U.G. 6th Semester Examination 2022

ECONOMICS (Honours)

Paper Code : ECOH - DSE-3 A, B, C

Full Marks : 32 Time : 2 Hours

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.

DSE-3 A

(Indian Financial Instruments and Markets)

Group - A

Answer any *four* of the following questions. 2×4=8

1. What is yield curve?
2. What do you mean by time value of money?
3. Distinguish between primary market and secondary market.
4. What is bond price?
5. Define spot rates and forward rates.
6. What is a portfolio of assets?

Group - B

Answer any *four* of the following questions. 4×4=16

7. Briefly explain the mean-variance portfolio analysis.
8. State the assumptions of CAPM.
9. Distinguish between forward and future contracts.
10. Explain call and put options.

11. How would you determine the various components of cost of capital?

12. Discuss the liquidity preference theory of term structure of interest rates.

13. Explain the concept of 'Present Value' and 'Future Value' of money.

14. Discuss the different forms of corporate financing.

Group - C

Answer any *one* of the following questions. 8×1=8

15. Explain the Binomial option pricing model.

16. State and prove Modigliani and Miller's irrelevance of dividends hypothesis.

———————

DSE-3 - B

(Issues in Open Economy)

Group - A

Answer any *four* of the following questions. 2×4=8

1. Name two transactions which fall under current account of Balance Payments.
2. What is current account deficit?
3. Distinguish between Nominal and Real Effective Exchange Rate.
4. How the spot market exchange rate is determined?
5. What is Dutch disease?
6. Define SDR.

Group - B

Answer any *four* of the following questions. 4×4=16

7. Explain the concepts of accommodating and autonomous transactions in BOP.
8. Differentiate between Absolute and Relative Purchasing Power Parity.
9. Explain Marshall-Lerner Condition.
10. Illustrate a fix price model of a small open economy with exogenous export demand and endogenous import demand.
11. Examine the effectiveness of fiscal policy in fixed exchange market.
12. What are the mechanisms of Absorption Approach in Balance of Payment?
13. Compare and contrast between ancient and modern gold and silver standard.
14. What were the reasons for breaking down the Bretton Woods System?

Group - C

Answer any *one* of the following questions. 8×1=8

15. (a) Establish the relation between deficit in current account with saving-investment gap and Government budget deficit or surplus. 4

    (b) Explain the difference between current and capital account. 4

16. Examine the impact of capital inflow and outflow in the economy under fixed and flexible exchange rate. 8

———————

DSE-3 - C

(Topics in Microeconomics - I)

Group - A

Answer any *four* of the following questions. 2×4=8

1. Define Two-Person Zero-Sum game.

2. What do you mean by fair game?

3. What do you mean by sequential games?

4. What is backward induction method?

5. Find the value of the game for the following Pay-off Matrix for player A.

		Player B			
		B_1	B_2	B_3	B_4
Player A	A_1	8	40	20	5
	A_2	10	30	−10	−8

6. What do you mean by iterated elimination of strictly dominated strategies?

Group - B

Answer any *four* of the following questions. 4×4=16

7. Find the value of λ for the following game :

		Player B		
		B_1	B_2	B_3
Player A	A_1	λ	6	2
	A_2	−1	λ	−7
	A_3	2	4	λ

8. Distinguish between games of complete and incomplete information.

[P.T.O.]

9. Solve the following game using dominance property :

		Player B			
		B_1	B_2	B_3	B_4
Player A	A_1	1	7	3	4
	A_2	5	6	4	5
	A_3	7	2	0	3

10. What is Symmetrical Single Population games? Solve the following game using backward induction.

		Player 2	
		Left	Right
Player 1	Up	(2, 2)	(–1, –1)
	Down	(0, 4)	(0, 4)

11. Write a short note on normal-form representation and extensive form representation of a game.

12. Write a short note on subgame perfect Nash Equilibrium.

13. Consider the following game :

		Player B		
		Rock	Paper	Scissors
Player A	Rock	(0, 0)	(–1, 1)	(1, –1)
	Paper	(1, –1)	(0, 0)	(–1, 1)
	Scissors	(1, –1)	(1, –1)	(0, 0)

(a) Is there any pure strategy Nash Equilibrium in this game?

(b) Check whether there is any mixed strategy Nash Equilibrium.

14. Distinguish between Cooperative and non-Cooperative games.

Group - C

Answer any *one* of the following questions. 8×1=8

15. What do you mean by Nash Equilibrium? Explain with a suitable Pay-off matrix the principle of Prisonner's dilemma. 4+4

16. Consider the following Pay-off matrix of A

$$\begin{array}{cccc} & & \text{Player B} & \\ & & B_1 & B_2 \\ \text{Player A} & A_1 & \begin{pmatrix} a_{11} & a_{12} \\ a_{21} & a_{22} \end{pmatrix} & \\ & A_2 & & \end{array}$$

Using mixed strategy find the value of P_1 and P_2 and also the value of the game.