following is the highest form of economic integration?

    (a)   Free Trade Area   (b)   Customs Union

    (c)   Economic Union   (d)   Common Market

14. The Eurozone was established in the year:

    (a)   1996   (b)   1997

    (c)   1998   (d)   1999

15. Which among the following are the major functions of IMF?

    (a) Surveillance

    (b) Technical Assistance and training

    (c) Lending

    (d) All of the above

                                        (15 x 1/5 = 3 Weightage)

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

16. What do you mean by forward transactions?

17. What is hedging?

18. Revaluation.

19. Define clean float.

20. What are autonomous transactions?

21. What do you mean by BOP equilibrium?

22. What is customs union?

23. Currency boards.

                                        (5x 1 = 5 Weightage)

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

24. Distinguish between fixed and flexible exchange rates.

25. Give a brief account of the PPP theory of exchange rate determination.

26. Explain currency options and its implications.

27. List out the major causes of BOP disequilibrium.

28. Explain the J-Curve effect.

29. What are the major factors affecting shifts in IS, LM and BP curves?

30. What is capital mobility? Examine its rationale.

31. Explain the current account convertibility of a currency.

32. What are optimum currency areas? Explain.

33. Give a brief account of the financial crisis in emerging market economies.

                                        (7x 2= 14 Weightage)

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

34. Explain the major functions of foreign exchange markets.

35. List out and explain the major components of the balance of payments of a country.

36. Illustrate internal and external balance of an economy using Swan diagram.

37. Examine the major strengths and weaknesses of the international monetary system.

                                        (2x 4= 8 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, April 2025

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. The market value of the firm is the result of_____.

    a) Dividend decisions.   b) Working capital decisions.

    c) Capital budgeting decisions.   d) Trade-off between risk and return.

2. _____ security is known as variable income security.

    a)Debentures.   b)Preference shares.

    c) Equity shares   d)None of these.

3. The major benefit of diversification is to_____.

    a). Increase the expected return.

    b). Increase the size of the investment portfolio.

    c). Reduce brokerage commissions.

    d). Reduce the expected risk.

4. Listing is mandatory for ------------------.

    (a) Trading in stock market   (b) Marketing a new issue

    (c) Trading in international markets (d) Declaring dividend

5. ------------------buy and sell securities on behalf of the investing public.

    (a) Arbitrage   (b) Commission brokers

    (c) Stock broker   (d) None of these

6. ----------------- contracts are not at all standardized.

    (a) Forward   (b) Option (c) Swap   (d) None of these

7. Equity shares and preference shares are ownership securities, also known as

    --------------.

    (a) Debt capital (b) Capital stock (c) Fixed capital (d) Capital issue

8. Government securities are also called ------------------ because of the safety and security of investments made in them and regularity of return.

    (a) Gift-edged securities   (b) Long term securities

    (c) Short term securities   (d) Investments

9. _____ is concerned with the acquisition, financing, and management of assets with some overall goal in mind.

    a).Financial management.   b) Profit maximization.

    c) Agency theory.   d).Social responsibility.

10. If a company issues bonus shares the debt equity ratio _____.

    a). Remain unaffected.   b).Will be affected.

    c). Will improve.   d)None of the above.

11. The _____ decision involves a determination of the total amount of assets needed, the composition of the assets, and whether any assets need to be reduced, eliminated, or replaced.

    a) Asset management.   b) Financing.

    c)Investment.   d) Accounting.

12. Interest paid (earned) on both the original principal borrowed (lent) and previous interest earned is often referred to as _____.

    a) Present value.   b)Simple interest.

    c) Future value.   d)Compound interest.

13. The most important and common form of dividend is _____.

    a)Stock dividend.   b)Cash dividend.   c)Bond dividend. d)Scrip's dividend.

14. Shares can be distributed through outright sale by companies to select group of persons, this is known as ---------------.

    a) Public issue   b) Private placement c) Institutions d) Underwriting

15. ------------- Mutual fund investment instruments deal with units that are purchased or redeemed throughout the year.

    a) Open ended b) Close ended c) Income fund d) Growth fund

(15 x 1/5 = 3 weightage)

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

16.   What do you mean by hedging?

17.   Define option pricing.

18   What is yield to maturity?

19.   Distinguish between PV and FV of Annuities.

20.   Distinguish between Market value v/s Book Value.

21.   Define internal rate of Return.

22.   Write a note on Beta of an Asset.

23.   What do you mean by Zero coupon bonds

(5x1 = 5 weightage)

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

24.   What are the three dimensions of Risk transfer? Examine.

25.   Explain the Portfolio theory of optimal riskmanagement.

26.   Examine the nature of Forward and Future contracts.

. 27.   Explain the Earning Multiplier Approach of valuation.

28.   Examine Futures pricing in detail.

29.   Evaluate the determinants of the risk premium on the market portfolio.

30.   Explain the black- Scholes Model of option pricing.

31.   Explain the functions and importance of financial institutions in the economy. How do financial markets and institutions contribute to economic development?

32.   Explain the concept of Time Value of Money. How is it relevant in financial decision-making?

33.   Examine inflation and discounted cash flowanalysis.

(7 x 2 = 14 weightage)

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

34. Describe the Arbitrage Pricing Theory (APT). How does it differ from the Capital Asset Pricing Model (CAPM)? Explain with an example how an arbitrage opportunity arises.

35. Discuss the role of diversification in reducing risk. How the Portfolio theory does relates to the concept of the Efficient Frontier?

36. Calculate the future value of an investment of $10,000 at an annual interest rate of 6% for 5 years, assuming the interest is compounded annually.

37. Explain the differences between Primary Markets and Secondary Markets with examples.

(2x4 = 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. The cointegrating regression represents

   A) Short-run relationship between dependent and explanatory variable

   B) Long-run relationship between dependent and explanatory variable

   C) Dynamic relationship between dependent and explanatory variable

   D) None of the above

2. In case of short panels, the number of cross-sectional units (N) will be lesser than the number of time points (T)

   A) True   B) False

3. The Fixed Effect Model is more suitable for

   A) Cross section data   B) Time series data   C) Long panels   D) Short panels

4. Which of the following is a system method

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

   C) Three-stage least squares   D) K-class estimators

5. In the context of a system of linear simultaneous equations

   A) The rank condition is both necessary and sufficient for identification of any particular equation

   B) The rank condition is the necessary condition and order condition is the sufficient condition for identification

   C) The order condition is necessary for the rank condition to hold

   D) Both (A) and (C)

6. Polynomial Distributed lag model is advanced by?

   A) Phillips Cagan   B) Marc Nerlove   C) Shirley Almon   D) L M Koyck

7. I(0) series becomes stationary after

   A) One-time differencing   B) Two-time differencing

   C) Three-time differencing   D) No differencing is required

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. 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

10. The data for different entities for a single time point is known as
    A) Cross section data   B) Time series data
    C) Panel data   D) Pooled cross section

11. It is possible for an equation to be identified on the basis of order condition, but may fail to be identified by the rank condition.
    A) True B) False

12. An appropriate method to estimate an over-identified equation is
    A) OLS B) ILS C) 2SLS D) Ridge regression

13. Which of the following is a CORRECT statement?
    (i) Marginal effect of change in explanatory variable cannot be estimated in Logit model.
    (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. Koyck model assumes that, as the lag lengthens the β coefficient
    A) Increase geometrically   B) Decline geometrically
    C) Increase arithmetically   D) Decline arithmetically

15. Which of the following is CORRECT 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 (iv)
    C) only (iv)   D) only (i), (iii) and (iv)

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

Part B
Answer any FIVE questions
All the questions carry a weightage of 1

16. When do you use an Engel-Granger cointegration model?

17. Distinguish between distributed lag model and autoregressive model.

18. What is a dummy variable trap?

19. List out the conditions for a good instrument.

20. Distinguish between a wide panel and long panel.

21. What do you mean by a spurious regression?

22. Distinguish between a deterministic trend and stochastic trend.

23. Briefly explain how impulse response and variance decomposition is helpful.

$$5 \times 1 = 5$$

Part C
Answer any SEVEN questions
All the questions carry a weightage of 2

24. Consider the following system of equations:

$$C_t = \alpha_0 + \alpha_1 Y_t + u_t \ldots\ldots (1)$$
$$Y_t = C_t + I_t + G_t \ldots\ldots (2)$$

where u_t is the error term.

Explain the steps involved in the estimation of α_0 and α_1 under the Two Stage Least Squares method.

25. Briefly explain the Ad hoc estimation procedure.

26. Distinguish between a pure random walk process and stationary stochastic process.

27. Consider the following equation:

$$Y_t = \alpha + \beta X_t + u_t$$
where u_t is a white noise error term.

Both Y_t and X_t are integrated process of order one.
   a) Do you expect the possibility of a spurious regression? Why?
   b) How can you detect the presence of spurious regression?
   c) How do you estimate the parameters of the above equation? Explain the methodology.

28. Explain the relevance of ACF and PACF in univariate forecasting.

29. Suppose variable Y follows an AR (3) process as given below.

$$Y_t = 0.7 \, Y_{t-1} + 0.3 \, Y_{t-2} + 0.2 \, Y_{t-3} + u_t \ldots\ldots (1)$$
where u_t is a white noise error term.

Do you agree with the statement that "Y_t is a stationary process". Why?

30. "GARCH (1,1) is a parsimonious version of an infinite ARCH model" Do you agree with the statement? Why?

31. When do you use a logit model. How is it differing from a Linear Probability Model (LPM)?

32. Explain the relevance of impulse response function and variance decomposition.

33. Consider the following system of equations:

$$X_t = \alpha_0 + \alpha_1 Y_t + \alpha_1 G_t + \alpha_1 Z_t + u_{1t} \;.....\;(1)$$
$$Y_t = \beta_0 + \beta_1 X_t + \beta_2 Y_{t-1} + \beta_3 Z_{t-1} + \beta_4 X_{t-1} + \beta_5 Z_t + u_{2t} \;.....\;(2)$$
$$Z_t = Y_t + X_t + E_t + I_t + E_{t-1} + I_{t-1} + u_{2t} \;.....\;(3)$$

List out (a) endogenous variables (b) exogenous variables and (c) pre-determined variables.

Where u_{1t}, u_{2t} and u_{3t} are the error terms and β_0 and α_0 are the intercepts.

7 x 2 = 14

Part D
Answer any TWO questions
All the questions carry a weightage of 4

34. Consider the following system of equations:

$$C_t = \alpha_0 + \alpha_1 Y_t + u_t \;.....\;(1)$$
$$Y_t = C_t + I_t \;.......\;(2)$$

where u_t is the error term.

a) Derive the reduced form equations corresponding to equation (1) and (2).

b) Estimate the value of α_0 and α_1 using the Indirect Least Squares method with the help of the data given in the following table.

C	Y	I
7	10	3
14	20	6
20	30	10
30	40	10
34	50	16

35. Use equations (1) and (2) to answer the following. (where u1 and u2 are error terms)

$$Y_t = \beta X_t + \lambda Z_t + \gamma W_t + u_{1t} \;....\;(1)$$
$$X_t = \alpha Y_t + u_{2t} \;..............\;(2)$$

Identify equation (1) and (2) using order and rank condition.

36. a) Explain the concept of unit root in time series.

b) How do you check for the presence of unit root using Dickey fuller test?

c) How does Augmented Dicky fuller test differ from Dickey fuller test?

37. a) What do you mean by cross section effect?

b) How does the Least Square Dummy Variable model deal the cross-section effect? Explain with the help of an example.

c) How do first difference method and time demeaning method relate with cross section effect? Use relevant equations to answer the question.

2 x 4 = 8

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, April 2025

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 $\frac{1}{5}$ Weightage

1. What does Ragnar Frisch's impulse-propagation model explain?

   a) How government policies directly control all economic activities

   b) How external shocks affect an economy and spread over time

   c) How businesses set prices in a competitive market

   d) How consumers make rational decisions in uncertain situations

2. Who among the following economists is known for his contribution to static and dynamic economic theory?

   a) Ragnar Frisch   b) Paul Samuelson   c) Simon Kuznets   d) Kenneth Arrow

3. The book "Value and Capital" was published in which year?

   a) 1929   b) 1939   c) 1949   d) 1959

4. Who is known for his analysis of consumption and monetary theory?

   a) Robert Solow   b) James Tobin   c) Milton Friedman   d) Bertil Ohlin

5. Who is known for his contributions to the theory of economic growth?

   a) Robert Solow   b) James Meade   c) Theodore Schultz   d) Arthur Lewis

6. Which of the following is true about Milton Friedman's Permanent Income Hypothesis (PIH)?

   a) Consumption is determined solely by current income.

   b) People adjust their consumption based on permanent income, not temporary fluctuations in income.

   c) People consume less if their permanent income increases.

   d) The hypothesis suggests that government transfers always lead to a significant increase in consumption.

7. Who introduced the concept of the natural rate of unemployment?

    a) John Maynard Keynes   b) Milton Friedman c) Robert Lucas d) James Tobin

8. Who is known for his contribution to transaction cost theory and the concept of property rights?

    a) Robert Lucas b) Ronald Coase c) Robert Mundell d) Amartya Sen

9. Which economist is known for his analysis of economic and institutional change?

    a) Robert Mundell b) Robert Fogel c) Ronald Coase d) Amartya Sen

10. Robert Lucas is famous for his contribution to the theory of:

    a) Welfare economics   b) Rational expectations

    c) Transaction costs   d) Economic development

11. Amartya Sen's contribution to welfare economics primarily focuses on:

    a) Economic growth models   b) The measurement of poverty and inequality

    c) Rational expectations   d) Property rights and transaction costs

12. Akerlof and Stiglitz's contribution to market theory primarily focused on:

    a) The role of government intervention in markets

    b) The effects of asymmetric information on market efficiency

    c) The analysis of financial crises

    d) The study of monopolistic competition

13. Kydland and Prescott's contribution to dynamic macroeconomics is best known for:

    a) The Real Business Cycle (RBC) theory, emphasizing the role of technological shocks in economic fluctuations

    b) The Phillips curve and its implications for inflation and unemployment

    c) The development of the Keynesian cross model

    d) The role of fiscal policy in stabilizing the economy

14. The contributions of Diamond, Mortensen, and Pissarides primarily focus on:

    a) The analysis of time series data in macroeconomics

    b) The study of market equilibrium in the presence of search frictions and unemployment

    c) The development of Real Business Cycle theory

    d) The impact of monetary policy on inflation expectations

15. The most recent Nobel Prize in Economics was awarded for contributions to:

    a) The development of Rational Expectations Theory

    b) The study of institutional economics and economic development in historical perspectives

    c) The study of market frictions and search theory

    d) The analysis of consumption, poverty, and welfare economics

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

PART B (Short Answer Questions)

Answer any Five Questions, Each Questions Carries 1 weightage

16. What is an Inclusive Institution?

17. Kuznets Hypothesis

18. Poor but Efficient Hypothesis

19. Prospect Theory

20. Tragedy of the Commons

21. Rule of Thumb

22. What is J-PAL?

23. What is RCT in Economics?

$$(5 \text{ x } 1 = 5 \text{ Weightage})$$

PART C (Short Essay Questions),   Answer any Seven Questions, Each Questions Carries 2 weightage)

24. Discuss the contributions of Ragnar Frisch and Jan Tinbergen to the analysis of economic processes.

25. Explain Simon Kuznets' empirically founded interpretation of economic growth and development.

26. Analyze Milton Friedman's contributions to consumption and monetary theory.

27. Discuss Ronald Coase's concept of transaction costs and property rights.

28. Explain Amartya Sen's contributions to welfare economics.

29. Discuss George Akerlof and Joseph Stiglitz's contributions to the theory of markets with asymmetric information.

30. Explain Robert Engle and Clive Granger's contributions to time-series analysis.

31. Analyze the contributions of Diamond, Mortensen, and Pissarides to the theory of market search frictions.

32. Explain Angus Deaton's contributions to the analysis of consumption, poverty, and welfare.

33. Why did Daron Acemoglu, Simon Johnson, and James A. Robinson awarded Nobel prize in economics in 2024

(7 x 2 = 14 Weightage)

PART D (Essay Questions) Answer any Two Questions,Each Questions Carries 4 weightage.

34. Critically evaluate Robert Solow's contributions to economic growth and development theory.

35. Explain Robert Lucas' rational expectations theory and its significance in modern macroeconomics.

36. Evaluate the impact of Paul Krugman's analysis of trade patterns and economic geography.

37. Discuss the significance of Diamond, Mortensen,.and Pissarides' contributions to the theory of market search frictions.

(2 x 4 = 8 Weightage)