2022

(Held in 2023)

ECONOMICS

Paper : ECOHE5026

Full Marks : 80
Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

OPTION—I

(Applied Econometrics)

1. Choose the correct option of the following : $1 \times 6 = 6$

(a) Empirical econometric research

(i) is an integration of economics, mathematical economics and statistics

(ii) is an use of data to test a theory or to estimate a relationship

(iii) provides numerical values to the parameters of economic relationships

(iv) All of the above

(b) An autoregressive model is the one

(i) that is used to avoid the problem of autocorrelation

(ii) that helps to draw valid inference regarding relationship between the variables

(iii) where the dependent variable is a lagged variable

(iv) where one of the explanatory variables is lagged-dependent variable

(c) Under adaptive expectations, an economic agent's 'forecast error' is

(i) positive

(ii) negative

(iii) zero

(iv) indeterminate

(d) The term 'multicollinearity' was introduced by

(i) Karl Marx

(ii) Jan Tinbergen

(iii) Ragnar Frisch

(iv) F. M. Fisher

(e) An appropriate method to estimate an over-identified equation is

(i) OLS

(ii) ILS

(iii) 2SLS

(iv) ridge regression

(f) The estimation procedure adopted by the random effects model is

(i) GLS

(ii) WLS

(iii) RLS

(iv) OLS

2. Answer the following questions : 2×5=10

(a) Why is empirical econometric research important?

(b) What are the basic objectives of regression diagnostics in regression analysis?

(c) What are the various functional forms of regression model?

(d) What are two advantages of Koyck method of estimating geometric lag model?

(e) Mention any two important steps of analyzing the panel data.

3. Answer any *six* of the following questions : 5×6=30

(a) What are the important steps involved in undertaking an empirical econometric research?

(b) What do you mean by misspecified model? Write some of the consequences of misspecification.

(c) Define model selection in econometrics. State certain model selection criteria in regression analysis.

(d) Distinguish between the single-equation system and the simultaneous equation system.

(e) What is meant by identification in econometrics? Why does the identification problem arise in a simultaneous equation system?

(f) Write in short the effects of multicollinearity.

(g) State the concept of Instrumental Variable (IV) method and its assumptions in estimating the over-identified equations.

(h) What are the limitations of fixed effects model?

(i) Write a brief note on the usefulness of STATA in econometrics.

4. Answer any *two* of the following questions : 10×2=20

(a) Is multicollinearity a problem for prediction in econometric analysis? Elucidate.

(b) State and explain the first-order autoregressive scheme in regression analysis.

(c) Discuss the random effects model of panel data regression and point out its advantages over the fixed effects model.

5. Answer any *one* of the following questions : 14

(a) Explain the Koyck method in estimating the geometric lag model. What are the merits and demerits of such an approach? 8+6=14 *(b)* Explain the concept of simultaneous equations in econometric analysis. What happens if the parameters of the simultaneous equation model are estimated by OLS? Illustrate your answer with an example. 2+10+2=14

OPTION—II

(Money and Financial Markets)

1. Choose the correct answer : 1×6=6

(a) As per the traditional approach, money (M) includes

(i) M = Currency notes + Coins

(ii) M = Currency + Demand deposit

(iii) M = Currency + Demand deposit + Time deposit

(iv) M = Currency + Demand deposit + Time deposit + Post office savings

(b) Which among the following is not a function of money?

(i) Standard of deferred payment

(ii) Store of value

(iii) Absence of common measure of value

(iv) Basis of credit system

(c) Money market deals with

(i) short-term credit instruments

(ii) long-term credit instruments

(iii) goods and services

(iv) tax on financial assets

(d) In the liquidity trap area, the liquidity preference curve is

(i) perfectly inelastic

(ii) unit elastic

(iii) perfectly elastic

(iv) less elastic

(e) Narasimham Committee Report on banking sector reforms was submitted in the year

(i) 1975

(ii) 1990

(iii) 1998

(iv) 2001

(f) Which among the following is not the objective of the monetary policy?

(i) Exchange stability

(ii) Financing budget

(iii) Full-employment

(iv) Economic growth

2. Answer the following questions : 2×5=10

(a) Define money.

(b) What is meant by financial market?

(c) What is Bill of Exchange?

(d) Distinguish between primary market and secondary market.

(e) What is portfolio management of a bank?

3. Answer any *six* of the following questions : 5×6=30

(a) Explain the functions of money.

(b) Explain Fisher's transactions approach of money supply.

(c) Explain the role of financial market in economic development.

(d) State the functions of capital market.

(e) Explain the motives of liquidity preference according to Keynes.

(f) Write briefly about the banking sector reforms introduced in India.

(g) Write briefly about the current monetary policy of India.

(h) Explain the role of a sound banking system in a developing country like India.

(i) Give the sources of interest rate differentials.

4. Answer any *two* of the following questions : 10×2=20

(a) Explain the differences between money market and capital market. Give any three similarities between the two markets.

(b) Explain the Balance Sheet of a commercial bank.

(c) Explain the functions of Central Bank.

5. Answer any *one* of the following questions : 14

(a) Explain the structure of money market. Briefly discuss the characteristics of a developed money market.

(b) Explain the objectives of portfolio management of commercial banks. Briefly discuss about the conflicting nature of the objectives.

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