2B4M19171   (Pages : 3)   Reg. No:............................

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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, March /April 2019

MECO4E04 – Contributions by Nobel Laureates

(2017 Admission onwards)

Time: 3 hours   Max. Weightage : 36

PART A

Answer All Questions. Each Bunch of Four Questions Carries One Weightage

A. Multiple Choices

1. Who among the following non economist won Nobel Prize in Economics?

    a) Thomas J. Sargent   b) Bengt Holmström

    c) Daniel Kahneman   d) Harry Markowitz

2. The analyses of saving and financial markets are pioneered by

    a) Robert C. Merton   b) Gary Becker

    c) Franco Modigliani   d) Lloyd S. Shapley

3. For which work, two American were announced the Nobel Prize winners in Economics in 2018.

    a) Integrating climate and innovation with macro economic Analysis

    b) Integrating skill and innovation with macro economic Analysis

    c) Integrating inclusion and nutrition with macro economic Analysis

    d) Analysis of consumption, poverty, and welfare

4. The general equilibrium theory and welfare theory are associated with

    a) Jan Tinbergen   b) Amartya Sen

    c) Paul A. Samuelson   d) John R. Hicks

5. The first black person to win a Nobel Memorial Prize in Economic Sciences is

    a) W. Arthur Lewis   b) Robert Fogel

    c) Franco Modigliani   d) Herbert A. Simon

6. Amartya Sen was awarded the Nobel Prize for his contribution to

    a) Welfare Economics   b) Consumption, poverty, and welfare

    c) Development Economics   d) Optimum allocation of resources

7. Who among the following won Noble prize for his analysis of market power and regulation?

    a) Oliver Hart   b) Jean Tirole

    c) Richard Thaler   d) Peter A. Diamond

8. Who among the following Noble Prize winners is an Austrian economist?

    a) F.A. von Hayek   b) Paul A. Samuelson

    c) George Stigler   d) Oliver Hart

B. Fill in the Blanks

9. The book "Development as a Freedom" was written by ……..

10. …….. became the first women awarded Nobel prize in Economics.

11. The Nobel Prize for Economics was instituted by………

12. ……won Nobel Prize for analyzing economic time series with time-varying volatility (ARC)

C. True or False.

13. In neoclassical growth model technological progress is treated as a residual.

14. As per the consumption theory of Friedman, positive transitory income have positive effect on permanent consumption.

15. Mundell Fleming model explains how the internal balance can be achieved by using monetary policy and external balance by using fiscal policy.

16. The capability approach of Amartya Sen puts people at the focus of development; not economy.

<div align="right">(16 x ¼ = 4 weightage)</div>

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PART B (Short Answer Questions)
Answer Any Ten Questions. Each Questions Carries Weightage of 2

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17. Arrow's fundamental theorems of welfare economics

18. Why Diamond, Mortensen and Pissarides were awarded Nobel Prize ?

19. Explain John F. Nash theory of non cooperative game.

20. Discuss Hicks analysis of general equilibrium.

21. Examine Mundell model of an open macro economy.

22. How Simon Kuznets codified modern economic growth?

23. Explain Coarse Theorem.

24. Describe market with asymmetric information by George Akerlof and Joseph Stiglitz

25. States the New Trade Theory of Paul Krugman.

6. How Paul Romer integrated technological innovations into long-run macroeconomic analysis?

7. Describe Bertil Ohlin theory of international trade.

8. Explain Ragnar Frisch's analysis of dynamic economic development process.

9. How Angus Deaton used consumption to analyze welfare, poverty, and economic development.

<div align="right">(10 x 2 = 20 weightage)</div>

PART C (Essay Questions)
Answer Any Three Questions. Each Questions Carries Weightage of 4

30. Narrate Robert Solow's contributions to economic growth and development theory.

31. Discuss Milton Friedman's contributions of consumption and monetary theory.

32. Briefly discuss the contributions of Amartya Sen to welfare economics.

33. Explain Edmund Phelps analysis of inter temporal trade off in macroeconomic Policy.

34. State contributions of Thomas Sergent and Christopher Sims to economic science.

<div align="right">(3x 4 = 12 weightage)</div>

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, March /April 2019

MECO4E01 – Advanced Econometrics

(2017 Admission onwards)

Time: 3 hours   Max. Weightage : 36

I.   **Answer all questions. Each bunch of four questions carries one weightage**

A. Multiple choice

1.   Which of the following are probably valid criticisms of the Dickey Fuller methodology?

    (i) The tests have a unit root under the null hypothesis and this may not be rejected due to insufficient information in the sample

    (ii) The tests are poor at detecting a stationary process with a unit root close to the non-stationary boundary

    (iii) The tests are highly complex to calculate in practice

    (iv) The tests have low power in small samples

    (a) (i), (ii), (iii) and (iv)

    (b) (i), (ii), and (iv) only

    (c) (i) and (iii) only

    (d) (ii) only

2.   Logistic regression is used when you want to:

    a) Predict a dichotomous variable from continuous or dichotomous variables.

    b) Predict a continuous variable from dichotomous variables.

    c) Predict any categorical variable from several other categorical variables.

    d) Predict a continuous variable from dichotomous or continuous variables.

3.   In binary logistic regression:

    a) The dependent variable is continuous.

    b) The dependent variable is divided into two equal subcategories.

    c) The dependent variable consists of two categories.

    d) There is no dependent variable.

4.   Time-series analysis is based on the assumption that

a) Random error terms are normally distributed.

b) There are dependable correlations between the variable to be forecast and other independent variables.

c) Past patterns in the variable to be forecast will continue unchanged into the future.

d) The data do not exhibit a trend.

5.   Consider the following AR(2) process:

$y_t = 1.5\, y_{t-1} - 0.5\, y_{t-2} + u_t$ This is a

a) Stationary process

b) Unit root process

c) Explosive process

d) Stationary and unit root process

6.   There is no unique way of estimating the parameters of SEM if the model is

a) Under identified

b) Over identified

c) Either (a) or (b)

d) Exactly identified

7.   In Koyck model, the closer the λ is to 1, the rate of decline in β_k

a) is faster

b) is slower

c) Depends on β_k

d) Depends on k

8.   The testing the causality between two variables, it is assumed that

a) At least one variable is stationary

b) Both variables are stationary

c) Both variables are non-stochastic

d) Both variables have constant variance

B. Fill in the blanks

9.   A parsimonious model is ----------

10.   Sum of weights in exponential smoothing is _____ .

11.   The indirect least square is applied to estimate the coefficients of the-----

12.   Under Hausman's specification error test, the H_0 tested is --------

C. State True or False

13.   BIC penalizes complex models more strongly than the AIC.

14.   AR(2) process is invertible.

15. The use of an intercept term β_0 has the same effect in stationary and nonstationary ARIMA models.

16. In linear probability model nothing to ensure that the estimated probabilities lie between zero and one

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

Answer Any ten questions. Not exceeding one page each.

.   Explain Simultaneity bias.

.   Explain Hausman's specification error test.

'.   Briefly explain Distributed lag model.

).   Write a note on Granger causality Test.

..   Explain the features of Linear Probability Model.

2.   Write a note onProbit Model

3.   Explain random walk process.

4.   Explain spurious regression

5.   Write a note on Engel Granger Cointegration.

6.   Explain Box Jenkins Methodology

7.   Prepare a note on ARIMA

.8.   Explain 2SLS

!9.   Explain information Criteria

:0.   Explain Augmented dickey fuller test.

$$(10 \times 2 \ = 20 \text{ weightage})$$

III. Answer Any three questions. Not exceeding three pages each

31. Consider the following demand and supply model for loans of commercial banks to businesses:

Demand: $Q_t = \alpha_1 + \alpha_2 R_t + \alpha_3 RD_t + \alpha_4 \text{IPI}_t + U_{1t}$

Supply: $Q_t = \beta_1 + \beta_2 R_t + \beta_3 RS_t + \beta_4 \text{TBD}_t + U_{2t}$

Where Q = total commercial bank loans (\$ billion); R = average prime rate; RS = 3-month Treasury bill rate; RD = AAA corporate bond rate; IPI = Index of Industrial Production; and TBD = total bank deposits

a. Are the demand and supply functions identified? List which variables are endogenous and which are exogenous.

b. How would you go about estimating the demand and supply functions listed above? Show the necessary calculations.

c. Why are both R and RS included in the model? What is the role of IPI in the model?

32. If a time series is stationary, does it mean that it is a white noise series? Consider the Markov first order autoregressive scheme, such as

$$U_t = \rho U_{t-1} + \varepsilon_t$$

Where U_t the error term in the regression model is, ρ is the coefficient of autocorrelation and ε_t is a white noise series. Is U_t is a white noise series? Is it stationary, if so, under what conditions? Explain.

33. The following results are from a prospective study that considered predictors of mammography use in women. The investigators used logistic regression to analyze their data. Results of a logistic regression predicting annual mammography use

Variable name	Parameter estimate (std error)	Significance value
Family history-associated risk group	.14 (.09)	not sig.
Age	-.04 (.02)	<0.05
Worry	-.04 (.01)	<0.05
Worryx family history-associated risk group	-.05 (.02)	<0.05

    a.   What is the odds ratio for getting a mammogram for every 10-year increase in age?

    b.   What is (are) the odds ratio(s) for every 1-unit increase in worry?

    c.   What is(are) the odds ratio(s) for having a positive family history?

    d.   What do these results mean?

34. Discuss analytically the three stages that are involved in the Box-Jenkins process for ARIMA model selection.

35. Explain step by step how to test for cointegration using the Engle Granger approach.

36. Explain the term spurious regression and provide an example from economic time series data.

(3x 4 = 12weightage)

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FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, March /April 2019

MECO4B14 – Financial Economics

(2017 Admission onwards)

Time: 3 hours

Max. Weightage : 36

I. Answer all Questions. Each bunch of four Questions carries one weightage.

Multiple Choice Questions

1. Gilt edged market is a market for

   a. Private securities

   b. Foreign securities

   c. Government securities

   d. Gold Deposit

2. Treasury bills are short term finance bills issued by

   a. The Government

   b. The Commercial Bank

   c. Both

   d. None of these

3. The process of indirect financing using financial intermediaries is called

   a. Financial disintermediation

   b. Financial intermediation

   c. Financial regulation

   d. None of these

4. The market for new issues is called

   a. Primary market

   b. Secondary market

   c. Both

   d. None of these

5. An individual or a firm who gives two way : buy and sell quotes for a stock is known as

   a. Share broker

   b. Investor

   c. Market maker

   d. None of these

6. The interest rate paid on call loans is called

   a. Primary rate

   b. Secondary rate

   c. Call rate

   d. None of these

7. Hedging refers to

   a. Bearing of risk

   b. Avoidance of risk

   c. Both

   d. None of these

8. Agreements by two parties to engage in a financial transaction at a future point of time are called

   a. Hedging

   b. Futures contracts

   c. Derivatives

   d. None of these

II. Fill in the blanks

9. The price of a country's currency in terms of another is called ....

10. The capacity of a security to be converted into cash (immediately and without loss) is called

....

11. .... is an offer of new securities by a listed company to its existing share

holders on a pro-rata basis

12. The difference between two future prices is known as ....

III. State True or False

13. The difference between cash price and future price is called spot price

14. Bonds with lower risk and a higher rating are called BBB Bonds

15. An asset price bubble refers to the fall of asset prices below their fundamental economic values.

16. The call rate is very sensitive to changes in the demand for and supply call loans.

(16 x ¼ = 4 Weightage)

II. Answer any *ten* Questions. Not exceeding one page each

17. Explain the functions of a financial market

18. Examine the various types of financial intermediaries

19. How do taxes affect investment decisions?

20. Find the expected return and risk from the following data

| | Returns | |
Probability	Company A	Company B
0.2	0.6	0.49
0.25	0.5	0.36
0.25	0.32	0.4
0.3	0.3	0.19
0.15	-0.32	-0.22

21. Explain the discounted Dividend model

22. What is the importance of compounding in the calculation of future value? Calculate future value for each year for the following data PV=2000, interest rate = 0.06, and number of year =6

23. What is hedging?

24. Define option and explain its operation in the financial market

25. Explain the various instruments used in the money market.

26. Explain the black-scholes model

27. Examine the relation between volatility and option price

28. Examine the meaning of swap contracts

29. Examine the features of discounted dividend model

30. Explain the meaning and importance of financial ratios

(10 x2 = 20 Weightage)

I. **Answer any *three* Questions. Not exceeding three page each**

1. Critically explain the Efficient Market Hypothesis

2. Explain the structure and functions of a financial system

3. Explain the portfolio theory of optimal risk management

4. Define foreign exchange risk and examine the various methods to cover and avoid it

5. Critically examine the capital asset pricing model

6. Construct various portfolio combination for the following data

	Risky Asset 1	Risky Asset 2
Mean	0.18	0.08
Standard deviation	0.20	0.15
Correlation	-1, -0.5, 0 0.5, 1	
Proportion invested in risky asset	0, 0.25, 0.5, 0.75, 100	

(3 x 4 = 12 Weightage)

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Name: ....

FAROOK COLLEGE (AUTONOMOUS), KOZHIKODE

Fourth Semester MA Economics Degree Examination, March /April 2019

MECO4B13 – International Finance

(2017 Admission onwards)

Time: 3 hours Max. Weightage : 36

Answer all questions. Each bunch of four questions carries one weightage

A. Multiple choice

1 The amount borrow from IMF,over and above gold tranche:

    a) Over draft   b) Credit Tranche

    c) Debit transaction   d) All of the above.

2 Tariffs, quotas, and other restrictions on the flow of international trade and capital is

    a) Indirect control measure   b) Direct control measure

    c) Joint control measure   d) Strategic control measure

3 The benefit accruing to a nation from issuing the currency:

    a) Seigniorage   b) Risk premium

    c) Reserve currency   d) None of the above

4 UNCTAD stands for

    a) United Nations Congress for Trade and Development

    b) United Nations Conferences on Trade and Development

    c) United Nations Control on Tariffs and Development

    d) United Nations Conference on Tariffs and Devaluation.

5 In the European Union:

    a) All member countries have a single exchange rate.

    b) All members set their own tariff

    c) There is a common tariff against non-members.

    d) All taxes are set the same

6   The balance of payments equals:

a) The difference between house hold spending and income.

b) The difference between government spending and income.

c) A measure of the value of economic transactions between Residence of a country and rest of the world.

d) The difference between inflation and Unemployment.

7   The act of avoiding a Foreign exchange risk arising from an agreed forward rate is called:

a) Speculation   b) Arbitrage

c) Hedging.   d) Options

8   European Union came in to existence in:

a) 1947   b) 1956

c) 1944   d) 1958

B. Fill in the blanks

9   When two countries are on gold, it is called _____ parity theory.

10   The agreement signed in December 1971 in Washington _____.

11   _____ is an increase in the Domestic Currency price of the Foreign Currency.

12   Present IMF Governor is _____.

C. State True or False

13   The common currency adopted at the beginning of 2002 is known as Euro.

14   Bretton woods system is also known as Gold Exchange Standard.

15   Absolute Purchasing Power Parity Theory postulate equilibrium exchange rate is equal to the ratio of price levels in the two nations.

16   Appreciation is a situation of decrease in the foreign currency price of the domestic currency.

(16x ¼ = 4 weightage)

Answer Any ten questions. Not exceeding one page each

Distinguish between spot & forward market

What is Exchange rate over shooting?

Explain foreign trade multiplier?

What is BOP adjustment & settlement?

Comment on the role of International Finance in Economic development of a Nation.

What is foreign exchange market? What are the main functions of foreign exchange market? Explain.

Explain the objectives and functions of International Monetary Fund.

What is Dollarization?

What is swan diagram? Explain.

Explain the Absorption Approach of balance of payment.

Explain briefly the operations of present International Monetary System.

Differentiate between Hedging and Speculation?

What is Nominal Effective Exchange Rate?

(10 x 2 = 20 weightage)

Answer Any three questions. Not exceeding three pages each

Explain the operation & collapse of Bretton wood system.

How a nation can achieve internal & external balance with fiscal & monetary policies under a fixed & a flexible exchange rate system?

What are the different exchange rate systems prevail in the Economy? What are its relative merits & demerits ?

Explain the concept BOP. What are the measures to correct BOP disequilibrium?

Briefly explain various theories of exchange rate determination?

(3x 4 = 12weightage)