

# Entrance Examinations – 2016

## M.A. Economics

Hall Ticket Number

Time: 2 hours  
Max. Marks: 100

Part A: 25 Marks  
Part B: 75 Marks

### INSTRUCTIONS

1. Write your Hall Ticket Number on the OMR Answer Sheet given to you. Also write the Hall Ticket Number in the space provided above.
2. Answers are to be marked on the OMR answer sheet.
3. Please read the instructions carefully before marking your answers on the OMR answer sheet.
4. Hand over the OMR answer sheet after the examination to the Invigilator.
5. There are plain sheets in the booklet for rough work, no additional sheets will be provided.
6. Use of non-programmable calculators is allowed.
7. There are a total of 100 questions in this paper: **Part A** (25 questions) and **Part B** (75 questions).
8. **Each question has only one correct option and there is negative marking of 0.33.**
9. The appropriate answer should be coloured with either a blue or a black ball point or a sketch pen. **DO NOT USE A PENCIL.**
10. The question paper contains 20 pages including the cover page and pages for rough work (pages 17 to 20).
11. The question papers can be taken by the candidates at the end of the examination.

## PART-A

1. The name of Francois Quesnay is associated with
  - A. Input-Output Method
  - B. General Equilibrium Theory
  - C. Marginal Cost Theory
  - D. Tableau Economique
  
2. In conventional economic approach, the demand for labour is characterized as:
  - A. Necessary Demand
  - B. Inelastic Demand
  - C. Upwardly Sloping Demand
  - D. Derived Demand
  
3. 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
  
4. In the monopolistic competitive model of Chamberlin, which of the following features is not a part of it.
  - A. Product differentiation
  - B. Group equilibrium
  - C. Price stickiness
  - D. Selling costs
  
5. The supply curve of the firm under perfect competition is
  - A. Average cost curve from the lowest minimum point on marginal cost curve
  - B. Average cost curve from its lowest minimum point
  - C. Marginal cost curve from its lowest minimum point
  - D. Marginal cost curve from the lowest minimum point on the average cost curve
  
6. During the high growth phase of Indian economy during 2003-08, where economy grew at 8.5 percent on average, which of the following is true?
  - A. Manufacturing sector led the economic growth
  - B. Employment in the manufacturing sector declined by 3.17 million
  - C. India became the fastest growing economy in the world
  - D. Agricultural sector's share in the GDP began increasing

7. The name of current Vice-Chairman of Niti Ayog is
  - A. Montek Ahluwalia
  - B. Raghurama Rajan
  - C. C. Rangarajan
  - D. Arvind Panagariya
  
8. According to the Fiscal Responsibility and Budget Management Act 2003, the fiscal deficit target to be achieved in India is
  - A. 3 percent
  - B. 2 percent
  - C. 4 percent
  - D. 6 percent
  
9. Amartya Sen received the Nobel Prize in Economics in 1998 for which of the following areas?
  - A. Development Economics
  - B. Welfare Economics
  - C. Poverty Measurement
  - D. Growth Models
  
10. In India, out of total foreign capital inflows, the foreign direct investment of long term nature formed only
  - A. 40 percent
  - B. 60 percent
  - C. 75 percent
  - D. 99 percent
  
11. When expectations of investors are very low under conditions of depression, expansionary monetary policy fail to stimulate the demand. John Maynard Keynes called this phenomenon as
  - A. Liquidity Crisis
  - B. Financial Meltdown
  - C. Liquidity Trap
  - D. Vicious Circle
  
12. A cross section empirical investigation for several advanced economies suggested that there is a non-linear inverted U-shaped relationship between tax rates and total tax revenues. This relationship became popular as:
  - A. Indifference curve for taxation
  - B. Backward bending supply curve
  - C. Arrow Curve
  - D. Laffer Curve

13. Which of the following countries in the past quarter century has come to be known as 'factory of the world'?
- India
  - Russia
  - Brazil
  - China
14. An orthodox solution to improve the balance of payments position of a country is to follow a currency devaluation. However, a success of this strategy depends on whether the sum of the elasticities of imports and exports of that country is
- Less than one
  - Equal to one
  - More than one
  - Equal to infinity
15. In the recent times, the instrument which is prominently used by the Reserve Bank of India to control inflation is
- Moral Suasion
  - Raising CRR
  - Raising SLR
  - Raising Repo Rate
16. Which of the following agencies contributes largest share to agricultural credit in India currently?
- Regional Rural Banks
  - Agricultural Cooperative Societies
  - Private Banks
  - Scheduled Commercial Banks
17. If the price of good A doubles and the price of B triples, the budget line become
- Steeper
  - Flatter
  - Unchanged
  - None of the above.
18. Pencils and pens: Example of
- Perfect substitutes
  - Perfect complements
  - Imperfect substitutes
  - Imperfect complements
19. The production function  $f(X_1, X_2) = 4X_1^{1/2}X_2^{1/3}$  exhibits
- Constant returns to scale
  - Increasing returns to scale
  - Decreasing returns to scale
  - None of the above.

20. Imposing a quantity tax on a monopolist will always cause the market price to increase
- A. By the same amount of the tax
  - B. More than the tax
  - C. Less than the tax
  - D. Any one of the above.
21. Academic journals are sold at different prices to libraries and individuals. This is an example of
- A. First-Degree Price Discrimination
  - B. Second-Degree Price Discrimination
  - C. Third-Degree Price Discrimination
  - D. Perfect Price Discrimination
22. A Weak Natural Monopoly is defined as one whose:
- A. Average costs decline over the entire output range
  - B. Costs are sub additive over the output range
  - C. Marginal costs lie everywhere below the average costs
  - D. Average costs rise over the output range
23. Cigarette smoking is an example of
- A. Positive Production Externality
  - B. Negative Production Externality
  - C. Positive Consumption Externality
  - D. Negative Consumption Externality
24. If the inverse of matrix N is M, then,
- A. The matrix N is a square matrix
  - B. The matrix N is a non-singular matrix
  - C.  $NM = MN = I$  where I is the identity matrix
  - D. All of the above.
25. The determinant value of the following matrix is:

$$\begin{bmatrix} 3 & 2 & 4 \\ 5 & 4 & 8 \\ 7 & 3 & 6 \end{bmatrix}$$

- A. 25
- B. 20
- C. 65
- D. Zero

**PART - B**

26. 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

27. If both income and substitution effects are strong, the demand for the product must be
- A. Relatively price elastic
  - B. Relatively price inelastic
  - C. Unit elastic
  - D. Perfectly inelastic

28. There are 100 firms with identical cost functions in a perfectly competitive industry. The demand function for the industry is estimated to be

$$Q_d = 2,000 - 200P$$

If the cost function of a firm is  $TC = 200 - 50Q + 2Q^2$ , then the equilibrium price of the product is

- A. Rs. 9.93
  - B. Rs. 3.33
  - C. Rs. 16.35
  - D. Rs. 14.98
29. A monopolistically competitive firm has the following cost and revenue functions:
- $$TC = 3,000 + 30Q - 20Q^2 + Q^3$$
- $$TR = 30Q - 2Q^2$$
- If the firm is maximizing profits at the current level of output, what would be the total cost incurred by the firm?
- A. Rs. 2,208
  - B. Rs. 824
  - C. Rs. 1,062
  - D. Rs. 944
30. Which indicator is excluded in the computation of HDI?
- A. Environment
  - B. Education
  - C. Health
  - D. Economic status

31. Lorentz curve is a measure of
- A. Human welfare
  - B. Poverty
  - C. Inequality
  - D. Social development
32. When was the Pradhan Mantri Jan Dhan Yojna (PMJDY) launched in India?
- A. 28 April 2014
  - B. 28 May 2014
  - C. 28 August 2014
  - D. 30 January 2014
33. Identify which of the following banks is not a part of banking system in India
- A. HDFC Bank
  - B. Axis Bank
  - C. ICICI Bank
  - D. EXIM Bank
34. What is the proposed allocation for Rural Sector in the Union Budget 2016-17?
- A. Rs. 38,500 crore
  - B. Rs. 1,51,581 crore
  - C. Rs. 87,765 crore
  - D. Rs. 2,21,246 crore
35. How much percentage of GDP is targeted as Fiscal Deficit in BE 2016-17?
- A. 3.5%
  - B. 3.9%
  - C. 4%
  - D. 2.9%
36. 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.  $\frac{10}{21}$
  - B.  $\frac{11}{21}$
  - C.  $\frac{2}{7}$
  - D.  $\frac{5}{7}$
37. The simple probability of occurrence of an event is called the
- A. Bayesian Probability
  - B. Joint Probability
  - C. Marginal Probability
  - D. Conditional Probability
38. Kurtosis and Skewness of a frequency distribution
- A. Always coexist
  - B. Can exist individually
  - C. Are always positive
  - D. Are always negative

39. Consumer Price Index (CPI) falls in the category of
- A. A simple index
  - B. An aggregate index
  - C. An inflation index
  - D. Both (a) and (c)
40. If there is a strong curvilinear relationship between two quantitative variables, Pearson's correlation coefficient will
- A. Estimate this relationship accurately
  - B. Grossly overestimate this relationship
  - C. Slightly overestimate this relationship
  - D. Underestimate this relationship
41. Confidence intervals are preferred to significance tests because they
- A. Do not require a random sample
  - B. Describe sample variability
  - C. Provide more information
  - D. None of the above.
42. According to Keynesians, the primary reason money is not neutral is
- A. Rational expectations
  - B. Price stickiness
  - C. Reverse causation
  - D. Misperceptions over the aggregate price level
43. One possible explanation for involuntary unemployment is
- A. The wage rate does not adjust immediately to changes in the labour demand
  - B. The labour market is perfectly competitive
  - C. The firms, knowing the supply and demand curve for labour, implement the equilibrium wage, which happens to be so low that many people prefer to stay at home
  - D. Maximum wages which are implemented
44. Which one is NOT TRUE about bonds?
- A. If bond prices decrease, bond yields would increase
  - B. When interest rates rise, bond holders will suffer a loss (in value of securities they own)
  - C. Bondholders do not have right to share in firm's profit
  - D. A bond is a fixed income security as it offers a fixed annual percentage return no matter which year it is purchased.
45. The magnitude of value of a commodity is determined by
- A. Price of the commodity
  - B. Demand and supply of the commodity
  - C. The amount of socially necessary labour time for its production
  - D. All of the above



46. Division of Labour in Adam Smith's analysis implies
- A. Research and Development
  - B. Human Development
  - C. Specialisation
  - D. Multi-tasking activity
47. Which of the following names is associated with theory of Entrepreneurship?
- A. Alfred Marshall
  - B. Ronald Coase
  - C. Joseph Schumpeter
  - D. Graham Pyatt
48. A commodity for Marx represents which two kinds of values?
- A. Surplus Value and Scarcity Value
  - B. Bourgeoisie Value and Proletariat Value
  - C. Use Value and Exchange Value
  - D. Capital Value and Labour Value
49. Normal profits of a firm under perfectly competitive market structure are
- A. Those which are usually earned under normal circumstances
  - B. Those which enable the firm to just to exist in the market after covering average full cost
  - C. Those which cover average variable costs but not average fixed costs
  - D. Those which attract new firms into the industry
50. The Mahatma Gandhi National Rural Employment Guarantee Act 2005, provides for 100 days of unskilled employment to \_\_\_\_\_ per year.
- A. Every individual in rural areas
  - B. Only individuals living below poverty line in rural areas
  - C. Every rural household that applies for work
  - D. Only those households which are below poverty line
51. In which forms of following employment practices, disguised employment is likely to exist?
- A. Self-employment
  - B. Wage employment
  - C. Piece work
  - D. Contract work
52. In comparison to the quasi-competitive solution which of the following statements 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.

53. 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.
54. The best or optimum level of output for a perfectly competitive firm is given by the point where
- A. MR equals AC
  - B. MR equals MC
  - C. MR exceeds MC by the greatest amount
  - D. MR equals MC and MC is rising
55. Which among the following is used to test the significance of correlation coefficient?
- A. t-test
  - B. F-test
  - C. Chi-square test
  - D. None of the above.
56. Who is the first president of the New Development Bank BRICS?
- A. Yang Xiong
  - B. Lou Jiwei
  - C. KV Kamath
  - D. Raghuram Rajan
57. If the nominal interest rate is 6% and the expected rate of inflation is 5% this year, the real interest rate is:
- A. 5%
  - B. 2%
  - C. 2/3%
  - D. 1%
58. Who among the following did not estimate the incidence of poverty in India?
- A. B.S. Minhas
  - B. P.K. Bardhan
  - C. V.M. Dandekar and N. Rath
  - D. Raj Krishna
59. Which one of the following areas is related to blue revolution in the agriculture sector?
- A. Horticulture
  - B. Aqua-culture
  - C. Poultry
  - D. Dairy

60. Which one of the following matches with free trade?
- A. Encouragement for balanced growth
  - B. Absence of tariff
  - C. Restrictions on movement of goods
  - D. Existence of anti-dumping policy
61. If the slope of offer curves is constant, the terms of trade will –
- A. Become indeterminate
  - B. Become continuously favourable
  - C. Continuously become unfavourable
  - D. Become constant
62. Which one of the following does not affect credit creation power of commercial banks?
- A. Cash reserve ratio
  - B. Statutory liquidity ratio
  - C. Capital adequacy ratio
  - D. Cash-deposit ratio
63. If the Budget of the Government does not get passed by 31<sup>st</sup> March how is the Government expenditure undertaken?
- A. Vote on credit
  - B. Supplementary demands
  - C. Vote on account
  - D. None of the above.
64. Which one of the following is not true for the Repo operations?
- A. It is conducted by Commercial Banks
  - B. It increases availability of foreign exchange
  - C. In a Repo operation, object is to regulate credit flow
  - D. In a Repo operation, object is to control liquidity in the financial system
65. If Nominal GDP is equal to real GDP, then
- A. The GDP deflator is equal to zero
  - B. The GDP deflator is equal to one
  - C. The GDP deflator is less than one
  - D. None of the above is correct
66. Monopolistic competition in comparison to perfect competition ensures –
- A. Lower price and higher output
  - B. Price equal to marginal cost
  - C. Output at the minimum average cost
  - D. Higher price and lower output

67. In the Cobb-Douglas production function the elasticity of substitution between factors is
- Zero
  - Equal to one
  - Greater than one
  - Less than one
68. Which law states that, with given taste and preferences, the proportion of income spent on food stuff diminishes as income increases?
- Engel's law
  - Gresham's law
  - Giffin's law
  - Say's law
69. According to Ragner Nurkse in the context of an underdeveloped economy, the inducement to invest is limited by –
- Lack of saving
  - The policy of the Government
  - Lack of investment opportunities
  - The size of the market
70. What is the theory that opening a country to world markets gives an opportunity to utilize unemployed and underemployed resources known as?
- Ricardian theory
  - Heckscher-Ohlin theory
  - Vent for surplus theory
  - Strategic trade theory
71. Which one of the following best characterizes the Bretton Woods System of exchange rates?
- Adjustable fixed exchange rates
  - Fixed exchange rates
  - Adjustable pegged exchange rates
  - Pegged exchange rates
72. Coase theorem is concerned with
- Equity
  - Efficiency
  - Externalities
  - None of the above.
73. In which country VAT was introduced first time in the world?
- U.S.
  - U.K.
  - France
  - None of the above.

74. Who conducts the public debt operations of the Government of India?
- A. SBI
  - B. RBI
  - C. Ministry of Finance
  - D. None of the above
75. The best display for showing the relationship between two categorical variables is:
- A. Frequency polygon
  - B. Box plot
  - C. Scatter plot
  - D. Line graph
76. The production possibility curve under increasing opportunity cost is
- A. Concave to the origin
  - B. Convex to the origin
  - C. A straight line parallel to the x-axis
  - D. A straight line parallel to the y-axis
77. Who among the following developed the Wage-Goods model?
- A. M. Dobb
  - B. A.K. Sen
  - C. Vakil and Brahmananda
  - D. P.C. Mahalonobis
78. Which of the following is meant by growth in the context of growth and development?
- A. Growth of gross national product in money terms
  - B. Growth of per capita income in money terms
  - C. Growth of gross national product in real terms
  - D. Growth of per capita income in real terms
79. What is the ratio between the price of a country's export goods and price of its import goods known as?
- A. Single factorial terms of trade
  - B. Double factorial terms of trade
  - C. Net barter terms of trade
  - D. Income terms of trade
80. Which one of the following is correct for a normal distribution?
- A. Standard deviation > Mean deviation > Quartile deviation
  - B. Quartile deviation > Mean deviation > Standard deviation
  - C. Mean deviation > Standard deviation > Quartile deviation
  - D. Quartile deviation > Mean deviation > Standard deviation

81. Coefficient of correlation is independent of which of the following?  
 A. Change of origin only  
 B. Change of scale only  
 C. Change of origin and scale  
 D. None of the above.
82. Which one of the following indices satisfies both time reversal and factor reversal tests?  
 A. Laspeyre's index number  
 B. Fischer's index number  
 C. Paasche's index number  
 D. Kelly index number
83. Which among the following treaties provided for a common currency for the member countries of European Community?  
 A. Brussels Treaty  
 B. Geneva Convention  
 C. Maastricht Treaty  
 D. Treaty of Versailles
84. With which of the following lies the basic regulatory authority for mutual funds and stock markets?  
 A. Reserve Bank of India  
 B. Government of India  
 C. SEBI  
 D. Stock Exchanges
85. In which of the following fields was the first cooperative movement in India initiated?  
 A. Agricultural credit  
 B. Farming activities  
 C. Consumer cooperation  
 D. Agricultural marketing

86. A household can buy  $X_1$  and  $X_2$  only.  $P_2 = 1$ . In situation A and B behave as follows:

Situation	Income	$P_1$	$X_1$ purchased
A	40	1	20
B	61	2	15

Is the consumer consistent?

- A. No  
 B. Yes  
 C. Need more information  
 D. May be

87. An excise tax levied on each unit of X good consumed
- A. Would reduce consumption of X and lower total expenditure on X
  - B. Would rotate the budget line outward along the X axis and allow the consumer to reach a higher indifference curve
  - C. Would place a consumer on lower indifference curve
  - D. Cause the consumer on a lower indifference curve
88. Farmers are worse off when there is a good harvest as
- A. Demand for farmers produce is elastic
  - B. Demand for farmers produce is inelastic
  - C. Supply of agrarian goods is elastic
  - D. It is an inferior good
89. Substitution effect of a change in price is always negative for
- A. Normal good
  - B. Inferior good
  - C. Giffen good
  - D. All types of goods
90. A firm is employing 100 units of labour and 50 units of capital to 200 units of a good. Labour costs Rs. 10 per unit and capital Rs. 5 per unit. For the quantities of inputs employed  $MP_L = 2$  and  $MP_K = 5$ . In this situation, the firm
- A. Producing the profit maximising output possible given process and relative productivities of the inputs
  - B. Could lower its production costs by using more labour and less capital
  - C. Could increase its output at no extra costs by using more capital and less labour
  - D. Should use more of both inputs in equal opportunities
91. Under competitive conditions a firm in the long run makes
- A. Normal profits
  - B. Zero profits
  - C. Negative profits
  - D. Need more information
92. An individual is spending all his income on two goods X and Y. If a Rs. 2 increase in price of X, constancy in the price of Y leading to a no change in amount consumed in Y, what is the price elasticity of good X
- A. Inelastic
  - B. Unitary elasticity
  - C. Elastic
  - D. Need more information

93. A monopoly firm faces a linear demand function  $P = 10 - 0.5 Q$ . Its marginal costs is constant at Rs. 4. What is the welfare loss on account of monopoly?
- 8
  - 9
  - 10
  - 11
94. In comparing an excise subsidy and a cash grant of the same amount, the recipient will
- Always prefer the excise subsidy
  - Always prefer a cash subsidy
  - Be indifferent to both
  - Sometime prefer excise subsidy and sometime cash grant
95. Fiscal deficit stands for
- The excess of government total expenditure over total revenues
  - The excess of government capital expenditure over total revenues
  - The excess of public sector bank lending over deposits
  - The amount of government borrowing
96. Modern Input-Output analysis is due to which economist?
- Paul Samuelson
  - William Baumol
  - Robert Solow
  - Wassily Leontief
97. According to Economic Survey 2016-17, Indian Economy is expected to grow:
- Between 7.0% and 7.75%
  - At 9%
  - At 8%
  - At 6.5%
98. The current account deficit, according to the Economic Survey 2016-17, during 2016-17 fiscal is expected around
- 1 to 1.5% of the GDP
  - 3% of the GDP
  - 0.5% of the GDP
  - 2% of the GDP
99. Given the characteristics of 'non-excludability' and 'non-rivalry', "law and order" is an example of
- A negative externality
  - A positive externality
  - Increasing returns
  - A public good
100. Poverty line means:
- The line of demarcation between the rich and poor
  - The lowest level in the ladder of economic prosperity
  - The minimum level of per capita consumption expenditure
  - All the above.