

Entrance Examination : M.A. Economics, 2015Hall Ticket Number

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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 26 pages including the cover page and pages for rough work (pages 25 and 26).
11. The question papers can be taken by the candidates at the end of the examination.

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PART-A

- Find the correct answer and mark it on the OMR sheet. Each correct answer gets 1 (one) mark and wrong answer gets -0.33 marks.
1. Consider market for a good in partial equilibrium analysis where supply is perfectly price inelastic and demand is perfectly price elastic. Market price is Rs. 60 when no tax is levied. *Ad valorem* excise duty of 25 % is now levied. New market price,
 - (A) goes up by 25 %
 - (B) goes up by 20 %
 - (C) remains unchanged
 - (D) does not exist, as there is no market equilibrium
 2. If propensity of people to hold money as currency goes up and all other factors (such as required reserve ratio) remain unchanged, the value of money multiplier will,
 - (A) become smaller.
 - (B) become larger.
 - (C) remain the same.
 - (D) may move either way.
 3. A fair coin is tossed three times in succession. If at least one of the tosses has resulted in Heads, what is the probability that at least one of the tosses resulted in Tails?
 - (A) $\frac{4}{7}$
 - (B) $\frac{4}{8}$
 - (C) $\frac{6}{7}$
 - (D) $\frac{6}{8}$
 4. Which out of the following is an example of a trade barrier?
 - (A) Foreign investment
 - (B) Delay or damage of goods
 - (C) Tax on imports
 - (D) None of these

5. Which among the following currently has the highest production (in metric tonnes) in India?
- (A) Milk
 - (B) Rice
 - (C) Wheat
 - (D) Sugar
6. Normally, if the income effect dominates the substitution effect in the labour supply decision, what happens when the wage increases?
- (A) It depends on their specific preferences
 - (B) Workers work more
 - (C) Workers work less
 - (D) Workers work the same amount
7. If value added at different stages is summed-up, the total will:
- (A) Exceed the value of the final product
 - (B) Equal the value of the final product
 - (C) Misrepresent the value of the final product
 - (D) Have no relation with the value of the final product
8. Matrix X of order $m \times n$ is of full rank and $m \neq n$. Let $Y = X^T.X$; and $Z = X.X^T$. Let $r(S)$ denotes rank of any matrix S . Then,
- (A) Y and Z are of the same rank
 - (B) Y and Z are of the same order
 - (C) Y and Z are inverses of each other
 - (D) Y and Z are equal matrices
9. Regardless of her income or prices, Neha always spends 30 percent of her income on housing, 25 percent on food, 10 percent on clothing, 20 percent on transportation, and 15 percent on recreation. This behavior is consistent with which of the following?
- (A) All goods are perfect substitutes
 - (B) demand for commodities do not change when price change

- (C) has a Cobb-Douglas utility function
- (D) None of the above

10. As foreign exchange activity has grown:

- (A) central bank intervention has become more effective.
- (B) central bank intervention has become more frequent.
- (C) central bank intervention has become less effective.
- (D) central bank has stopped to intervene.

11. The share of Indian exports in world trade in 2012-13 was approximately

- (A) 2%.
- (B) 3%.
- (C) 10%.
- (D) 12.5%.

12. The poverty ratio estimated by the Planning Commission of India for the year 2011-12 stands in the range of

- (A) 35 – 40%.
- (B) 30 – 35%.
- (C) 25 – 30%
- (D) 20 – 25%.

13. Assume there are 75 transactions a year in an economy with a money supply of Rs.300. If the average value of each transaction is Rs.20, then the velocity of money is

- (A) 0.5.
- (B) 1.0
- (C) 5.0
- (D) 20.0

14. Subsidized low housing is an example of
- (A) a social want.
 - (B) a merit want.
 - (C) a collective want.
 - (D) none of the above.
15. How many distinct subsets can be formed from the set $N = \{7, 3, 8, 2, 9, 6\}$?
- (A) 6.
 - (B) 64.
 - (C) 18144.
 - (D) 35.
16. Match each of the economists in the first row with theory of development he is associated with from the second row:
- Economists:** 1. A.O. Hirschman; 2. W. A. Lewis; 3. Rosenstein-Rodan; 4. W.W. Rostow
Theories: a. Big Push; b. Dual Sector; c. Stages of Growth; d. Unbalanced Growth
- (A) 1 - c; 2 - a; 3 - d; 4 - b.
 - (B) 1 - d; 2 - b; 3 - a; 4 - c.
 - (C) 1 - a; 2 - b; 3 - c; 4 - d;
 - (D) 1 - b; 2 - d; 3 - a; 4 - c.
17. In which of the following models of oligopoly, firms choose prices instead of quantities
- (A) Cournot Model
 - (B) Stackelberg Model
 - (C) Bertrand Model
 - (D) None of the above

18. An estimator is defined as
- (A) Sampling mean of a distribution
 - (B) A specific observed value
 - (C) Sample statistic to estimate a population parameter
 - (D) None of the above
19. The Keynesian approach to macroeconomics assumes that
- (A) neither wages nor prices adjust quickly to balance quantities supplied and demanded in markets.
 - (B) both wages and prices adjust quickly to balance quantities supplied and demanded in markets.
 - (C) wages, but not prices, adjust quickly to balance quantities supplied and demanded in markets.
 - (D) prices, but not wages, adjust quickly to balance quantities supplied and demanded in markets.
20. In a society of two persons, person A wants to sell a book for which his reservation price is Rs. 400; person B wants to buy this book for which his reservation price is Rs. 360. Then,
- (A) Mr. A will sell the book to Mr. B for Rs. 400.
 - (B) Mr. A will sell the book to Mr. B for Rs. 360.
 - (C) Mr. A will sell the book to Mr. B for Rs. 380.
 - (D) no trade in this book will take place.
21. Imperfect information about the labour market leads to
- (A) structural unemployment
 - (B) cyclical unemployment
 - (C) frictional unemployment.
 - (D) disguised unemployment

22. Let $f(x) = e^{x^2}$. Derivative of $f(x)$ with respect to x is equal to:
- (A) e^{x^2} .
 - (B) $2x \cdot e^{x^2}$.
 - (C) $x^2 \cdot e^{x^2-1}$.
 - (D) e^{2x} .
23. According to the law of variable proportions, marginal product of the variable input
- (A) first increases at a decreasing rate and then increases at an increasing rate.
 - (B) first increases at an increasing rate and then increases at a decreasing rate.
 - (C) first decreases at a decreasing rate and then decreases at an increasing rate.
 - (D) first decreases at a decreasing rate and then decreases at an increasing rate.
24. The quantity theory of money implies that if the money stock were to double, the price level will
- (A) fall by one half the original.
 - (B) rise, but only slightly from the original.
 - (C) increase to twice the original.
 - (D) remain unchanged.
25. Let $z = f(x_1, x_2)$. Let f_i be first order partial derivative of $f(.,.)$ w.r.t. x_i and f_{ij} be second order partial derivative of $f(.,.)$ w.r.t. x_i and x_j . Suppose $f_1 = 0 = f_2$ at some point $(x_1, x_2) = (a, b)$ and further let $f_{11} \cdot f_{22} > f_{12}^2$ at (a, b) . Consider the statements: (I) The function attains its maximum if $f_{11} < 0$ at (a, b) . (II) The function attains its minimum if $f_{22} > 0$ at (a, b) .
- (A) Only (I) is correct.
 - (B) Only (II) is correct.
 - (C) both (I) and (II) are correct.
 - (D) Neither (I) nor (II) is correct.

PART-B

- Find the correct answer and mark it on the OMR sheet. Each correct answer gets 1 (one) mark and wrong answer gets -0.33 marks.

26. If the factor supply market is competitive, each firm will face a supply curve for labor that is
- (A) horizontal.
 - (B) downward-sloping.
 - (C) vertical.
 - (D) upward-sloping.
27. If a given labour market is characterized by monopsony (i.e., a company town in which there is only one employer), how does the level of hiring compare to that in a competitive factor market?
- (A) It depends on the price of the output good.
 - (B) The level of hiring is lower.
 - (C) The level of hiring is higher.
 - (D) The level of hiring is equal.
28. Consider an economy of at least 3 individuals with every individual having strictly monotonically increasing utility functions. Let state Y be Pareto superior to state X . Then,
- (A) Everyone is better off in state Y compared to being in state X .
 - (B) There exists a state Z obtained from a re-distribution of state Y such that everyone is better off in state Z compared to being in state X .
 - (C) One person is better off in state Y compared to being in state X and everyone else is indifferent between states X and Y .
 - (D) Everyone is better off in any re-distribution of state Y compared to being in state X .
29. Consider equation $a.x^3 + b.x^2 + c.x + d = 0$ with real coefficients (a, b, c, d) and with distinct roots α, β and γ , where α is a complex number. Then,
- (A) both β and γ are real numbers
 - (B) both β and γ are complex numbers
 - (C) both β and γ are imaginary numbers

34. If the annual income velocity of money is 3, then the total real money stock in the economy is:
- (A) Three times the real GDP
 - (B) One third of real GNP
 - (C) One third of nominal GNP
 - (D) None of the above
35. High powered money consists of:
- (A) Currency with the public , reserves with the banking system, and other deposits with the RBI
 - (B) All liabilities of the banking sector
 - (C) Currency with the public and other deposits with the RBI
 - (D) Currency with the public, demand deposits with banks, and other deposits with the RBI
36. Which one of the following rates is NOT an instrument of monetary policy in India?
- (A) CRR
 - (B) SLR
 - (C) PLR
 - (D) Repo Rate
37. Which among the following classes of transport currently ranks first in domestic goods transport?
- (A) Air cargo services
 - (B) Railways goods transport services
 - (C) Roadways goods transport services
 - (D) Waterways goods transport services
38. Increase in net RBI credit to the central government represents:
- (A) Budget deficit
 - (B) Revenue deficit
 - (C) Fiscal deficit

- (D) Monetized deficit
39. The utilization of disguised unemployment as a source of saving potential in underdeveloped countries has been suggested by:
- (A) W W Rostow
 - (B) Arthur Lewis
 - (C) Ragnar Nurske
 - (D) A O Hirschman
40. Which of the following variable will come under Stock variable ?
- (A) Gross domestic product
 - (B) Money supply
 - (C) Exports
 - (D) Imports
41. Some individuals, when facing a lottery or other situation of uncertainty, prefer not to accept gambles that are better than fair (i.e., have a positive expected return), because of the negative utility they receive from uncertainty. What is the name for this behavior?
- (A) Risk loving.
 - (B) Expected utility theory.
 - (C) Risk aversion.
 - (D) Risk neutrality.
42. The price elasticity of demand faced by a firm in a perfectly competitive market is
- (A) less than one
 - (B) equal to zero.
 - (C) equal to infinite.
 - (D) equal to one

43. Given a 3×3 matrix $A = \begin{pmatrix} 1 & 0 & 1 \\ 2 & -1 & 3 \\ 1 & 1 & 0 \end{pmatrix}$, its inverse

(A) is $\begin{pmatrix} 1 & 0 & 1 \\ .5 & -1 & .33 \\ 1 & 1 & 0 \end{pmatrix}$.

(B) does not exist.

(C) can not be determined, since A does not have a unique inverse.

(D) is $\begin{pmatrix} 1 & 0 & 0 \\ -1 & 0 & 1 \\ 0 & 1 & -1 \end{pmatrix}$.

44. Regression analysis

(A) necessarily implies causation.

(B) always analyses the cause-effect scenario.

(C) implies correlation effects.

(D) does not necessarily imply causation.

45. The real balance effect suggested to bridge the classical dichotomy, was given by:

(A) Alvin Hansen

(B) A C Pigou

(C) Don Patinkin

(D) Knut Wicksell

46. The most volatile component of GDP over the business cycle is

(A) consumption

(B) net exports

(C) investment

(D) government purchases

47. Assume you have the option to choose between receiving a given amount of money M 5 years from now or 10 years from now, and the discount rate is positive. Which option has the higher present value?
- (A) It depends on the level of the interest rate.
 - (B) Receive the money 5 years from now.
 - (C) Receive the money 10 years from now.
 - (D) Receiving M always has the same present value, independent of the timing.
48. What is an example of sunk costs for someone opening a law practice?
- (A) Rent on office space.
 - (B) The cost of office supplies.
 - (C) The cost of a law school education.
 - (D) Wages for paralegals.
49. The supply-determined nature of output and employment is the most crucial feature of
- (A) the Keynesian theory
 - (B) the classical system
 - (C) monetarism
 - (D) the rational expectations school
50. In the liquidity trap case where the LM schedule is nearly horizontal,
- (A) both monetary and fiscal policy are highly effective.
 - (B) monetary and fiscal policy are ineffective.
 - (C) monetary policy is ineffective and fiscal policy is effective.
 - (D) fiscal policy is ineffective and monetary policy is effective.
51. In a perfectly flexible exchange rate regime, an expansionary Indian monetary policy will cause
- (A) a rise in the value of rupee relative to foreign currencies.
 - (B) a fall in the value of rupee relative to foreign currencies.
 - (C) no change in the value of rupee relative to foreign currencies.

- (D) a change in the value of rupee relative to foreign currencies but the direction of the change is uncertain.
52. There are two batteries in a UPS connected in series both must be working for the UPS to be able to function. Probability that a battery will fail on a given day is 0.1 and battery failures are independent events. Probability that UPS functions without failure on a given day is:
- (A) 0.99
 - (B) 0.91
 - (C) 0.88
 - (D) 0.81
53. In correlation analysis we measure the
- (A) Degree of causation between two variables
 - (B) Predictability of the two variables
 - (C) Regression between the two variables
 - (D) Degree of linear association between two variables
54. Which one of the following is an appropriate sampling technique if the study population is heterogeneous?
- (A) Stratified Random Sampling
 - (B) Simple Random Sampling
 - (C) Cluster Sampling
 - (D) Convenience Sampling
55. From 1944 to 1971, the exchange rate between any two currencies was typically:
- (A) fixed within narrow boundaries.
 - (B) floating, but subject to central bank intervention.
 - (C) floating, and not subject to central bank intervention.
 - (D) nonexistent; that is currencies were not exchanged, but gold was used to pay for all foreign transactions.

56. Which of the following are examples of currency controls?
- (A) import restrictions.
 - (B) prohibition of remittance of funds.
 - (C) ceilings on granting credit to foreign firms.
 - (D) all of the above.
57. The tariff which maximizes a country's welfare is called:
- (A) Optimum tariff
 - (B) Discretionary tariff
 - (C) Protective tariff
 - (D) None of the above is true
58. In India, which of the following revenues are not shared by the Centre with the States?
- (A) Income tax
 - (B) Central Sales tax
 - (C) Excise duty
 - (D) Customs duty
59. During second half of 2014 (July-December), inflation showed,
- (A) increasing trend
 - (B) decreasing trend
 - (C) stable at a low (below 3 % yoy) level
 - (D) stable at a high (above 10 % yoy) level
60. Which of the following is the major source of accretion to foreign exchange reserve in India at present?
- (A) ADR and GDR
 - (B) External assistance
 - (C) Banking capital
 - (D) Portfolio investment

61. Trickle down theory suggests that
- (A) tax benefits to the rich lead to an increase in the income and well-being of all.
 - (B) an increase in per capita income leads to an increase in the income and the well-being of all.
 - (C) an increase in exports leads to an increase in the income and the well-being of all.
 - (D) an increase in government expenditure leads to an increase in the income and the well-being of all.
62. Assume that you purchased a Rs.1,000 perpetual bond that pays a market interest rate of 7 percent. If you attempted to sell this bond today subsequent to an increased market rate of interest of 8.5 percent, then you
- (A) could only sell this bond at a capital loss.
 - (B) could sell this bond at a capital gain.
 - (C) would not be able to sell this bond.
 - (D) could exchange your bond yielding 5 percent for a bond yielding 7.5 percent on an even exchange basis.
63. Which of the following variables shifts the classical aggregate demand curve right?
- (A) An increase in government spending
 - (B) A decrease in taxes
 - (C) An increase in autonomous investment expenditures
 - (D) An increase in the money stock
64. Who stated that savings and investment are equal but they are not always in equilibrium?
- (A) Alfred Marshall
 - (B) J M Keynes
 - (C) D H Robertson
 - (D) M Friedman

65. Consider system of equations: $3x + 3y = 9$; $2x - y = 3$; and $x - 2y = -2$. Then,
- (A) $x = 2$; $y = 1$
 - (B) $x = \frac{4}{3}$; $y = \frac{5}{3}$
 - (C) $x = 4$; $y = 3$
 - (D) Solution does not exist.
66. You are given annual growth rates for 7 consecutive years. To find compound annual rate of growth, the suitable method involves use of:
- (A) geometric mean
 - (B) arithmetic mean
 - (C) harmonic mean
 - (D) none of the above
67. Standard error is defined as
- (A) sampling mean distribution
 - (B) standard deviation of sample
 - (C) standard deviation of a statistic
 - (D) type I error
68. 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) Decrease for small price changes and increase for large price changes
69. What happens to a consumer when the price of a good she consumes increases, or her income decreases?
- (A) She is unambiguously better off.
 - (B) She is better off if a good's price increases, but worse off if her income decreases.
 - (C) She is unambiguously worse off.
 - (D) She may be better off or worse off, depending on her preferences.

70. If the income elasticity of demand is greater than 1, the commodity is
- (A) A necessity
 - (B) A luxury
 - (C) An inferior good
 - (D) A nonrelated good
71. Fishers index number is:
- (A) The arithmetic mean of Laspeyres and Paasche index numbers
 - (B) The geometric mean of Laspeyres and Paasche index numbers
 - (C) The harmonic mean of Laspeyres and Paasche index numbers
 - (D) The geometric mean Laspeyres and Divisia index numbers
72. Presently, the Indian rupee is :
- (A) Fully convertible on current account but not on capital account transactions
 - (B) Fully convertible on capital account but not on current account transactions
 - (C) Fully convertible on both the accounts
 - (D) Not convertible on either type of accounts
73. Pilgrims tax is levied by the
- (A) the union government
 - (B) state governments
 - (C) local bodies
 - (D) all of them
74. The gross fiscal deficit for India as a percentage of India for the year 2013-14 was in the range of
- (A) 4.0-5.0 percent
 - (B) 5.0-5.5 percent
 - (C) 6.0-6.5 percent
 - (D) 7.0-8.0 percent

75. Assume a two-country world: Country A and Country B. Which of the following is correct about purchasing power parity (PPP) as related to these two countries?
- (A) If Country A's inflation rate exceeds Country B's inflation rate, Country A's currency will weaken.
 - (B) If Country A's interest rate exceeds Country B's inflation rate, Country A's currency will weaken.
 - (C) If Country A's interest rate exceeds Country B's inflation rate, Country A's currency will strengthen.
 - (D) If Country B's inflation rate exceeds Country A's inflation rate, Country A's currency will weaken.
76. Stagflation is a period of
- (A) High inflation
 - (B) Low inflation
 - (C) Low inflation and High unemployment
 - (D) High inflation and high unemployment
77. Chi-square (χ^2) test is used for
- (A) Association between attributes.
 - (B) Significance of single mean
 - (C) Slope of regression line
 - (D) Equality between two means
78. When an import tariff is imposed on a good that is imported by a given country, which of the following quantities decreases?
- (A) Consumer surplus alone.
 - (B) Consumer surplus and social welfare.
 - (C) Producer surplus alone.
 - (D) Social welfare.

97. To study the performance of various states across India, the data on state domestic product is collected for all states for the period 1990 to 2010. Such a data set represents
- (A) Cross-sectional data
 - (B) Pooled data
 - (C) Panel data
 - (D) Time series data
98. When price deflation takes place (i.e. price level falls), then,
- (A) both the borrowers and the lenders gain.
 - (B) the borrowers loose and the lenders gain.
 - (C) the borrowers gain and the lenders loose.
 - (D) both the borrowers and the lenders loose.
99. The difference between M_3 and M_1 is
- (A) time deposits
 - (B) saving deposits
 - (C) demand deposits
 - (D) post office saving deposits
100. Under perfect competition, the shut-down condition holds, when,
- (A) price is below average total cost, but greater than average variable cost.
 - (B) price is greater than average variable cost.
 - (C) price is greater than average total cost.
 - (D) price is below average variable cost.