

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Second Semester MA Economics Degree Examination, March 2017

MEC202 – Macro Economics Theory and Policy

(2016 Admission onwards)

Max. Time: 3 hours

Max. Weightage : 36

SECTION - A

Answer All the questions from the following

1. The long-run Phillips curve is a vertical line at the natural rate of unemployment, but the short-run Phillips curve is
 - a. U shaped
 - b. Horizontal
 - c. Roughly L-shaped
 - d. Vertical
2. In Hick's theory of trade cycle which one of the following is the central point
 - a. Autonomous investment
 - b. Induced investment
 - c. Both a and b
 - d. Neither a nor b
3. Reaganomics, or the trickle-down policy is also called as
 - a. Macro Economics
 - b. Supply side economics
 - c. Both a and b
 - d. Neither a nor b
4. Persistent high inflation combined with high unemployment and stagnant demand in a country's economy
 - a. Deflation
 - b. Reflation
 - c. Stagflation
 - d. None of the above
5. Which of the following term comes from the Greek verb meaning 'that which comes after', and refers to effects which persist after the initial impulse which gave rise to those effects is removed.
 - a. Hysteresis
 - b. Positive effect
 - c. Impulse effect
 - d. None
6. Financial crisis are endemic in capitalism because periods of economic prosperity encouraged borrowers and lender to be progressively reckless. Who among the following argued this statement?
 - a. Clower
 - b. Hymen Minsky
 - c. Pissarides
 - d. All of the above
7. The methodology attempts to explain aggregate economic phenomena, such as economic growth, business cycles, and the effects of monetary and fiscal policy, on the basis of macroeconomic models derived from microeconomic principles is
 - a. DSGE
 - b. MGE
 - c. CGE
 - d. None
8. The act of reducing market phenomena to (stylised) individual choices is called as
 - a. Positivism
 - b. Increasing tendency
 - c. Reductionism
 - d. None
9. The economy can be in equilibrium even with unemployment in the labor market is explained by _____

10. An employment agreement between an employer and an employee that specifies how much labor is supplied by the worker and how much wage is paid by the employer under different circumstances in the future is called _____
11. An event that suddenly increases or decreases the supply of a commodity or service, or of commodities and services in general is _____
12. A business cycle that results primarily from the manipulation of policy tools (fiscal policy, monetary policy) by incumbent politician hoping to stimulate the economy just prior to an election and thereby greatly improve their own and their party's reelection chances is _____
13. It is inventions that are subject to cyclical fluctuations, not innovations.(false)
14. Rational expectations theory defines a kind of expectations as being the best guess of the future (the optimal forecast) that uses all available information.(true)
15. The Mundell-Fleming Model adds a balance of payments equilibrium condition (and a BP curve) not to an IS-LM Model. (False)
16. Monetary policy is ineffective in influencing the economy in a fixed exchange rate system (TRUE)

(16 x ¼ = 4 weightage)

SECTION -B

Answer any TEN questions from the following

17. Explain the Structuralist theory of inflation.
18. What is Phillips curve? What are its policy implications?
19. Write a short note on inflation targeting.
20. Explain anti inflationary measures
21. Distinguish between short-run and long-run Phillips curve.
22. Explain Hawtrey's Monetary theory of Business cycle.
23. Analyse the Samuelson's theory of trade cycle
24. What are the various causes of stagflation?
25. Write a short note on DSGE
26. Explain the financial instability theory of Minsky.
27. Analyse the Pricing theory of Kalecki.
28. What are the key features of Mankiw's menu cost model?
29. Analyse the working of monetary policy under fixed exchange rate.
30. Write a short note on perfect capital mobility.

(10 x 2=20 weightage)

SECTION - C

Answer any THREE questions

31. Analyse the DMP Model
32. Compare and contrast the labour market equilibrium of neo-classicals and Keynes.
33. Critically analyse the Real business cycle theory.
34. Write an essay on supply side economics. Explain its policy implications
35. Critically analyse the insider-outsider theory.
36. Critically examine Mundell-Fleming Model.

(3 x 4=12 weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Second Semester MA Economics Degree Examination, March 2017
MEC201 – Micro Economics Theory and Application
(2016 Admission onwards)

Max. Time: 3 hours

Max. Weightage : 36

PART – A*Answer all questions.**Each bunch of four questions carries weightage 1.***A. Multiple choice**

- Total product is exhausted when factors are paid according to their respective marginal products provided that the production function is homogenous of degree n , where
(a) $n = 2$ (b) $n > 2$ (c) $n < 2$ (d) $n = 1$
- In a society consisting of three individuals (A, B and C) which one of the following would represent a Pareto-improvement in social welfare?
(a) A's welfare increases, B's welfare increases, C's welfare decreases
(b) A's welfare increases, B's welfare decreases, C's welfare remains the same
(c) A's welfare increases, B's welfare remains the same, C's welfare decreases
(d) A's welfare increases, B's welfare remains the same, C's welfare remains the same
- "It is not necessarily worse for a society if a large number of optimality conditions are violated then if only a few are violated." This consideration related to
(a) rational consumer (b) rational producer (c) the theory of second best (d) social good
- Non-negativity constraints state that the value of decision variables
(a) can at most be zero but can never be negative
(b) can be less than zero but can never be positive
(c) cannot be equal to zero (d) should be equal to zero

B. Multiple choice

- The idea that an economy should be organized so as to maximize the welfare of the least well-off person in society is known as
(a) Rawlsian justice (b) Scitovsky criterion
(c) Kaldor-Hicks criterion (d) Pareto criterion
- Negative externality is that
(a) harms others (b) helps others
(c) benefit one group while harming others (d) none of these
- Open-access common property resources are usually
(a) under exploited (b) over exploited
(c) optimally used (d) all of the above
- An action taken by an uninformed person to determine the information possessed by informed people
(a) screening (b) signaling
(c) adverse selection (d) moral hazard

C. Fill in the Blanks

9. Input-output model which has endogenous final demand vector is known as _____
10. Excluding anyone from consuming a _____ good is inefficient.
11. 'Lemons' is a word used to describe _____
12. Ricardian subsistence wage was based on _____ theory

D. State True or False

13. Slack variables are used to transform linear inequalities into linear equations.
14. Rate of product transformation between two outputs is the negative of the slope of the production possibility frontier for those outputs.
15. It is usually optimal to have some negative externalities, because eliminating all of them requires eliminating desirable outputs and consumption activities as well.
16. In Ricardian stationary state both capital and population cease to grow since there is no motive for accumulation.

(4 x 1 = 4 Weightage)

PART – B

Short answer questions

Answer any ten questions not exceeding one page each.

17. What is meant by a free riding problem? What are the different methods of reducing free riding?
18. What is a technological matrix?
19. What is input-output analysis? Give its assumptions.
20. Distinguish between static and dynamic input-output models.
21. Why externalities lead to non-optimal production?
22. Explain the allocation of property rights to reduce negative externalities.
23. What are the different ways of limiting lemons?
24. What is meant by adverse selection problem? How it can be solved?
25. "Most advertising is manipulative and provides very little information." Explain.
26. "Scitovsky criterion is made out of one of the limitations of Kaldor-Hicks compensation criterion." Explain.
27. Critically examine Kalecki's theory of distribution
28. Explain how adding up problem was solved by Euler.
29. What do you mean by grand utility frontier?
30. Explain the general equilibrium of exchange.

(10 x 2 = 20 Weightage)

PART – C

Essay Questions

Answer any three not exceeding three pages

31. Examine Arrow's impossibility theorem.
32. Critically examine the Coase theorem.
33. Critically examine Ricardian theory of income distribution.
34. What is meant by Pareto optimality? What are the different conditions of Pareto optimality?
35. Critically examine the efficiency wage theory.
36. Describe different steps involved in solving linear programming problem using graphical method.

(3 x 4 = 12 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
 Second Semester MA Economics Degree Examination, March 2017
 MEC204 – Public Finance Theory & Practice
 (2016 Admission onwards)

Max. Time: 3 hours

Max. Weightage : 36

Part A

Each bunch of four questions carries a weightage of 1.

A- Multiple Choices

1. A sound tax system should preferably based upon:

(a) Proportional taxation	(b) Degressive Taxation
(c) Regressive Taxation	(d) None of these
2. Chairman of 14th finance commission is :

(a) C. Rangarajan	(b) Vijay L. Kelkar
(c) K.C.Pant	(d) Y.V.Reddy
3. The best example of a Federal state is :

(a) USA	(b) China
(c) Russia	(d) UAE
4. The concept of functional finance was developed by :

(a) A.P.Lerner	(b) Alfred Marshall
(c) A. Wagner	(d) A.C.Pigou

B - Multiple Choices

5. Incidence of direct tax:

(a) Can be shifted	(b) Cannot be shifted
(c) Partially shifted	(d) Both a & b
6. If government desires expansionary effect on aggregate income, it should go for:

(a) Surplus Budget	(b) Balanced Budget
(c) Deficit Budget	(d) None of these
7. Union Budget 2017-18 was presented in Lok Sabha by:

(a) Urjith Patel	(b) P. Chidambaram
(c) Arun Jaitley	(d) Nirmala Sitharaman
8. Excise duty is collected by:

(a) Central Government	(b) State Government
(c) LSGs	(d) Both (a) and (b)

C- Fill in the blanks:

9. Voluntary Exchange Theory of Public Goods was developed by.....
10. KIIFB stands for
11. Finance Commission is a.....body
12.refers to the ultimate burden of tax.

D- State True or False:

13. Sales tax is a direct tax.
14. Union budget 2017-18 has proposed 10 % surcharge on income of rupees 50 lakh to 1 crore slab.
15. Positive externality never makes market failure.
16. The value of the balanced budget multiplier is always greater than one.

(16x $\frac{1}{4}$ = 4 weightage)

Part B

Answer any ten questions

Each question carries a weightage of 2

17. What is a budget? Should it be balanced? Explain.
18. Explain the major sources of revenue of state governments.
19. What do you mean by Fiscal Deficit? Suggest some corrective measures for reducing fiscal deficit in India.
20. Examine the role of budget in promoting stability and growth in developing countries.
21. Explain Wiseman- Peacock hypothesis.
22. Distinguish between vertical and horizontal imbalances.
23. What is tax buoyancy, how it works for the government?
24. Examine the need for financing social infrastructure and human development in a developing economy.
25. Distinguish between private, public and merit goods.
26. What is taxable capacity? What are the causes of low taxable capacity in India?
27. What is public debt? What are the various methods of debt redemption?
28. Write a note on FRBM act.
29. Explain Musgrave's views on incidence of taxation.
30. What is Pigovian Tax? Examine its implication on negative externalities.

(10 x 2 = 20 weightage)

Part C

Answer any three questions

Each question carries a weightage of 4

31. Trace out recent trends of public debt in India.
32. What do you mean by fiscal federalism? Evaluate the nature of Centre-State financial relations in India.
33. Discuss the major highlights of Union Budget 2017-18.
34. What do you mean by Zero Base Budgeting? What are its merits and demerits?
35. Critically examine the major recommendations of 13th finance commission.
36. Examine the rationale of growing public expenditure in India.

(3 x 4 = 12 weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Second Semester MA Economics Degree Examination, March 2017
MEC203 – Quantitative Techniques II
(2016 Admission onwards)

Max. Time: 3 hours

Max. Weightage : 36

Part A

*Choose the correct answer from the alternatives given below each question.
Each bunch of four questions carries a weightage of 1.*

A. Multiple Choice :

1. If X follows Binomial distribution with mean 20 and variance 10 then n is:
(a) 10 (b) 20 (c) 30 (d) 40
2. If X follows Poisson distribution with mean 3 then its variance is :
(a) 1 (b) 0 (c) 2 (d) 3
3. If X follows Standard normal distribution then the distribution of X^2 is:
(a) Chi-square (b) Normal (c) F (d) t
4. If X and Y are standard normal variance then the mean of X-Y is:
(a) 0 (b) 1 (c) -1 (d) 2

B. Multiple Choice :

5. If X is log(normal) then log X is:
(a) normal (b) lognormal (c) Binomial (d) Poisson
6. Level of significance is the probability of :
(a) Type 1 error (b) Type 2 error (c) Power (d) Size
7. Unbiased estimator for population variance is:
(a) s^2 (b) S^2 (c) \bar{X} (d) ns^2
8. The degrees of freedom for a 2 x 2 contingency table is :
(a) 0 (b) 1 (c) 2 (d) 4

C. Fill in the blanks

9. For a Poisson distribution with mean 2, $P(X=0)$ is _____
10. Standard error of sample mean is _____
11. If X is standard normal random variable the distribution of $-X$ is
12. The test static used in ANOVA is _____

D. State whether the following statement is TRUE or FALSE.

13. The mean of Binomial distribution is greater than variance.
14. If t is unbiased for θ then t^2 is unbiased for θ^2 .
15. Goodness of fit is tested using chi- square statistic.
16. The student's t statistic was introduced by Neyman.

(4 x 1 = 4 weightage)

Part B

Answer 10 questions. Each question carries a weightage of 2.

17. Define binomial distribution.
18. State the conditions for the Poisson distribution being the limiting form of the binomial distribution.
19. The Poisson distribution is considered as the distribution of 'rare events'. Justify.
20. Define Standard normal distribution.
21. Define lognormal distribution and state its properties.
22. Define unbiased estimator and give one example.
23. State the sufficient conditions for consistency.
24. Distinguish between point estimation and interval estimation.
25. Write the sampling distribution of the sampling mean.
26. Define the terms: (a) Type 1 error and Type 2 error (b) Size of a test and (c) power of a test.
27. State Neyman Pearson Lemma.
28. Describe the test for single proportion.
29. Write down the test statistic for a 2x2 contingency table.
30. Write down the ANOVA table for one way classification.

(10 x 2 = 20 weightage)

Part B

Answer three questions. Each question carries a weightage of 4

31. (a) Five coins are tossed 3200 times. Find the expected number of tosses resulting (i) one head (ii) no head (iii) at least one head
(b) If the yield of paddy is normally distributed with mean 600 tonnes and S.D. 100 tonnes, find the probability that the yield (i) less than 800 tonnes (ii) lies between 500 and 700 tonnes (iii) More than 450 tonnes
32. (a) Define student's t distribution and explain its applications.
(b) Derive the $100(1-\alpha)$ percentage confidence interval for the population variance.
33. Test whether the following samples have the same population mean

Sample 1:	68	62	72	74	75	74	80	82	
Sample 2:	64	63	68	75	78	73	78	76	79
Sample 3:	68	66	62	72	70	76	72	75	78

34. (a) A company claims that 95 percentage of their products are perfect. In a sample of 400 items produced by the company 30 are found to be defective. Test the claim at 1 percent level.
(b) Explain simple and composite hypothesis with example.
35. (a) Explain the chi-square test for independence of attributes.
(a) Using the following data test whether the vaccination is effective in preventing infection.:

	Infected	Not infected
vaccinated	22	790
Not vaccinated	220	2216

(3 x 4 = 12 weightage)