

E - 30

M.A. Entrance Examination, February 2014

School of Economics

Max.Marks:100

Time:2 Hours

Part -A (Answer all 25 Questions)

1. Block pricing by electricity companies is an example of
  - (A) First Degree Price Discrimination
  - (B) Second Degree Price Discrimination
  - (C) Third Degree Price Discrimination
  - (D) None of these
  
2. If the prices of both goods increase by the same percent, the budget line will
  - (A) Shift parallel to the right
  - ✓ (B) Shift parallel to the left
  - (C) Pivot about the x axis
  - (D) Pivot about the y axis
  
3. The cost of a factory with specialized equipment that is of no use in another industry, is an example of
  - (A) Fixed Cost
  - (B) Variable Cost
  - (C) Sunk Cost
  - ✓ (D) Opportunity Cost
  
4. In comparison to the quasi-competitive solution which of the following statement is true?
  - (A) Cournot Duopolists produce smaller total output for smaller profits at higher prices
  - (B) Cournot Duopolists produce larger total output for smaller profits at higher prices
  - (C) Cournot Duopolists produce smaller total output for higher profits at lower prices
  - ✓ (D) Cournot Duopolists produce smaller total output for higher profits at higher prices

5. If the prices of ice-cream and chocolate are Rs. 40 and Rs. 30 respectively, and the marginal utility of chocolate is 150, what is the marginal utility of ice cream assuming the consumer is at equilibrium?

$$\frac{40}{30} = \frac{x}{150} \quad 30$$

- (A) 112.5
- (B) 200
- (C) 225
- (D) 125

6. If all households in a nation receive the same income, the nation's Lorenz curve would:

- (A) Be vertical
- (B) Be horizontal
- (C) Be a 45° line
- (D) Be a 60° line

7. For a natural monopoly, economies of scale

- (A) Exist due to patent protection
- (B) Cause legal barriers to entry
- (C) Exist over in the long-run average cost curve over the entire range of output
- (D) None of the above

8. What is the shape of the isoquants when inputs are perfect substitutes?

- (A) L - Shaped
- (B) U - Shaped
- (C) Straight Lines
- (D) Vertical Lines

9. Why do people over age 65 have difficulty buying medical insurance at almost any price?

- (A) Asymmetric Information
- (B) Symmetric Information
- (C) Market Signaling
- (D) Moral Hazard

10. Cigarette smoking is an example of

- (A) Positive Production Externality
- (B) Negative Production Externality
- (C) Positive Consumption Externality
- (D) Negative Consumption Externality

11. The equation  $s/v$  in the Marxist Political-Economy is the same as:
- (A) The Rate of Exploitation
  - (B) The Rate of Surplus
  - (C) Surplus Labour Time/Necessary labour Time
  - (D) All the above
12. The transition from feudalism to capitalism is dated between what period of time in History?
- (A) Between 9<sup>th</sup> and 13<sup>th</sup> century
  - (B) Between 16<sup>th</sup> and 19<sup>th</sup> Century
  - (C) Between 14<sup>th</sup> and 16<sup>th</sup> Century
  - (D) Between 9<sup>th</sup> and 16<sup>th</sup> Century
13. The Organic composition of capital is given by :
- (A)  $S/c+v$
  - (B)  $C/v$
  - (C)  $C/c+v$
  - (D)  $C/s+v$
14. According to Marx, between the 14<sup>th</sup> and the 17<sup>th</sup> Century what had been the influence of the rules pertaining to the length of the working day in Europe?
- (A) The length of the working day was increasing
  - (B) The length of the working day was decreasing
  - (C) The length of the working day was static
  - (D) The length of the working day was indeterminate
15. The value of a commodity according to Marx is :
- (A) Directly related to productivity
  - (B) Unrelated to productivity
  - (C) Indirectly related to productivity
  - (D) Inversely related to productivity
16. Raw material in the Marxist political Economy is characterized as :
- (A) Variable Capital
  - (B) Non-Capital
  - (C) Constant Capital
  - (D) Marginal Capital

17. The capitalist form of circulation of commodities in the Marxian analysis is represented by
- (A) C-M-C
  - (B) M-C-M
  - (C) M-C-M'
  - (D) C-M-C'
18. In the Marxist analysis of Surplus value, the surplus value which the working day of one labourer supplies multiplied by the number of labourers employed gives:
- (A) Mass of surplus
  - (B) Rate of surplus
  - (C) Extended Surplus
  - (D) Intensive Surplus
19. An increase in the price of a commodity when demand is inelastic causes the total expenditures of consumers of the commodity to
- (A) Increase
  - (B) Decrease
  - (C) Remain unchanged
  - (D) Any of the above
20. Slutsky keeps real income constant when the price of a commodity falls by
- (A) Keeping the consumer on the same indifference curve
  - (B) pushing the consumer to a lower indifference curve
  - (C) Allowing the consumer to purchase the same basket of goods as before the price change
  - (D) Allowing the consumer to purchase more of both commodities than before the price changes.
21. Which of the following is not an assumption of the theory of revealed preference?
- (A) A cardinal measure of utility
  - (B) Consistency
  - (C) Transitivity
  - (D) A consumer can be induced to purchase any basket of commodities if its price is made sufficiently attractive.
22. The cost that a firm incurs in purchasing or hiring any factor of production is referred to as
- (A) Explicit cost
  - (B) Implicit cost
  - (C) Variable cost
  - (D) Fixed cost

38. Contributions of six industrial sectors, viz., Agriculture, Forestry & logging, Fishing, Mining & Quarrying, Manufacturing, and Construction to the National Income in India is estimated through:
- (A) Income method;
  - (B) Expenditure method
  - (C) Product method
  - (D) A combination of any two of the above methods
39. The concept that is used to represent the total income of own account workers as well as the profit generated in unincorporated enterprises in the national income data in India is:
- (A) Informal income
  - (B) Marginal Income
  - (C) Unregistered Income
  - (D) Mixed Income
40. What were the methods used to assess economic activity prior to the development of national income concept?
- (A) Human Development Indices
  - (B) Crude Development Indices
  - (C) Indices of sectoral incomes & money supply.
  - (D) Indices of Economic Progress
41. The statement 'Census is carried out on all Self-employed, Family enterprises, Small and tiny enterprises and Non-wage, non-salaried services' for calculating national income data is :
- (A) True
  - (B) False
  - (C) True in more recent context
  - (D) Cannot say
42. As part of the estimations of savings data in India, the household savings are divided into which of the following categories:
- (A) Current and Future savings
  - (B) Precautionary and Speculative savings
  - (C) Financial and Physical savings
  - (D) Current and Capital savings

43. Which of the following categories are part of the NAS classification of the organizational patterns in India?

- (A) Organised and Unorganised
- (B) Formal and Informal
- (C) Modern and Traditional
- (D) Capitalist and Artisanal

44. Which of the following organizations supplies data on State Domestic Product in India?

- (A) National Sample Survey Organisation (NSSO)
- (B) Organisation for Federal Data (OFD)
- (C) Reserve Bank of India (RBI)
- (D) Indian Council for Applied Economic Research (ICAER)

45. If the rise in the implicit price deflator for the primary sector was higher than for the NDP as a whole, while the rise in those of the secondary and tertiary sectors were lower, it can be inferred that:

- (A) The primary sector got a differential advantage over the other two sectors
  - (B) The other two sectors got a differential advantage over the primary sector
  - (C) It is inconsequential
  - (D) All the three sectors are mutually benefited
- 60, 150, ~~150~~

46. The Current weighted price index is otherwise also known as:

- (A) Pasche's Index
- (B) Fischer's Index
- (C) Paasche's Index
- (D) Lespeyre's Index

47. Compounded Annual Growth Rates (CAGR) is calculated on the basis of:

- (A)  $(\text{End Value}/\text{Starting Value})^{1/\text{Number of Years}}$
- (B)  $(\text{End Value}/\text{Starting Value})^{1/\text{Number of Years} - 1}$
- (C)  $(\text{Starting Value}/\text{End Value})^{1/\text{Number of Years} - 1}$
- (D)  $(\text{Starting Value}/\text{End Value})^{1/\text{Number of Years}}$

Handwritten notes for question 47:

$$\left(\frac{20}{100}\right)^{1/2}$$

$$\frac{1}{2} - 1$$

$$\left(\frac{50}{20}\right)^{1/2} - 1$$

$$2 - 1 = 1$$

48. The Social Accounting Matrix analytically can be traced back to:

- (A) Adam Smith's Division of Labour
- (B) Francois Quesnay's the Tableau Economique.
- (C) Ricardo's Rent Theory
- (D) Marx's Social Division of Labour

49. In a Social Accounting Matrix every entry when read in rows context and columns context respectively represents:
- (A) Industry of Origin and Industry of Destination
  - (B) Demand and Supply
  - (C) Receipts and Expenditure
  - (D) Consumption and Production
50. In order to avoid economically meaningless results, the viability conditions developed by which set of scholars must be satisfied by the Input-Output system.
- (A) Hawkins – Simon
  - (B) Hicks-Simon
  - (C) Hawkins-Smith
  - (D) Kaldor-Simon
51. In the evaluation of the value of Capital Stock by the CSO in India, which of the following category is not included
- (A) Machinery
  - (B) Human Capital
  - (C) Construction
  - (D) Changes in Stocks
52. Supposing that the prevailing inflation is 20 percent per annum and private rate of interest in nominal terms is 30 percent per annum. Then private real rate of interest per annum is approximately:
- (A) 10.0 percent
  - (B) 8.3 percent
  - (C) 8.0 percent
  - (D) 6.67 percent
53. Let set  $S = \{ x \mid x \text{ is a letter in word "ARTHASHASTRA"} \}$ . What is the cardinality of the power set of S?
- (A) 32
  - (B) 4096
  - (C) 12
  - (D) 5

ARTHASHASTRA

A → 4  
 R → 2  
 T → 2  
 H → 2  
 S → 2

54. Let  $A$  be a square matrix of order  $n$  and let  $B = k.A$  where  $k$  is a real number. Considering that  $|X|$  denotes determinant of a square matrix  $X$ , which of the following is true?

- (A)  $|B| = |A|$
- (B)  $|B| = k|A|$
- (C)  $|B| = k^n|A|$
- (D)  $|B| = (k/n)|A|$

55. Let  $f(x) = \ln(13x)$ . Derivative of  $f(x)$  with respect to  $x$  is equal to:

- (A)  $\ln 13/x$
- (B)  $13/x$
- (C)  $1/13x$
- (D)  $1/x$

$$\frac{d}{dx} \log(13x) = \frac{1}{13x} \times \frac{1}{x} = \frac{1}{13x} \log x$$

$$\log(13x) = \log x + c$$

$$\frac{1}{13x}$$

56. Consider system of equations:  $4x + 3y = -4$ ; and  $2x - y = 3$ . Then,

- (A)  $x = -1$ ;  $y = 0$
- (B)  $x = -(1/2)$ ;  $y = 2$
- (C)  $x = 1$ ;  $y = 2$
- (D)  $x = (1/2)$ ;  $y = -2$

57. Let  $X$  and  $Z$  be random variables such that  $X = 5.Z - 20$ . Given that mean of  $X$  is  $\mu_X = 80$  and its standard deviation is  $\sigma_X = 55$ , then,

- (A)  $\mu_Z = 80$  and  $\sigma_Z = 55$
- (B)  $\mu_Z = 20$  and  $\sigma_Z = 11$
- (C)  $\mu_Z = 80$  and  $\sigma_Z = 11$
- (D)  $\mu_Z = 20$  and  $\sigma_Z = 55$

58. Let  $A$  and  $B$  be independent events and let  $P(A) \geq P(B)$ , where  $P(X)$  is probability that event  $X$  occurs. Let  $P(AB)$  be probability of joint occurrence of events  $A$  and  $B$ . Then,

- (A)  $P(A) \geq P(AB) \geq P(B)$
- (B)  $P(AB) \leq P(A) \leq P(B)$
- (C)  $P(AB) \geq P(A) \geq P(B)$
- (D)  $P(AB) = P(A) + P(B)$

59. The quadratic equation,  $2x^2 - 3x + 4 = 0$ ,

- (A) has distinct real roots
- (B) has distinct complex roots
- (C) has identical real roots
- (D) has identical complex roots

$$b^2 - 4ac$$

$$9 - 4 \times 2 \times 4 = -22$$

$$x = \frac{3 \pm \sqrt{-22}}{4}$$

$$\frac{3 - \sqrt{-22}}{4}$$



60. If one were to divide the standard deviation of a population of the mean of the sample population and multiply this value by 100, one would have calculated the

- (A) Population standard score.
- (B) Population variance.
- (C) Population standard deviation.
- (D) Population coefficient of Variation.

61. A bag contains 2 red, 3 green, and 2 blue balls. Two balls are drawn at random. What is the probability that none of the balls drawn are blue?

- (A) 10/21
- (B) 11/21
- (C) 2/7
- (D) 5/7

$${}^7C_2 = \frac{7 \times 6}{2} = 21$$

$${}^7C_5 = \frac{7 \times 6 \times 5}{6}$$

$${}^5C_2 = \frac{5 \times 4}{2}$$

62. The average score for a Biology test is 77 and the standard deviation is 8. Which percent best represents the probability that any one student scored between 61 and 93 on the test?

- (A) 99.5%
- (B) 95%
- (C) 68%
- (D) 34%

63. The simple probability of an occurrence of an event is called the

- (A) Bayesian Probability.
- (B) Joint Probability
- (C) Marginal Probability
- (D) Conditional Probability

64. In case of open end classes, an appropriate measure of dispersion to be used is

- (A) Range
- (B) Quartile Deviation
- (C) Absolute Deviation
- (D) Standard Deviation

65. The cumulative percentages of a frequency table have little or no meaning for \_\_\_\_\_ data.

- (A) Nominal
- (B) Ordinal
- (C) Interval
- (D) Ratio

66. Average wages of workers of a factory are Rs. 550.00 per month and the standard deviation of wages is 110. The coefficient of variation is:

- (A) C.V. = 30 per cent
- (B) C.V. = 15 per cent
- (C) C.V. = 500 per cent
- (D) C.V. = 20 per cent

$$\frac{110 \times 100}{550} = 20$$

67. Exponential Smoothing is

- (A) A method to use number exponents to smooth the time series
- (B) One of the forecasting methods
- (C) A method of testing linearity
- (D) None of the above

68. Consumer Price Index (CPI) falls in the category of

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69. A pair of dice is thrown. Find the probability of obtaining a sum of 8 or getting an even number on both the dice.

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$$5, 06 \quad \frac{11}{36}$$

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70. Which is not a central government tax

- (A) Corporation tax
- (B) WEALTH TAX
- (C) Agricultural income tax
- (D) none

71. If the elasticity of supply is less than the elasticity of demand, the burden of tax will fall on

- (A) Entirely on the seller
- (B) Entirely on the buyer
- (C) Both on the seller and buyer
- (D) NONE

72. Laffer curve shows the relationship between

- (A) Tax revenue and time
- (B) TAX Rate and income
- (C) Tax revenue and tax rate
- (D) NONE

73. Which is not a characteristic of PUBLIC GOOD

- (A) Non-exclusion
- (B) NON-RIVAL
- (C) Divisibility
- (D) NONE

74. The basic difference between a sales tax and a VAT

- (A) INCIDENCE of tax
- (B) METHOD Of collection
- (C) Tax base
- (D) NONE

75. Countries trade with each other because they are \_\_\_\_\_ and because of \_\_\_\_\_.

- (A) different, costs
- (B) Similar, scale economies
- (C) different, scale economies
- (D) Similar, costs

76. Given the following information:

	Unit Labor Requirements	
	Cloth	Wine
Home	10	20
Foreign	60	30

- (A) Neither country has a comparative advantage.
- (B) Home has a comparative advantage in cloth.
- (C) Foreign has a comparative advantage in cloth.
- (D) Home has a comparative advantage in widgets.

77. In the 2-factor, 2 good Heckscher-Ohlin model, the two countries differ in

- (A) tastes.
- (B) military capabilities.
- (C) size.
- (D) relative availabilities of factors of production.

78. Starting from an autarky (no-trade) situation with Heckscher-Ohlin model, if Country H is relatively labor abundant, then once trade begins

- (A) wages and rents should rise in H
- (B) wages and rents should fall in H
- (C) wages should rise and rents should fall in H.
- (D) wages should fall and rents should rise in H.

79. Terms of trade refers to

- (A) what goods are imported.
- (B) what goods are exported.
- (C) the volume of trade.
- (D) the prices at which trade occurs.

80. The most common form of price discrimination in international trade is

- (A) non-tariff barriers.
- (B) Voluntary Export Restraints.
- (C) dumping.
- (D) preferential trade arrangements.

81. The WTO was established by the \_\_\_\_\_ of multilateral trade negotiations.

- (A) Kennedy Round
- (B) Tokyo Round
- (C) Uruguay Round
- (D) Dillon Round

82. The infant industry argument was an important theoretical basis for

- (A) Neo-colonialist theory of international exploitation.
- (B) Import - substituting industrialization.
- (C) Historiography of the industrial revolution in Western Europe.
- (D) East-Asian miracle.

83. A country's current account

- (A) balance equals the change in its net foreign wealth.
- (B) balance equals the change in its foreign wealth.
- (C) surplus equals the change in its foreign wealth.
- (D) deficit equals the change in its foreign wealth.

84. For open economies,

- (A)  $S = I$ .
- (B)  $S = I + CA$ .
- (C)  $S = I - CA$ .
- (D)  $S > I + CA$ .

85. How many British pounds would it cost to buy a pair of American designer jeans costing \$45 if the exchange rate is 1.50 dollars per British pound?

- (A) 10 British pounds
- (B) 20 British pounds
- (C) 30 British pounds
- (D) 35 British pounds

86. The J-curve illustrates which of the following?

- (A) The effects of depreciation on the home country's economy
- (B) The immediate increase in the current account caused by a currency depreciation
- (C) The gradual adjustment of home prices to a currency depreciation
- (D) The short-term effects of depreciation on the current account



87. The quantity theory of money implies that if the money stock were to double, the price level would

- (A) fall by one half.
- (B) rise, but only slightly.
- (C) also double.
- (D) be unchanged

$$\frac{240 \times 60}{2.5} = \underline{\underline{60}}$$

88. If the consumption function is given by  $C = 100 + .6(Y-T)$  and planned investment is 150, government spending is 50, and T is 100, then equilibrium income is

- (A) 600
- (B) 750
- (C) 400
- (D) 350

$$\begin{aligned} Y &= C + I + G = 100 + 0.6(Y - 100) + 150 + 50 \\ &= 100 + 0.6Y - 60 + 200 \\ 0.4Y &= 240 \\ Y &= 600 \end{aligned}$$

89. Compared to the closed economy Keynesian model, the open economy model in which imports are a function of income has an investment multiplier that is

- (A) smaller.
- (B) larger.
- (C) equal.
- (D) equal to 1.

90. Keynes believed that the instability in income was caused by variability in

- (A) investment
- (B) taxes.
- (C) consumption and savings.
- (D) government spending.

91. A rise in the money stock will

- (A) shift the LM schedule to the right.
- (B) shift the LM schedule to the left.
- (C) not have any effect on the LM schedule.
- (D) shift the IS schedule downward and to the right

92. The rate of unemployment can be calculated by

- (A) simply dividing all unemployed persons by all employed persons.
- (B) subtracting those employed from the total labor force to find the number of unemployed and express this number as a percent of the total labor force.
- (C) subtract those unemployed from the total labor force and express this number as a percent of the total labor force.
- (D) dividing all unemployed by the population.

93. Capital inflows in the balance of payments accounts include

- (A) purchases of financial assets by domestic residents.
- (B) direct investments in foreign countries.
- (C) indirect investments in foreign countries.
- (D) purchases of domestic government bonds by foreigners.\*

94. A system of exchange rate determination with no central bank intervention is a

- (A) fixed exchange rate system.
- (B) flexible exchange rate system.
- (C) floating exchange rate system.
- (D) either a flexible or a floating exchange rate system.

95. The primary tool utilized by the Reserve Bank of India today in conducting monetary policy is

- (A) the discount rate.
- (B) reserve requirements.
- (C) open market operations.
- (D) selective credit controls.

96. Robert Solow is one of the developers of

- (A) classical economics.
- (B) the neoclassical growth model.
- (C) real business cycle theory.
- (D) new classical economics.

97. The difference between the nominal interest rate and the real interest rate is

- (A) Inflation
- (B) taxes
- (C) Seignorage
- (D) Hyperinflation

98. The inflation caused by supply shocks is called

- (A) Expected inflation
- (B) Wage inflation
- (C) demand pull inflation
- (D) cost-push inflation

99. Theories of money demand that emphasize the role of money as a medium of exchange are called

- (A) Transaction theories
- (B) portfolio theories
- (C) quantity theories
- (D) q theories

100. M3 measure of money compiled by Reserve Bank of India includes

- (A) Currency, demand deposits and Time deposits
- (B) Currency and Demand deposits
- (C) Demand deposits and Time deposits
- (D) Currency, Demand deposits and Post office deposits

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