ENTRANCE EXAMINATION FOR ADMISSION, MAY 2013.

M.A. (APPLIED ECONOMICS)

COURSE CODE : 350

Register Number : [ ]

Signature of the Invigilator
(with date)

COURSE CODE : 350

Time : 2 Hours | Max : 400 Marks

Instructions to Candidates :

1. Write your Register Number within the box provided on the top of this page and fill in the page 1 of the answer sheet using pen.
2. Do not write your name anywhere in this booklet or answer sheet. Violation of this entails disqualification.
3. Read each question carefully and shade the relevant answer (A) or (B) or (C) or (D) in the relevant box of the ANSWER SHEET using HB pencil.
4. Avoid blind guessing. A wrong answer will fetch you –1 mark and the correct answer will fetch 4 marks.
5. Do not write anything in the question paper. Use the white sheets attached at the end for rough works.
6. Do not open the question paper until the start signal is given.
7. Do not attempt to answer after stop signal is given. Any such attempt will disqualify your candidature.
8. On stop signal, keep the question paper and the answer sheet on your table and wait for the invigilator to collect them.
9. Use of Calculators, Tables, etc. are prohibited.

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1. When income increases, demand for an inferior good
   (A) rises
   (B) falls
   (C) remains the same
   (D) any of the above

2. The marginal product of labour is negative, when total product
   (A) increases
   (B) falls
   (C) remains flat
   (D) none of the above are true

3. When income elasticity of demand is greater than 1, the commodity is
   (A) a necessity
   (B) a luxury
   (C) an inferior good
   (D) a non-related good

4. The marginal cost curve cuts the average cost curve at its
   (A) falling portion
   (B) rising portion
   (C) peak point
   (D) minimum point

5. Compared to a firm that is a price taker, competitive price-seeking firms will lead to
   (A) more variety of products and lower prices
   (B) less variety of products and higher prices
   (C) more variety of products and higher prices
   (D) less variety of products and lower prices

6. When a price-taker firm operates at a loss, not covering even the AVC, it should
   (A) reduce production cost
   (B) increase price of its product.
   (C) shut down its operation
   (D) continue to operate even in loss

7. Which of the following would shift a firm's short-run cost curves downward
   (A) increase in the firm's product demand
   (B) technological advancement
   (C) increase in workers' wages
   (D) increase in the firm's fixed cost

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8. In the long run, declining average total costs is experienced by firms due to

(A) increasing sales
(B) increasing marginal returns
(C) economies of scale.
(D) lower fixed costs

9. Average fixed costs

(A) tends to remain unchanged as output increases
(B) are given by the change in total costs divided by the change in output produced
(C) tends to always increase as output increases
(D) tends to always decrease as output increases

10. The law of diminishing marginal returns is reflected by the general shape of a firm's

(A) long-run cost curves
(B) short-run cost curves
(C) both short-run and long-run cost curves
(D) it does not influence cost curves.

11. A technological advancement shift the iso-quant

(A) outward
(B) towards left corner
(C) inward
(D) towards right corner

12. What is not a factor of production

(A) bank loan
(B) capital
(C) labour
(D) land

13. Microeconomics does not deal with the behavior of

(A) producers
(B) consumers
(C) firms
(D) aggregate supply of the economy

14. Economic profit is

(A) firm's net income based on its accounting statement.
(B) the difference between price of a product and the labour cost used to produce it
(C) the difference between sales revenue of a product and the opportunity cost of the inputs used
(D) dividend paid to its share-owners

15. In a supply and demand graph, the triangular area that represents the difference between the maximum price consumers were willing to pay for a good and the market price is called

(A) consumer surplus
(B) producer surplus
(C) marginal cost
(D) triangular arbitrage

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16. *Ceteris* paribus, a decrease in the price of a good will cause the

(A) quantity demanded of the good to decrease

(B) quantity supplied of the good to increase

(C) supply of the good to increase

(D) consumer surplus derived from the good to increase

17. Diminishing marginal rate of substitution is characterized by an indifference curve which is

(A) concave to the origin (B) convex to the origin

(C) upward sloping (D) right angled

18. At saturation point, marginal utility is equal to

(A) greater than one (B) equal to one

(C) less than one (D) zero

19. A point below the personal budget line means the consumer

(A) is spending more income (B) is spending all income

(C) is in equilibrium (D) is not spending all income

20. Real interest rate is estimated by

(A) subtracting expected inflation from nominal interest rate

(B) multiplying nominal interest rate with price index

(C) subtracting amount of interest from the amount of the loan

(D) adding inflation rate with the expected rate of return

21. OPEC (The Organization of Petroleum Exporting Countries) is an example of

(A) pure monopoly

(B) competitive conglomerate of countries

(C) cartel

(D) merger of countries

22. A production possibilities curve shows

(A) that resources are unlimited

(B) that one of the two goods is preferred more than the other

(C) the maximum amounts of two goods that can be produced efficiently using available resources

(D) input cost necessary to produce specific levels of output

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23. Opportunity cost is the

(A) monetary value of a factor input

(B) quantity of labor used to produce one unit of a good

(C) ratio of the prices of imported goods to that of the exported goods

(D) quantity of one good that must be given up to produce one more unit of another good

24. Allocative efficiency refers to the

(A) use of the least-cost method of production

(B) production of the product-mix demanded most

(C) full employment of all available resources

(D) production inside the production possibilities curve

25. At the equilibrium price

(A) quantity supplied may exceed quantity demanded or vice versa

(B) there are forces that may cause price to rise

(C) there are no pressures on price to either rise or fall

(D) there are forces that my cause price to fall

26. A market structure with only two buyers is called

(A) duopoly (B) duopsony

(C) monopsony (D) monopoly

27. Which is false with reference to the Cournot model?

(A) do not recognize interdependence

(B) each duopolist assumes other will keep quantity constant

(C) each duopolist assumes other will keep price constant

(D) stable equilibrium

28. In production theory, income consumption curve is analogous to

(A) producer equilibrium (B) ridge line

(C) product line (D) expansion path

29. 'The Economics of Welfare' is authored by

(A) V. Pareto (B) A.C. Pigou

(C) A. Marshall (D) Leon Walras

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30. Adam Smith's 'Wealth of Nations' published in

(A) 1920 (B) 1890

(C) 1776 (D) 1902

31. According to Okun's law

(A) Increase in unemployment leads to increase in real GDP

(B) Changes in the level of unemployment has no effect on the GDP

(C) Increase in unemployment leads to decrease in real GDP

(D) None of the above

32. When nominal GDP is Rs. 2500 and real GDP is Rs. 2000, the GDP deflator is

(A) 80 (B) 1.25

(C) 125 (D) 0.8

33. Other things remaining constant, the marginal productivity of labour is

(A) The incremental output due to an increase in capital

(B) The incremental output due to change in technology

(C) The incremental output due to an increase in labour

(D) The incremental output due to a change in technology and a change in the about of capital

34. The opportunity cost of a good is

(A) the time lost in finding it

(B) the quantity of other goods sacrificed to get another unit of that good

(C) the expenditure on the good

(D) the loss of interest income earned by using savings

35. When a market is in equilibrium

(A) Quantity demanded equals quantity supplied

(B) Excess demand and excess supply are zero

(C) The market is cleared by the equilibrium price

(D) All of the above

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36. The measure or value upon which a tax is levied is the:

(A) tax incidence.

(B) tax base.

(C) tax structure.

(D) tax rate

37. The economic significance of a depreciation of a country's real exchange rate is

(A) that there has been a gain in the country's competitiveness.

(B) that absolute purchasing power parity has increased.

(C) that it leads to arbitrage resulting in an appreciation of the real exchange rate in the future.

(D) all of the above.

38. The advertisement cost is included in

(A) Fixed cost

(B) Some time in fixed cost and sometimes in Variable cost

(C) Always in variable cost

(D) Never included in variable cost

39. Adaptive expectation is conditional upon

(A) The current information

(B) both current and past information

(C) future information

(D) only past information

40. Crowding-out effect is stronger if

(A) investment is more interest elastic

(B) investment is less interest elastic

(C) investment is interest inelastic

(D) None of the above

41. Liquidity trap implies

(A) lowest level of interest rates

(B) money demand is infinitely elastic

(C) ineffectiveness of monetary policy

(D) all are true.

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42. The classical view of the labour market is basically consistent with the assumption of _____ aggregate supply curve.

(A) a downward-sloping

(B) a vertical (or almost vertical)

(C) an upward-sloping

(D) a horizontal (or almost horizontal)

43. Those who hold the classical view of the labour market are likely to believe that:

(A) both monetary and fiscal policy will have an effect on output and employment.

(B) neither monetary nor fiscal policy will have an effect on output and employment.

(C) monetary, but not fiscal policy will have an effect on output and employment.

(D) Fiscal, but not monetary policy will have an effect on output and employment.

44. In an open economy model, GDP is the sum of

(A) Consumption, gross investment, government spending and net exports.

(B) Consumption, net investment, government spending, and net exports

(C) Consumption, gross investment, government spending and gross exports

(D) Wages, rent, interest, profit and depreciations

45. The original Phillips curve describes the relationship between

(A) unemployment rate and real wage rate

(B) unemployment rate and money wage rate

(C) unemployment rate and money growth rate

(D) unemployment rate and population growth rate

46. The natural rate of unemployment equals the sum of those who are

(A) Frictionally, structurally and cyclically unemployed

(B) Frictionally and cyclically unemployed

(C) Structurally and cyclically unemployed

(D) Frictionally and structurally unemployed

47. The slope of IS curve is determined by

(A) Interest elasticity of investment demand and money demand

(B) MPC and income elasticity of money demand

(C) interest elasticity of investment demand and the MPC

(D) None of the above

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48. Let b and c be marginal propensity to save and to consume respectively, if

(A) b< 1 then c < 1 (B) b = 1 then c = 0

(C) b = 0 then c = 1 (D) all of the above

49. The Demand for Money is

(A) Positively related to the level of income and negatively related to the rate of interest

(B) Negatively related to the level of income and the rate of interest

(C) Positively related to the level of rate of interest and level of income

(D) Negatively related to the level of income and positively related to the rate of interest

50. If there is an decrease in Money supply, then

(A) the level of consumption will remain the same

(B) the level of investment will remain the same

(C) the level of investment will increase

(D) the level of investment will decrease

51. An increase in Government taxes will result in,

(A) Less investment (B) A higher level of investment

(C) An increase in MPC (D) An increase in money supply

52. In the classical model, unemployment exists due to

(A) higher nominal wage (B) higher real wage

(C) higher inflation (D) lower inflation

53. According to Keynes, involuntary unemployment exist due to

(A) higher nominal wage (B) higher inflation

(C) lack of effective demand (D) lack of notional demand

54. The expectation augmented Phillips curve is

(A) downward sloping (B) upward sloping

(C) horizontal (D) none of them

55. If cash reserve ratio is 10% of aggregate deposits then the deposit multiplier is

(A) 5 (B) 2

(C) 2.5 (D) none of the above

56. According to quantity theory of money, the growth rate of nominal money stock equals to

(A) growth of the real income (B) growth of velocity of money

(C) inflation (D) all are true

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57. Accelerator coefficient measures the response of investment to a given change in

(A) current inflation (B) expected inflation

(C) current output (D) expected output

58. If the annual income velocity of money is 3 then the total money stock in the economy is

(A) 3 times the nominal GNP (B) 1/3 of real GNP

(C) 1/3 of nominal GNP (D) 1/3 of ratio of price to real GNP.

59. Let r and r^* be the domestic and world interest rate respectively, if $r > r^*$ then there is

(A) capital inflows (B) capital outflows

(C) no change in capital flows (D) none of them

60. There is excess demand for labour when the unemployment is

(A) more than natural rate (B) less than natural rate

(C) equal to natural rate (D) none of them

61. The inverse ratio of 11 : 15 is

(A) 15 : 11 (B) 11 : 15

(C) 121 : 225 (D) none of these

62. If a : b = 3 : 4, the value of (2a+3b) : (3a+4b) is

(A) 54 : 25 (B) 8 : 25

(C) 17 : 24 (D) 18 : 25

63. "Root –Mean Square Deviation from Mean" is

(A) Standard deviation (B) Quartile deviation

(C) both (D) none

64. The value of $2 \times (32)^{1/5}$ is

(A) 2 (B) 10

(C) 4 (D) none of these

65. log 6 + log 5 is expressed as

(A) log 11 (B) log 30

(C) log 5/6 (D) none of these

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66. The age of a person is twice the sum of the ages of his two sons and five years ago his age was thrice the sum of their ages. Find his present age.

(A) 60 yeas
(B) 52 years
(C) 51 years
(D) 50 years.

67. The sum of two numbers is 45 and the mean proportional between them is 18. The numbers are

(A) (15, 30)
(B) (32, 13)
(C) (36, 9)
(D) (25, 20)

68. An employer recruits experienced (x) and fresh workmen (y) for his firm under the condition that he cannot employ more than 9 people. x and y can be related by the inequality

(A) $x + y \neq 9$
(B) $x + y \leq 9$
(C) $x + y \geq 9$
(D) none of these

69. The population of a town increases every year by 2% of the population at the beginning of that year. The number of years by which the total increase of population be 40% is

(A) 7 years
(B) 10 years
(C) 17 years (app)
(D) none of these

70. The annual birth and death rates per 1000 are 39.4 and 19.4 respectively. The number of years in which the population will be doubled assuming there is no immigration or emigration is

(A) 35 yrs
(B) 30 yrs
(C) 25 yrs
(D) none of these

71. Correlation analysis aims at

(A) Predicting one variable for a given value of the other variable
(B) Establishing relation between two variables
(C) Measuring the extent of relation between two variables
(D) Both (b) and (c).

72. The covariance between two variables is

(A) Strictly positive
(B) Strictly negative
(C) Always 0
(D) Either positive or negative or zero.

73. The nth element of the sequence 1, 3, 5, 7, ... is

(A) n
(B) $2n - 1$
(C) $2n + 1$
(D) none of these

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74. If the terms 2x, (x+10) and (3x+2) be in Arithmetic Progression, the value of x is

(A) 7 (B) 10

(C) 6 (D) none of these

75. If A be the Arithmetic Mean of two positive unequal quantities x and y and G be their Geometric Mean, then

(A) $A < G$ (B) $A > G$

(C) $A \geq G$ (D) $A \leq G$

76. A person saved Rs. 16,500 in ten years. In each year after the first year he saved Rs. 100 more than he did in the preceding year. The amount of money he saved in the 1st year

(A) Rs. 1000 (B) Rs. 1500

(C) Rs. 1200 (D) none of these

77. The Arithmetic Mean of two positive numbers is 40 and their Geometric Mean is 24. The numbers are

(A) (72, 8) (B) (70, 10)

(C) (60, 20) (D) none of these

78. The number of subsets of the set {2, 3, 5} is

(A) 3 (B) 8

(C) 6 (D) none of these

79. The null set is represented by

(A) $\{\Phi\}$ (B) {0}

(C) Φ (D) none of these

80. In a group of 20 children, 8 drink tea but not coffee and 13 like tea. The number of children drinking coffee but not tea is

(A) 6 (B) 7

(C) 1 (D) none of these

81. If the set P has 3 elements, Q four and R two then the set $P \times Q \times R$ contains

(A) 9 elements (B) 20 elements

(C) 24 elements (D) none of these

82. The slope of the tangent to the curve $y = \sqrt{4-x^2}$ at the point, where the ordinate and the abscissa are equal, is

(A) –1 (B) 1

(C) 0 (D) none of these

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83. When $f(x)=6$, what is $\lim_{x \to 0} f(x)$

(A) 6 (B) 0

(C) 1/6 (D) none of these

84. Marks of a student is an example of

(A) An attribute (B) A discrete variable

(C) A continuous variable (D) none of these

85. The frequency distribution of a continuous variable is known as

(A) Grouped frequency distribution (B) Simple frequency distribution

(C) (A) or (B) (D) (A) and (B)

86. When a firm registers both profits and losses, which of the following measure of central tendency cannot be considered?

(A) Arithmetic Mean (B) Geometric Mean

(C) Median (D) Mode

87. An aeroplane flies from A to B at the rate of 500 km/hour and comes back from B to A at the rate of 700 km/hour. The average speed of the aeroplane is

(A) 600 km. per hour (B) 583.33 km. per hour

(C) 100 $\sqrt{35}$ km. per hour (D) 620 km. per hour.

88. If the coefficient of correlation between two variables is –0.9, then the coefficient of determination is

(A) 0.9 (B) 0.81

(C) 0.1 (D) 0.19

89. The value of correlation coefficient lies between

(A) –1 and +1 (B) –1 and 0

(C) 0 and 1 (D) none.

90. The line Y = a + bX represents the regression equation of

(A) Y on X (B) X on Y

(C) both (D) none

91. The regression coefficients are zero if r is equal to

(A) 2 (B) –1

(C) 1 (D) 0

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92. Index number for the base period is always taken as

(A) 0 (B) 50

(C) 1 (D) 100

93. Fisher's ideal index number is based on

(A) the arithmetic mean of Laspeyre's and Paasche's index numbers

(B) the median of Laspeyre's and Paasche's index numbers

(C) the mode of Laspeyre's and Paasche's index numbers

(D) none of the above

94. Paasche's index is based on

(A) Base year quantities (B) Current year quantities

(C) Average of current and base year (D) None of these

95. If the plotted points in a scatter diagram lie from upper left to lower right, then the correlation is

(A) Positive (B) Zero

(C) Negative (D) None of these.

96. The primary data are collected by

(A) Interview method (B) Observation method

(C) Questionnaire method (D) All these.

97. The most commonly used measure of dispersion is

(A) Range (B) Standard deviation

(C) Coefficient of variation (D) Quartile deviation

98. The presence of extreme observations does not affect

(A) AM (B) Median

(C) Mode (D) Any of these

99. 10th percentile is equal to

(A) 1st decile (B) 10th decile

(C) 9th decile (D) none

100. Integration of $3 - 2x - x^4$ will become

(A) $x^2 - \frac{x^5}{5}$ (B) $3x - x^2 - \frac{x^5}{5} + c$

(C) $3x - x^2 + \frac{x^5}{5} + c$ (D) none of these

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