C-54

Entrance Examination, February 2013
M.Phil. (Economics)

Time: 2 Hours   Max. Marks: 75

HALL TICKET NUMBER

INSTRUCTIONS

1. **Read these instructions carefully before answering.**

2. Enter your Hall Ticket Number on this page <u>and</u> also on the OMR answer sheet.

3. Answers are to be marked on the OMR answer sheet following the instructions provided there upon.

4. Handover ～～～～～～～～～～ the OMR answer sheet at the end of the examination.

5. Use of non-programmable calculators is allowed.

6. The Question Paper has **<u>two parts</u>** – PART-A and PART-B. There are 75 questions in this paper; 25 questions in PART-A and 50 questions in PART-B. Marks obtained in PART-A will determine the merit rank in case of a tie in the total number of marks obtained.

7. Each correct answer carries <u>one</u> mark.

8. **There is negative marking. Each wrong answer carries -0.33 marks.**

9. This question paper contains 14 pages excluding the cover page. In addition, **two blank pages for rough work are provided at the end of the question paper (pages 15 & 16) marked "ROUGH WORK".**

M.Phil. Entrance Examination
School of Economics

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PART – A (Answer all 25 questions)

1. Which of the following is a graph of demand for one of the goods as a function of income, with all prices held constant?
   A. Income offer curve
   B. Income expansion path
   C. Engel curve
   D. Laffer curve

2. A village moneylender in Bangladesh is able to maintain local monopoly in the credit market because of
   A. Returns to scale
   B. Adverse selection
   C. Moral hazard
   D. All of these

3. In the standard IS-LM model which of the following is true if the government raises tax rate and the central bank holds the money supply constant?
   A. IS curve shifts to the right
   B. LM curve shifts to the left
   C. Interest rate falls
   D. None of the above

4. Ratchet effect is a situation where households find it
   A. Difficult to adjust to rising incomes
   B. Easier to adjust to rising incomes than falling incomes
   C. Difficult to save due to low incomes
   D. None of the above

5. In the short run if planned saving exceeds planned investment, then
   A. Employment should increase
   B. Output should decrease
   C. Output should remain unchanged
   D. None of the above

6. Headline inflation in India is measured in terms of
   A. Implicit GDP deflator
   B. Consumer price index for rural labour
   C. Consumer price index for industrial workers
   D. Wholesale price index

7. The problem of multicollinearity can be found in
   A. Cross-section data
   B. Time series data
   C. Pooled data
   D. All of the above

8. A bag contains 20 tickets marked with numbers 1 to 20. One ticket is drawn at random. The probability that the ticket will bear a number which will be a multiple of 2 or 5 is
   A. Difficult to determine
   B. 0.70
   C. 0.35
   D. 0.60

9. If the Durbin-Watson d-test statistic is found to be equal to zero, it means that the first-order autocorrelation is
   A. Perfectly positive
   B. Perfectly negative
   C. Zero
   D. Imperfectly negative

10. The share of foreign trade in GDP of India in 2011-12 was
   A. 35 per cent
   B. 30 per cent
   C. 50 per cent
   D. 20 per cent

2

11. Factor reversal means
    A. Factor intensity changes as factor prices change
    B. Factor intensity changes as commodity prices change
    C. Factor intensity remains unchanged
    D. None of the above

12. In case of immiserising growth consumer welfare
    A. Increases
    B. Decreases
    C. Initially decreases and then increases
    D. Remains constant

13. Quotas are more effective than tariffs in controlling
    A. Industrial imports
    B. Agricultural imports
    C. Both A and B
    D. None of the above

14. A Pareto optimum state is
    A. Pareto superior to every other state
    B. Pareto-wise no worse than any other state
    C. A state at least as good as any other state
    D. Unique best among all the states

15. Let excess demand be a continuous and differential function of price for some
    commodity and let this market have multiple but finite equilibria. Then,
    A. There is at least one unstable equilibrium price
    B. There is at least one stable equilibrium price
    C. There exists a globally stable equilibrium price
    D. All of the above

16. The indifference curve analysis
    A. Assumes marginal utility is measurable
    B. Does not assume that utility is measurable
    C. Assumes that utility is cardinally measurable but marginal utility is not
    D. Assumes that utility is ordinally measurable and so marginal utility has no meaning

3

17. If under perfect competition the price of output is 10 and the price of input is 5, then the marginal product of input is
    A. 0.5
    B. 50
    C. 5
    D. 10

18. Regulation of monopoly is justified because
    A. The monopolist makes supernormal profits
    B. The monopolist does not minimize cost of production
    C. The monopolist will supply goods of poor quality
    D. The sum of consumer and producer surplus will not be maximized

19. Which of the following is true of a perfectly competitive market?
    A. The market serves as a benchmark for an efficient and equitable allocation of resources
    B. In this market there can be no savings for future investments except for replacement of worn out capital
    C. Firms maximize profits only in this market
    D. All the above are true

20. The 'East Asian Miracle' is
    A. The ability of so many people to live in so many areas
    B. The fact that so many influenza varieties originate from this region
    C. The fact that por dualistic economies managed to escape the vicious cycle of poverty
    D. The ability to maintain large trade surpluses with the US

21. The Marshall-Lerner condition states that
    A. Depreciation always has a favourable effect on current account
    B. Depreciation has a favourable effect on current account only if the sum of export and import elasticities is greater than one
    C. High elasticity of exports is sufficient for favourable effect on current account
    D. None of the above

4

22. If expected inflation rises, the Phillips curve
    A. Shifts upward
    B. Shifts downward
    C. Becomes steeper
    D. Becomes flatter

23. In contrast to Keynesian models, real-business-cycle models
    A. Attach greater importance to money
    B. Rely on market imperfections to generate their results
    C. Allow for involuntary unemployment
    D. Emphasize labour supply and the labour-leisure trade-off

24. In a recession firms may retain workers they do not need so that they will have the workers when recession is past. This behavior is known as
    A. Inter-temporal substitution of labour
    B. Involuntary employment
    C. Labour hoarding
    D. The Solow residual

25. MODVAT is a tax on
    A. Sales
    B. Production
    C. Value added
    D. Profit

PART-B (Answer all 50 questions)

26. Consumption tax was recommended by
    A. Hicks
    B. Musgrave
    C. Kaldor
    D. Marshall

27. Personal income is the sum of personal disposable income and
    A. Personal savings
    B. Dividend payments
    C. Personal income taxes
    D. None of the above

28. Which tax is non-distortionary?
    A. Progressive tax
    B. Ad-valorem tax
    C. Lump-sum tax
    D. Regressive tax

29. The FRBM Act came into force in India in the year
    A. 2001
    B. 2003
    C. 2002
    D. 2010

30. Peak-load pricing refers to the charging of
    A. Different prices for different customers in different markets
    B. Different prices for different quantities
    C. Higher prices during periods of peak demand and lower prices during off-peak periods
    D. None of the above

31. Isoquants are
    A. Equal cost lines
    B. Equal product lines
    C. Equal revenue lines
    D. Equal utility lines

32. If the economy is growing at 7 per cent and population at 2 per cent, per capita national income is growing at
    A. 9 per cent
    B. Minus 5 per cent
    C. 5 per cent
    D. 0 per cent

33. The rate of investment is
    A. The level of investment
    B. The growth rate of investment
    C. The ratio of investment to GDP
    D. Equal to the rate of saving

34. The original source of data on national income of India is
    A. Ministry of finance
    B. Reserve Bank of India
    C. Planning Commission
    D. Central Statistical Office

35. A major data source for the unorganized sector of Indian economy is
    A. National Council of Applied Economic Research
    B. National Sample Survey Organisation
    C. Reserve Bank of India
    D. Academic Foundation

36. According to classical economists diminishing returns are typical of
    A. Poor countries
    B. Rich countries
    C. Agriculture
    D. Manufacturing

37. 'Adding up' theory of value is ascribed to
    A. Cantillon
    B. Quesnay
    C. Ricardo
    D. Adam Smith

38. In classical economics, subsistence wage refers to
    A. A biological minimum
    B. International average wage rate
    C. Wages tending to zero
    D. None of the above

39. Macroeconomic stabilization implies
    A. Reduction of deficits
    B. Reduction of import duties
    C. Privatization of public enterprises
    D. Disinvestment of public enterprises

40. Major economic reforms in India after 1991 happened in
    A. Agricultural sector
    B. Public sector
    C. Service sector
    D. Financial sector

41. A programme of structural adjustment implies
    A. Reduction in deficits
    B. Increase in direct taxes
    C. Increase in indirect taxes
    D. Reduced role of government in the economy

42. Leontief Paradox implies that
    A. Factor endowments explain trade pattern
    B. Factor endowments do not explain trade pattern
    C. Real world economies are closed to foreign trade
    D. Technical coefficients do not change

43. The second most important item on India's import bill after petroleum is
    A. Gold
    B. Engineering goods
    C. Uncut diamonds
    D. Software

44. For a given level of trade deficit, the following is important for improving current account balance
    A. Increase in software exports
    B. Increase in foreign tourist arrivals
    C. Both A and B
    D. None of the above

45. The expected value of a random variable is obtained by
    A. Summing up the product of each value of the random variable and its probability
    B. Dividing the product of each value of the random variable and its probability
    C. Both A and B
    D. None of the above

46. If a coin is tossed three times, the likelihood of obtaining three heads in a row is
    A. Zero
    B. 0.500
    C. 0.875
    D. 0.125

47. In a standard normal distribution, the range of values of z is from
    A. Minus infinity to infinity
    B. -1 to 1
    C. 0 to 1
    D. -3.09 to 3.09

48. Two events, A and B, are mutually exclusive and each has a non-zero probability. If event A is known to occur, the probability of occurrence of event B is
    A. 1
    B. Any positive value
    C. 0
    D. Any value between 0 and 1

49. Standard microeconomic theory explains
    A. Money prices
    B. Absolute prices
    C. Relative prices
    D. None of the above

50. Marginal productivity theory of distribution depends on
    A. Fixed factor proportions
    B. Variable factor proportions
    C. Both A and B
    D. Neither A nor B

51. The essence of competition in conventional theory is
    A. Presence of a large number of sellers
    B. Presence of a large number of buyers
    C. Price-taking behavior
    D. Profit maximization

52. In Keynes' theory the rate of interest
    A. Equalizes savings and investment
    B. Reflects productivity of real capital
    C. Depends on real balance effect
    D. Is a monetary phenomenon

53. According to post-Keynesians prices of manufactures are determined fundamentally by
    A. Costs
    B. Demand
    C. Money supply
    D. Demand-supply balance

54. The level of employment in Keynes is determined by
    A. Real wage rate
    B. Level of demand in the goods market
    C. Money wage rate
    D. Inflationary expectations

55. Fiscal deficit is
    A. Excess of total public expenditure over public revenue
    B. Deficit on revenue account
    C. Revenue deficit plus current account deficit
    D. Debt-creating liabilities of the government

56. Public debt is considered sustainable if
    A. Rate of interest is higher than the rate of economic growth
    B. Rate of interest equals rate of growth
    C. Rate of interest is lower than the rate of growth
    D. Domestic debt equals foreign debt

57. Historically, economic growth in developed countries has been accompanied by
    A. Reduced role of government
    B. Reduced subsidies
    C. Increased population
    D. Capital accumulation

58. Solow's growth model exhibits
    A. Effective demand failure
    B. Differences in the behavior of savers and investors
    C. A single good economy
    D. None of the above

59. Steady state growth implies
    A. Harrod's natural rate of growth
    B. Harrod's warranted rate of growth
    C. Harrod's actual rate of growth
    D. None of the above

60. If the production of a good or service results in a positive externality, then the activity should be
    A. Taxed
    B. Subsidized
    C. Regulated
    D. Discounted

61. In October, 2012 Hyderabad hosted the XI Conference of the Parties to the
    A. Convention on climate change
    B. Convention on global warming
    C. Convention on biological diversity
    D. Convention on ozone depletion

62. Following are the marks obtained by 9 students in a test:
    38, 34, 39, 35, 34, 31, 37, 30, 41
    The median and mode of marks are respectively
    A. 35 and 34
    B. 34 and 35
    C. 30 and 41
    D. 35.44 and 34.40

63. Using the Box-Jenkins method a model is chosen if the residuals estimated from the model are:
    A. Stationary
    B. Weakly stationary
    C. White noise
    D. Non-stationary

64. An inverse demand function is given as $P = 35 - 2x - x^2$ where x is the quantity demanded. Consumer's surplus at x = 3 units is
    A. 60
    B. 9
    C. 35
    D. 27

65. Metzler's Paradox occurs when
    A. Terms of trade effect is more than the effect of tariff on imports
    B. Terms of trade effect is less than the effect of tariff on imports
    C. Both the effects are equal
    D. None of the above

66. In classical theory of trade international values are determined by
    A. Domestic demand
    B. Domestic supply
    C. Reciprocal demand
    D. None of the above

67. The equilibrium condition of a firm under discriminating monopoly is
    A. $MR = MC$
    B. $MR_1 = MR_2 = MC$
    C. $MR = AR = AC$
    D. None of the above

68. Social ranking based on the method of majority decision satisfies:
    A. Transitivity property
    B. Asymmetry property
    C. Completeness property
    D. Uniqueness of choice in a set of alternatives

69. If there are N firms in the market, the Herfindhal Index ranges from:
    A. 1/N to 1
    B. 1/N to N
    C. Zero to N
    D. Zero to 1/N

70. The strongest political pressure for a trade policy that results in higher protectionism comes from
    A. Domestic workers lobbying for import restrictions
    B. Domestic workers lobbying for export restrictions
    C. Domestic workers lobbying for free trade
    D. Domestic consumers lobbying for export restrictions

71. In an open economy where I, CA, G, T stand for private investment, current account balance, government expenditure and tax respectively, private saving (S^p) equals
    A. $I - CA + (G - T)$
    B. $I + CA - (G - T)$
    C. $I + CA + (G - T)$
    D. $I - CA - (G - T)$

72. According to Mundell-Fleming model an appreciation of the exchange rate would
    A. Decrease both import demand and export demand
    B. Increase import demand and decrease export demand
    C. Decrease import demand and increase export demand
    D. None of the above

73. According to Marx surplus value is created due to
    A. Monopoly elements
    B. Labour working long hours
    C. Physical torture of workers by the capitalist
    D. Difference between value of labour power and the value it creates

74. Marx's notion of Industrial Reserve Army of Labour refers to
    A. Security staff of factory owner
    B. Lumpen workers put on reserve to attack workers
    C. Workers displaced by machinery in production
    D. None of the above

75. Which of the following statements is true?
    A. A natural monopoly is one that exists because of natural causes
    B. Entry of other firms is not possible in a natural monopoly
    C. Economies of scale are a sufficient condition for a natural monopoly
    D. Cost complementarities are a necessary condition for economies of scope in a natural monopoly

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