CIA-2 Assignment+Research project (MSc. BDA)
PBD-3951 : Introduction to Econometrics & Finance

Instructions
1. Kindly answer all the questions.
2. Avoid copying directly from the slides/books or the internet, express the answers in your understanding of the topic.
3. Part (I) is assignment based question while part (II) is (application) research based.
4. Kindly submit the assignment by 31st OCT. 2021 on Moodle.

Answer the following questions:

1. Cointegration
    I. Explain the concept of cointegration and error correction mechanism
    II. Specify two time series variables and explain how the above mentioned concepts can be applied to the analysis.

2. Vector Auto-Regressions
    I. Explain the idea of VAR and define Structural, Reduced and Recursive form equations.
    II. Specify a VAR process, construct Impulse Response Functions for 5 time periods and explain the same.