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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, March 2018

MEC401 – International Financial System

(2016 Admission onwards)

Max. Time: 3 hours   Max. Weightage: 36

Answer *all* the questions, (each bunch of four questions carries one weightage)

Multiple Choice:

1. Euro Dollars denote

   a)Dollar deposits in Europe   b)Euro deposits in US

   c)Dollar deposits outside US   d)Euro deposits outside US

2. Remittances from abroad is included in which account of balance of payment

   a)Current account   b)Capital account

   c) Visible account   d)Official account

3. Exchange rate is kept the same in all parts of the market by

   a)Exchange arbitrage   b)Interest arbitrage

   c)Hedging   d)Speculation

4. Devaluation will improve balance of payment deficit if the sums of elasticity of export and import of the devaluing country is

   a)Greater than one   b)less than one

   c)zero   d)negative

5. EURO became common currency of EMU on

   a)January 1 2000   b)January 1 2004

   c)January 1 1999   d)January 1 2001

6. The largest foreign exchange market in the world is

   a)London   b)New York

   c)Frankfurt   d)Tokyo

7. The practices of transfer pricing in the open economy is resorted to by

   a)Mutual Funds   b)Institutional Investors

   c)Multinational Corporations   d)Private Banks

8. The curve that indicates a situation in which a depreciation of a currency an initially results in the worsening of the country's trade balance

   a)BP curve   b)IS curve

   c)J curve   d)Laffer curve

B. Fill in the blanks

9. International flow of short term capital to earn higher interest is ------

10. Gold standard is an example of ------- exchange rate

11. Most popular forward market will have duration of -------days

12. Elasticity approach examines the effect of ----- on current account

C. State True or False

13. Portfolio investment is a financial investment

14. Theory of optimum currency area was developed by Harry Johnson

15. Pound sterling was the intervention currency under Bretton Woods

16. For monetarist demand for money is stable in long run

(16 x ¼ = 4 weightage

II.   **Answer any *ten* questions, not exceeding one page each**

17. Argue for fixed exchange rate system

18. Explain different concepts of exchange rate

19. Elaborate on European monetary integration

20. Explain exchange rate overshooting

21. What is currency arbitrage?

22 Discuss currency swap

23. Distinguish between foreign exchange futures and forward

24. What are the functions of foreign exchange market?

25. Explain the role of MNCs in global economy

26. Discuss the avoidance of foreign exchange risk

27. What is Currency Boards

28. Distinguish between FDI and FPI

29. Explain the concept of mint parity

30. What is optimum currency area?

(10x 2=20 weightag

III.   **Answer any *three* questions, not exceeding three pages each**

31. Elaborate Mundell Fleming Model

32. Explain portfolio balance approach to balance of payment

33. Explain internal and external balance using the Swan diagram

34. Discuss the merits and demerits of freely floating exchange rate system

35. Examine the reasons for the collapse of Bretton Woods system

36. Explain the accounting framework of balance of payment

(3 x 4=12 weightag

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Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE
Fourth Semester MA Degree Examination, March 2018
MEC402 – Financial Markets
(2016 Admission onwards)

Max. Time: 3 hours   Max. Weightage : 36

Part A
Answer all questions
Each bunch of four questions carries weightage of 1

A. **Multiple Choice:**

1. Trading of A negotiable certificate (depository) representing a specific number of shares of a stock traded on an exchange of another country:

   (a) NIFTY   (b) LIBOR   (c) GDR   (d) Foreign exchange

2. Primary capital markets deals with:

   (a) old securities   (b) new securities   (c) both   (d) none of these

3. The most volatile part of the organized money market is the:

   (a) guilt edged market (b) bonds market (c) call money market (d) commercial bill market

4. The institution which pools the savings of relatively small investors and then converted into a well-diversified portfolio of sound investment:

   (a) mutual fund   (b) pension fund (c) venture capital fund (d) provident fund

B. **Mutliple Choice**

5. The market which provide instruments for the management of financial risk:

   (a) insurance market   (b) money market (c) Forex market (d) Derivative market

6. Which of the following is an example of government security:

   a) Commercial paper   (b) T-Bill   (c) Pension fund (d) Certificate of Deposit

7. The characteristics of an asset which allows for the easy and quick conversion into cash:

   (a) liquidity   (b) profitability   (c) transferability (d) marketability

8. The function of sale of shares and debentures to the investors is called:

   (a) sale   (b) distribution   (c) purchase   (d) discounting

C. **Fill in the Blanks**

9. CRISIL is a ....agency in India.

10. ....gives its owner the legal right to sell shares to someone else.

11. SEBI was setup in.................

12. The price of one's country's currency in terms of another's is called....................

D. State True or False

13. In the case of derivatives underlying asset determines the price and if the price of the asset changes, the derivative changes along with it.

14. SEBI is not a designated authority for the finance and investment market in India.

15. Swap is considered to be a foreign exchange transaction in the derivative markets.

16. CRISIL ratings is the only ratings agency in India to operate on the basis of sectoral specialisation.   (16 x ½ = 4 weightage)

Part B (Short Answer Questions)
Answer any ten not exceeding one page each
Each question carries a weight of 2.

17. What is the role of stock broker?

18. Describe the key players in security market?

19. Distinguish between ADR and GDR.

20. Briefly explain the trading mechanism of stock exchanges.

21. Distinguish between bull and bear.

22. Briefly explain the role of financial intermediaries in Indian economy.

23. Elaborate the functions and instruments of Money market.

24. What is Commodity future market?

25. Is it stated that SEBI is only a watchdog? Why.

26. What is p-notes?

27. Explain the concept of foreign currency convertible bonds.

28. What is the meant by Digital India Programme?

29. What is meant by financial inclusion and elaborate the key components of financial inclusion.

30. Explain the concept of Repurchase agreements.   (10 x 2 = 20 weightage)

Part C (Essay Questions)
Answer any three not exceeding three page each.
Each question carries a weight of 4.

31. Describe the functions and powers of SEBI, which help in regulating the stock market in India.

32. Critically examine the structure and role of Indian financial system after liberalised regime.

33. What is a stock exchange? Point out the various functions and role of stock exchanges in trading mechanism.

34. Briefly explain the recent capital market reforms in India.

35. What is Euro-currency market? What are the reason and effects for the growth of Euro currency market?

36. Briefly elaborate the role of capital market institutions in economic development of India.

                                                          (3 x 4 = 12 Weightage)

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, March 2018

MEC403 – Advanced Econometrics

(2016 Admission onwards)

Max. Time: 3 hours   Max. weightage: 36

Part A

Answer All Question

Each bunch of four question carries a weightage of 1

A-Multiple Choice:

1   Which of the following statements is false concerning to the linear probability model?

     A   the probability that $Y_i = 1$ is linearlyrelated to the explanatory variables

     B   estimated probabilities from LPM will always lie between zero and one

     C   The error terms is not normally distributed

     D   The error term in the model is heteroscedastic

2   The logit model derives its name from

     a   the logarithmic model

     B   the probit model

     C   the logistic function

     D   the tobit model

3   If OLS is applied separately to each equation that is part of a simultaneous system, the resulting estimates will be

     A   Unbiased and consistent

     B   Biased but consistent

     C   Biased and inconsistent

     d   It is impossible to apply OLS to equations that are part of a simultaneous system

4   We can apply OLS and get consistent reduced form parameters only if the equation is

     A   Exactly identified

     B   Over identified

     C   Unidentified

     D   The order of the identification doesn't matter

5   Choose the correct statement

     A   All stationary series are white noise process

     B   First difference of a Random walk is stationary

     C   ACF of MA(1) at lag one is always greater than 0.5

     D   A unit root process is I(0)

7   A white noise process will have (i) A zero mean (ii) A constant variance (iii) Autocovariances that are constant and (iv) Autocovariances that are zero except at lag zero

A   (ii) and (iv) only   B   (i) and (iii) only

C   (i), (ii), and (iii) only   D   (i), (ii), (iii), and (iv)

8   Which of the following method is used to identify possible AR and MA terms

A   ADF Test   B   Correlogram

C   Variance Ratio test   D   Akaike Information Criteria

B-Fill in the blanks:

9   As per Alomon's Polynomial model, a lag structure of the form of an inverted U can be approximated by a polynomial of at least the _____degree.

10 The collection of random variable ordered on time is called _____

11 If the R^2 of the regression is greater than the Durbin-Watson Statistic, then the regression is _____

12 The error correction mechanism (ECM) is popularized by _____

C. State True or False

13 Durbin-Watson d statistics cannot be used to test for the autocorrelation in Koyck model

14 The order condition is necessary and sufficient condition for the identification

15 Phillips-Perron (PP) test is basically a test for checking stationarity

16 $\Delta(\Delta y_t) = \beta_1 \Delta(\Delta y_{t-1}) + \varphi u_{t-1} + u_t$ is ARIMA (1 1 1) model

(16 x ¼ = 4 Marks)

D. Short Answer Questions
Answer any 10 questions
All questions carries a weightage of 2

17 Consider a Linear Probability Model

$$Y_i = \beta_1 + \beta_2 Age + \beta_3 Educ + \beta_4 Income + \beta_5 Pcig + U_i$$

Where, Y=1 for Smokers and 0 for non-smoker, Age=Age in Years

Educ= Number of Years of schooling, Income= family income, Pcig= Price of cigarattes

$Y_i = 1.12 + -0.0047 Age + -0.02 Educ + 0.05 Income + -0.0051 Pcig$

All the variable except income are significant. How do you interpret the result

18 Write down the advantages of Logit and Probit model over Linear Probability Model (LPM)

19 Consider a model

$$Y_t = \alpha + \beta_0 X_t + \beta_1 X_{t-1} + \beta_2 X_{t-2} + \beta_3 X_{t-3} + \ldots\ldots + \beta_k X_{t-n} + U_t$$

How Koyck transformed the above infinite distributed lag in to a three variable autoregressive model

0   The accelerator model of investment theory assumes that the desired stock of capital is depends upon the level of output.

$$Y_t^* = \beta_0 + \beta_1 X_t + u_t$$

The desired level of capital is not directly observable, adopt stock adjustment principle

$$Y_t - Y_{t-1} = \delta(Y_t^* - Y_{t-1})$$

Transform the above investment model in to a Stock/Partial adjustment model?

21   What is meant by simultaneous-equations system or model? What is the difference betweena structural equations and reduced form equations?

22   What is meant by identification? Explain the order condition of identification

23   Explain : a) white noise, b) random walk with and without drift

24   What you meant by a stationary time series? How you will understand a particular series is stationary ?

25   Explain the method of two stage least square? What are the advantages of 2SLS with respect to ILS?

26   What you meant by Unit root ? Explain the Augmented Dickey Fuller Test

27   Explain the concept of spurious regression ?

28   What is an Integrated Stochastic Process?

29   What you meant by a simultaneous equation Bias ?

30   Explain the concept of causality ?

(10 x 2 = 20 weightage)

E. Essay Questions
Answer any three questions
All questions carries a weightage of 4

31   Suppose consumption C is linearly related to permanent income Y*

$$C_t = \beta_0 + \beta_1 Y_t^* + u_t$$

Since Yt* is not directly observable, adopt the adaptive expectations hypothesis that generates permanent income

$$Y_t^* - Y_{t-1}^* = \gamma(Y_t - Y_{t-1}^*)$$

The equation states that expectations are revised each period by a fraction γ of the gap between current income and its previous permanent income. Transform the above consumption model incorporating expectation in to an adaptive expectation model ?

32   Explain the Granger test of causality using the example "whether GDP that "causes" the money supply M (GDP→ M) ormoney supply M that causes GDP (M→GDP)'

33 Find out the reduced form equation of the following model

$$M_t = \alpha_0 + \alpha_1 Y_t + U_{1t}$$
$$Y_t = \beta_0 + \beta_1 M_t + \beta_2 I_t + U_{2t}$$

Here Mt and Yt are endogenous and It is exogenous. Examine whether these equations are identified according to order condition.

34 Using rank condition, evaluate the identification of the following equations

$Y_1 = a_1 + a_2 Z_1 + a_3 Z_3 + u_1$

$Y_2 = b_1 + b_2 Y_3 + b_3 Z_1 + b_4 Z_2 + u_2$

$Y_3 = c_1 + c_2 Y_1 + c_3 Z_1 + c_4 Z_3 + u_3$

35 Explain the steps involved in the Box Jenkins Methodology.

36 How do we test co-integration using Engle granger methodology?

(3x4 = 12weightage

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Degree Examination, March 2018

MEC404 – Research Methodology & Computer Applications

(2016 Admission onwards)

Max. Time: 3 hours   Max. weightage: 36

PART A

Answer all questions

Each bunch of four questions carries a weightage of 1 .

1. ------method consists of studying several individual cases and drawing a generalisation.

   a)Deductive method   b)inductive method

   c)scientific method   d)None of the above.

2. Analytical study is also known as --------

   a)statistical method   b) Historical method.

   c)Experimental method   d)None of the above.

3. Basic principles of experimental design include

   a)Principle of replication   b)Principle of Randomisation

   c)Principle of Local control   d)all the above.

4. In a case of normal distribution the relation between mean, median and mode are

   a)mean>median>mode.   b)mean<median<mode.

   c)mean=median=mode.   d)None of the above.

5. Which one of the following is not a measure of dispersion.

   a)Arithmetic mean.   b)standard deviation.

   c)Range   d)Quartile deviation.

6. Which one of the sampling gives equal probability for all items?

   a)stratified sampling   b)judgement sampling

   c)simple random sampling.   d)systematic sampling.

7. Which test is used for testing independence of attributes?.

   a)F-test   b) Chi-square test

   c)z-test   d)t-test.

8. The relation between sample size and standard error is

   a)positive   b)Negative

   c)No relation   d)we cannot say.

Fill in the blanks

9.   Objectivity is sine qua non of the --------method

10.   Pure research is also known as ---------

11.   Rejecting a null hypothesis when it is true is called---

12.   The keyboard short cut key for creating a document is—

$(12 \times \frac{1}{4} = 3 \text{ weightage})$

Part B(Very Short Answer Questions)
Answer any five Questions.
Each question carries a weightage of 1.

13.   What is a research?

14.   Define stratified sampling.?

15.   Define measures of central tendency?.

16.   What is Historical method?.

17.   What is standard error?.

18.   Define sample size?.

19.   What is type 11 error?.

20.   What is chi-square test.?

$(5 \times 1 = 5 \text{ weightage})$

PART C(Short Answer Questions)
Answer any eight questions.
Each question carries a weightage of 2.

21.   Explain the difference between theory and research.?

22.   Explain the important concepts relating to research design.?

23.   What are the types of research.?

24.   Technique involved in defining a research problem.?

25.   Basic principles of Experimental designs.?

26.   Explain the difference between survey and Experiment.?

27.   Explain the procedures for fitting simple regression line.?

28.   Explain the difference between pure and applied research.?

29.   Explain the case study method.?

30.   Define Histogram?.Illustrate the steps to construct Histogram using excel worksheet?.

31.   What are the different methods of non-probability sampling.?

$(8 \times 2 = 16 \text{ weightage})$

PART D(Essay Questions)
Answer any three questions
Each question carries a weightage of 4.

32. Explain Various types and methods of research. and also explain the evaluation of a research.?

33. Explain special features of social science research. and also explain different approaches in social science research.?

34. State the use of SPSS statistics for data analysis and reporting.?

35. Explain research design.?Discuss various types of research design.?

36. Explain various types involved in research report.?

(3x4=12 weightage).