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Reg.No :

Name :

MAHATMA GANDHI UNIVERSITY, KOTTAYAM
MGU-UGP (HONOURS) REGULAR EXAMINATION MARCH 2025
SECOND SEMESTER

Discipline Specific Core Course (DSC) - MG2DSCECO100 - ESSENTIALS
OF ECONOMICS - II

(2024 ADMISSION ONWARDS)

Duration: 2 Hours

Maximum Marks: 70

Remember(K), Understand(U), Apply(A), Analyse(An), Evaluate(E), Create(C), Skill(S), Interest(I)
and Appreciation(Ap)

Students should attempt at least one question from each course outcome to enhance their overall outcome attainability.

Part A

Multiple Choice Questions

Answer all questions

Each question carries 1 marks

1. Neuroeconomics is [K] / [CO2]
 - a). An interdisciplinary field combining neuroscience, psychology, and economics to study decision-making
 - b). A branch of behavioural economics
 - c). A branch of psychology
 - d). All the above

2. Ultimatum Game is [K] / [CO2]
 - a). Behavioural experiment game
 - b). Irrationality Game
 - c). Both a and b
 - d). None of the above

3. What is a common trade-off when implementing policies to improve fairness? [U] / [CO4]
 - a). Increased inflation.
 - b). Reduced economic efficiency.

- c). Lower government spending. d). Higher unemployment rates.
4. How do social norms influence our preferences? [U] / [CO4]
- a). By encouraging independent decision-making b). By creating societal expectations that shape choices
- c). By limiting economic growth d). By increasing financial risks
5. Market where new securities, such as stocks and bonds are invested [K] / [CO5]
- a). Primary market b). Money market
- c). Secondary market d). All the above
6. The secondary market is a platform in which [U] / [CO5]
- a). Only earlier allotted securities are being traded among investors. b). Investors trade in new securities
- c). Individually cannot participate d). None of these
7. RBI issues currency notes on the basis of [K] / [CO5]
- a). Minimum reserve b). General reserve
- c). Proportional reserve d). Gold reserve
8. PPI is primarily used to: [K] / [CO6]
- a). Measure inflation at the production level b). Estimate retail price trends
- c). Analyze monetary policy effectiveness d). Track changes in consumer spending habits
9. The method that sums the value of all final goods and services produced in the economy is called: [K] / [CO6]
- a). Income method b). Product (Output) method
- c). Expenditure method d). Capital method
10. Which of the following statements is true? [U] / [CO6]
- a). GDP at factor cost is always greater than GDP at market price b). GDP at market price includes taxes but excludes subsidies
- c). NNP at market price is equal to GDP at factor cost d). Indirect taxes do not affect the calculation of GDP

[1x10 = 10]

Part B

Short Answer Questions

Answer any **10** questions

Each question carries **3** marks

11. Explain how signaling can address asymmetric information. [U] / [CO3]
12. Explain the functions of Capital Market [K] / [CO5]
13. What are the key functions of a stock exchange? [U] / [CO5]
14. How does the equality of saving and investment lead to equilibrium in the two-sector model? [K] / [CO6]
15. What is the concept of "peer pressure" in economic decision-making? [U] / [CO4]
16. Explain path dependence. [U] / [CO2]
17. Explain the agency function of commercial bank. [U] / [CO5]
18. What is the money market? [K] / [CO5]
19. Define cyclical unemployment. [K] / [CO6]
20. How does fiscal policy promote economic stability? [U] / [CO6]
21. What is Formal Financial Sector [U] / [CO5]
22. How does rationality conflict with revenge? [U] / [CO4]
23. Write the names of any three types of NBFIs in India. [K] / [CO5]
24. What is financial services ? [U] / [CO5]
25. Provide an example of a government policy that addresses moral hazard in the insurance market. [A] / [CO3]

[3x10 = 30]

Part C

Short Essay Questions

Answer any **5** questions

Each question carries **6** marks

26. How does adverse selection impact market efficiency in both the insurance and used car markets? [U] / [CO3]

27. Explain the characteristics of a good financial system [K] / [CO5]
28. Define nominal interest rate and describe its characteristics. [K] / [CO6]
29. What are the features of financial instruments? [U] / [CO5]
30. Discuss the positive and negative economic consequences of peer pressure. [An] / [CO4]
31. Discuss the functions and significance of the stock exchange in the financial market. [An] / [CO5]
32. Write briefly about the objectives of monetary policy. [K] / [CO6]
33. Explain briefly the different methods of calculating national income. [U] / [CO6]
34. Compare the functions of the money market and the capital market. [An] / [CO5]
35. Explain how moral hazard can affect the insurance market and provide potential solutions. [U] / [CO3]

[6x5 = 30]