

Entrance Examinations – 2017
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. Handover 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 18 to 20).
11. The question papers can be taken by the candidates at the end of the examination.

Part A

1. If individuals forecast future prices by examining the rates of inflation of the present and recent past, they are using:
 - A. adaptive expectations
 - B. rational expectations
 - C. inflationary expectations
 - D. structural expectations

2. Targeted Public Distribution System in India, that aims to supply subsidized food grains faces a limitation in terms of
 - A. Overly subsidizing food grains
 - B. making errors in selection of eligible beneficiaries
 - C. targeting only urban poor
 - D. targeting only women beneficiaries

3. To raise its long-run rate of economic growth, a country should
 - A. Encourage current consumption over saving
 - B. Encourage saving and investment
 - C. Increase the price level and profits
 - D. Decrease Population Rate

4. Which of the following assumption is violated if consumer preferences exhibit cyclical?
 - A. Completeness
 - B. Reflexivity
 - C. Transitivity
 - D. Convexity

5. A risk averse individual is defined as
 - A. Utility of a lottery is less than the utility of expected value of lottery
 - B. Utility of a lottery is equal to the utility of expected value of lottery
 - C. Utility of a lottery is greater than the utility of expected value of lottery
 - D. None of the above

6. Which of the following market structures is Pareto efficient
 - A. Oligopoly
 - B. Cournot duopoly
 - C. Monopoly
 - D. None of the above

7. For the Binomial distribution with parameters n and p , the variance cannot exceed
- n/p , where n is the number of trials and p is the probability of success
 - np , where n is the number of trials and p is the probability of success
 - $n/2$, where n is the number of trials
 - $n/4$, where n is the number of trials
8. If all values of a variable are multiplied by a given non-zero number, which one of the following will not be affected?
- Mean
 - Median
 - Range
 - Coefficient of Variation
9. The biggest problem before India's banking sector currently is
- Farm debt waiver
 - excess man-power
 - Recapitalization of NPAs
 - To streamline branch expansion
10. A card is selected at random from an ordinary pack of 52 cards. What is the probability that the card is a spade?
- $1/4$
 - $1/2$
 - $1/3$
 - 1
11. If the short-run aggregate supply curve is horizontal, then changes in aggregate demand affect:
- level of output but not prices
 - prices but not level of output.
 - both prices and level of output
 - neither prices nor level of output
12. When the base year values are used as weights, the weighted average of relatives price index number is the same as the:
- Laspeyre's index
 - Paasche's index
 - Simple aggregative index
 - Quantity index

13. According to the Agreement on Agriculture under WTO, subsidies that come under 'Amber' box belong to :
- A. To be contained and reduced
 - B. To be maintained steady
 - C. Can be increased
 - D. None of the above
14. The tax multiplier is the change in output divided by the change in
- A. Income
 - B. Taxes
 - C. Price
 - D. None
15. The unorganized sector that employs about 92 percent of India's work force contributed _____ of GDP in 2015-16
- A. 46 percent
 - B. 92 percent
 - C. 32 percent
 - D. 12 percent
16. Large inflow of foreign reserves, which may cause appreciation of exchange rate, can render most products of that country lose competitiveness in export market. Such phenomenon is known as:
- A. Ratchet Effect
 - B. Dutch Decease
 - C. Duessenberg effect
 - D. Real Balance effect
17. Which of the following set is not finite?
- A. The months of the year
 - B. The number of people living on the earth
 - C. The set R of real numbers
 - D. $\{1,2,3,\dots,99,100\}$
18. Terms of trade refers to
- A. Ratio of goods traded
 - B. Export – Imports ratio
 - C. Ratio of values of traded
 - D. Ratio of prices of goods traded

19. Union Carbide company was asked to pay compensation to the victims of the well-known Bhopal Gas Tragedy by the Supreme Court, following
- Willingness to pay principle
 - Ability to pay principle
 - Polluter pay principle
 - Willingness to accept principle
20. In Groundwater exploitation through borewells can usually lead to depletion of water levels, with no one having incentive to conserve. This is an example of
- Tragedy of Commons
 - Diminishing Returns
 - Limits of non-renewable resources
 - Rational Choice
21. According to the World Happiness Report 2016, which country tops the list
- USA
 - India
 - Norway
 - Denmark
22. In the latest Human Development Index(HDI) report of March 2017 released by UNDP, India ranks:
- 131
 - 127
 - 121
 - 97
23. The general relationship among arithmetic mean (AM), geometric mean (GM) and harmonic mean is given by $AM \geq GM \geq HM$. But there can be a relationship of $AM = GM = HM$ if
- The AM is decreasing in value, GM is remaining constant and HM is increasing in value
 - all the n observation values are equal
 - the variance of the variable tends to increase continuously
 - none of the above
24. Under MGNREGA, when government fails to show work after receiving a demand notice for employment from anyone, then under the Act
- Government should provide unemployment allowance
 - Government is not liable to provide any allowance
 - Government needs to provide a bank loan to that person
 - Government has no obligation to provide any employment

25. Marginal cost of supplying a public good to an extra-user is
- A. One
 - B. Zero
 - C. High
 - D. Infinite

Part B

26. Economy at the aggregate will be in equilibrium only when the actual expenditure equals
- A. Planned expenditure
 - B. Actual output
 - C. Aggregate money supply
 - D. Aggregate wealth
27. If the nominal gross domestic product is Rs.8 trillion and the money supply is Rs.2 trillion, the velocity of money is
- A. 0.25
 - B. 4
 - C. 16
 - D. 10
28. Consider three consumer goods: A, B, and C. 100 units of each them are purchased at a price of Rs.1 in the base year. If the current year price of Good A is Rs.3, Good B's is Rs.5, and Good C's Rs.10, then the Consumer Price Index (CPI) for the current year is:
- A. 100
 - B. 300
 - C. 500
 - D. 600
29. According to the life-cycle theory of consumption, people tend to
- A. consume more in the early phase of their life cycle
 - B. save more in their retirement years
 - C. consume more than they earn between their early working years and retirement
 - D. save the most during their working years

30. According to Keynes, during times of economic depression, people may hold back money instead of investing them into bonds because of
- A. Precautionary motive
 - B. Savings motive
 - C. Insurance against unemployment
 - D. Speculative motive
31. Which of the following policies is most likely to encourage long-term economic growth in a country?
- A. An embargo on high-technology imports
 - B. A decrease in the number of immigrants to the country
 - C. An increase in government transfer payments
 - D. An increase in the savings rate
32. According to Keynes, investment during depression in the economy depends on
- A. Animal spirits of capitalists
 - B. Interest rates
 - C. Labour Supply
 - D. World trade
33. Wholesale Price Index is not considered to reflect well the cost of living of people because it contains prices of
- A. Only wholesale traders' goods
 - B. several producers' goods in addition to consumer goods
 - C. consumers' goods alone
 - D. no consumers' goods at all
34. National income at factor costs is calculated as
- A. National income at market prices – (indirect taxes + subsidies)
 - B. National income at market prices + (indirect taxes + subsidies)
 - C. National income at market prices – (direct taxes + subsidies)
 - D. National income at market prices + (direct taxes + subsidies)
35. In Quantity Theory of Money, $MV = PT$, Money Supply 'M' is purported to influence the Price Level 'P'. This relation holds strictly true only under the assumptions that
- A. Velocity of Money Circulation remains constant
 - B. Volume of transaction of output is independently determined
 - C. Money is neutral in its influence on output
 - D. All of the above

36. Given the income multiplier formula $m = 1/(1-mpc)$, lower the marginal propensity to consume
- A. Higher will be the multiplier effect
 - B. Lower will be the multiplier effect
 - C. Multiplier will become infinite
 - D. Multiplier will become zero
37. IMF since 1970s actively encouraged countries to adopt
- A. Fixed exchange rate system
 - B. Currency board
 - C. Floating exchange rate system
 - D. Pegged exchange rate system
38. When manufacturers export a product to another country at a price either below the home price or below its cost of production, it is referred as
- A. Monopoly pricing
 - B. Collusive pricing
 - C. Administrative pricing
 - D. Dumping
39. In the circular flow diagram of an economy, which of the following is true?
- A. Firms pay wages, rent, interest, and profits to households in return for use of factors of production.
 - B. Firms purchase goods and services from households in return for money payments.
 - C. Households pay wages, rent, interest, and profits to firms in return for use of factors of production.
 - D. The relationship between households and firms exists only in a traditional society.
40. If a country exports 300 units of food and imports 200 units of food, then its index of intra-industry trade in food would be
- A. 0.2.
 - B. 0.4.
 - C. 0.5
 - D. 0.8.
41. The infant industry argument is an important theoretical basis for
- A. Neo-colonialist theory of international exploitation.
 - B. Import-substitution strategy of industrialization.
 - C. Export-led strategy of industrialization
 - D. East-Asian miracle.

42. How many British pounds would it cost to buy a pair of American designer trousers costing \$60 if the exchange rate is 1.50 dollars per British pound?
- A. 10 British pounds
 - B. 20 British pounds
 - C. 40 British pounds
 - D. 35 British pounds
43. The J-curve illustrates which of the following.
- A. Effects of depreciation on the home country's economy
 - B. Increase in the current account surplus due to a currency depreciation
 - C. Gradual adjustment of home prices to a currency depreciation
 - D. Short-term effects of depreciation on the current account
44. World economic growth has slowed down since 2008 because of
- A. Rising global oil prices
 - B. Electing of Donald Trump as President of USA
 - C. Post-Financial crisis recession in OECD
 - D. Countries are unable to compete with China.
45. 'One Belt One Road' initiative by China is a
- A. Global infrastructural project linking 65 countries
 - B. Global manufacturing hub of China
 - C. Inter-linking of rivers across countries
 - D. Look East policy
46. Which of the following persons has won Nobel prize in economics:
- A. John Maynard Keynes
 - B. Paul Krugman
 - C. Noam Chomsky
 - D. William Baumol
47. The famous book titled *Capital in the Twenty-First Century* is authored by:
- A. Karl Marx
 - B. Max Weber
 - C. Thomas Piketty
 - D. Paul Krugman
48. When the elasticity of substitution in a Cobb-Douglas production is one, it means that distribution of income is
- A. is determined by technology
 - B. dependent on capital-labour ratio
 - C. no possibility of factor substitution
 - D. none of the above

49. If in country A it takes 6 units of labour to produce one unit of cloth and 10 units of labour for one unit of wine, while country B takes 4 units & 5 units of labour to produce one unit of cloth and one unit of wine respectively, then
- A. Country B has comparative advantage in wine and cloth
 - B. Country A has comparative advantage in cloth and country B in wine
 - C. Country A has a comparative advantage in wine and country B in cloth
 - D. Country A has a comparative advantage in wine and cloth
50. Which of following two countries have registered 9 percent growth rate for three successive decades
- A. China and South Korea
 - B. China and India
 - C. South Korea and Taiwan
 - D. China and USA
51. Is it possible for all goods which a consumer purchases to be inferior goods
- A. Yes
 - B. No
 - C. Need more information
 - D. Maybe
52. Technological efficiency occurs when the firm produces a given output
- A. by using the maximum amount of inputs
 - B. at the greatest cost
 - C. at the least cost
 - D. by using the least amount of inputs
53. Natural monopoly is a market structure where
- A. one firm can supply a given output at lower cost than more number of firms
 - B. Firm has no externalities compared to other firms
 - C. Firm sells to a single buyer, while competing among themselves
 - D. Firm sets price equal to marginal revenue, market shares are competitively determined
54. An externality in a transaction is
- A. Cost included in marginal cost
 - B. Cost included in the average cost
 - C. a cost or benefit that does not enter the price
 - D. cost but not a benefit
55. In economic models of public choice, _____ maximize their utility by _____.
- A. politicians; accepting campaign contributions
 - B. bureaucrats; maximizing the budgets of their departments
 - C. politicians; debating government policies
 - D. voters; demanding a constant tax rate

56. To say that some goods are inferior means that the income elasticity of those goods
- A. is definitely greater than 1
 - B. is negative
 - C. is positive but could be greater than or less than 1
 - D. is definitely between 0 and 1
57. Block pricing of water by Greater Hyderabad Municipal Corporation is an example of
- A. First-Degree Price Discrimination
 - B. Second-Degree Price Discrimination
 - C. Third-Degree Price Discrimination
 - D. No Price Discrimination
58. For a Monopoly, in order to increase the sales from 100 units to 101 units, it must drop the price of all of its units from Rs. 20 to Rs.19. What is the marginal revenue?
- A. 20
 - B. 19
 - C. 81
 - D. -81
59. In Baumol's theory of oligopolistic market structure, the basic goal of the firm is
- A. Profit maximisation
 - B. Output maximization
 - C. Revenue maximization
 - D. Cost minimization
60. When the demand and supply curves both shift rightward, which of the following happens?
- A. The equilibrium quantity increases and change in the equilibrium price cannot be determined
 - B. The equilibrium price falls and change in the equilibrium quantity cannot be determined
 - C. The equilibrium price falls and the equilibrium quantity increases
 - D. The equilibrium price rises and the equilibrium quantity decreases
61. Examples of applications of range in real world includes
- A. Weather forecasts
 - B. Quality control
 - C. Fluctuation in share prices
 - D. All of above
62. Developing countries' agricultural exports are adversely affected by
- A. Falling agricultural production
 - B. High tariffs imposed by developed countries
 - C. Hidden subsidies given to farmers of developed countries
 - D. Hidden subsidies given to farmers of developing countries

63. A type II error is made when
- A. The null hypothesis is rejected when it is true
 - B. The null hypothesis is accepted when it is false
 - C. The null hypothesis is accepted when it is true
 - D. The alternative hypothesis is accepted when it is false.
64. The elasticity of a good with a vertical demand curve is
- A. infinite
 - B. unit
 - C. zero
 - D. varying
65. $\log_{10} 1 =$
- A. 3
 - B. 2
 - C. 1
 - D. 0
66. In a significant move, the 14th Finance Commission has increased the share of state governments in the Central tax revenues from:
- A. 32% to 42%
 - B. 50% to 60%
 - C. 32% to 50%
 - D. 12% to 32%
67. As per the rules of the dummy variables, if a quantitative variable has M categories, we can introduce
- A. Only M dummy variables
 - B. Only M + 1 dummy variables
 - C. Only M – 1 dummy variables
 - D. Only MM dummy variables
68. The number of maternal deaths related to childbearing divided by the number of live births in that year is known as?
- A. Maternal Mortality Index.
 - B. Gross Maternal Mortality.
 - C. Maternal Mortality Rate.
 - D. Maternal Mortality Variation.
69. Find out the value of the definite integral $\int_1^2 y dx$ where $y = 4 - 2x$
- A. -2
 - B. +1
 - C. 1
 - D. 1 and 2

70. One consumer has bought three commodities and his price and quantity vectors are given by $P = [5 \quad 2 \quad 3]$ and $Q' = [10 \quad 20 \quad 50]$ respectively. Then, the total expenditure spent by the consumer can be calculated by using the formula

- A. PQ
- B. PQ'
- C. $Q'P$
- D. None of the above

71. The determinant value of the transpose of the following matrix is

$$\begin{bmatrix} 9 & 6 & 3 \\ 8 & 5 & 2 \\ 7 & 4 & 1 \end{bmatrix}$$

- A. 103
- B. 15
- C. Zero
- D. -15

72. The concept of duality in a linear programming problem refers to the following property

- A. the optimal solution values of choice variables are equal for both minimization and maximization programs
- B. all constraints are satisfied with equality signs only
- C. Optimal values of a linear programme and its dual program are equal, provided the optimal solutions do exist
- D. all of the above

73. During the colonial rule in India, which of the following sources contributed largest to the tax revenues:

- A. Customs tariffs
- B. Income Tax
- C. Sales Tax
- D. Land Tax

74. Number of family members in different families in a town is an example of

- A. Qualitative variable
- B. Continuous variable
- C. Dependent variable
- D. Discrete variable

75. When supply of a commodity is more elastic than the demand, the tax incidence is likely to fall more on
- Sellers
 - Buyers
 - Both
 - None
76. The monetary innovation that Mughal administrators did in the 17th century was introduction of:
- Gold coins
 - Silver Coins
 - Paper currency
 - Leather currency
77. Abolition of Intermediaries in Indian land tenure systems in 1950s contributed to agricultural growth by augmenting:
- Land under cultivation
 - Yield
 - Labour
 - Technical progress
78. Which is the largest source of direct tax revenues for India currently
- Wealth Tax
 - Customs Revenues
 - Income Tax
 - Corporate Tax
79. By 1966, Indian industrial growth reached lowest rates of growth largely because:
- Fall in public investment
 - Infrastructural constraints
 - Wars and successive droughts in sixties
 - All of the above
80. For a consumer having the total utility function $U(x_1, x_2) = x_1^{0.5} x_2^{0.5}$, with $p_1 = 2$ and $p_2 = 5$ being prices of commodities x_1 and x_2 , and a given income of 100, the quantities of demand for commodity x_2 and x_1 are given by:
- $X_2 = 50$ and $X_1 = 5$
 - $X_2 = 25$ and $X_1 = 10$
 - $X_2 = 10$ and $X_1 = 25$
 - $X_2 = 2$ and $X_1 = 5$

81. India achieved total food grain self-sufficiency by
- A. 1966-67
 - B. 1976-77
 - C. 1986-87
 - D. 1996-97
82. Land Reforms in India, in terms of implementation of Land Ceilings Act, largely failed in India because:
- A. Landless are not interested in agriculture
 - B. Compensation for land was fixed less than market price
 - C. Implementation of land reforms are harmful to agricultural production
 - D. Lack of surplus land in the country
83. According to the World Bank, a major cause of poverty is lack of access to credit markets for not having collateral. The microfinance model is said to have overcome this limitation by
- A. Government providing collateral
 - B. By integrating moneylenders into the model
 - C. By compelling banks to lend to small borrowers
 - D. By implementing joint-liability on the group
84. Virat's score in the first five T-20 cricket matches are: 95, 88, 97, 82, 91. He needs to have a mean score of at least 90 in his six matches. What is the minimum score Virat needs to get in his last match?
- A. 87
 - B. 89
 - C. 91
 - D. 93
85. Tenant farmers are not able to receive crop loans from banks because of
- A. Oral nature of prevailing tenancy contracts
 - B. Ineligibility of tenants for crop loans
 - C. Tenants are unwilling to take bank loans
 - D. Moneylenders are offering loans to tenants
86. Which is the second largest source of employment in India after agriculture
- A. Steel industry
 - B. Cement industry
 - C. IT industry
 - D. Textile sector

87. India's economic growth is largely led by the growth in
- A. Agricultural sector
 - B. Industrial sector
 - C. Service sector
 - D. Export sector
88. *Make in India* initiative aims to raise the share of manufacturing output in India's GDP to
- A. 18 percent
 - B. 25 percent
 - C. 50 percent
 - D. 35 percent
89. According to Karl Marx, the real producers of production and value in the society are:
- A. Entrepreneurs
 - B. Managers
 - C. Workers
 - D. All of them
90. According to the theory of demographic transition, eventually rate of population growth is likely come down in the course of development as
- A. Death rate exceed the birth rate
 - B. Net Birth Rate declines
 - C. Birth rate gets frozen
 - D. Death Rate accelerates
91. HDI is calculated by considering
- A. Life Expectancy, Education and Per Capita Income
 - B. Fertility Rate, Education and Per Capita Income
 - C. Life Expectancy, Nutrition and Per Capita Income
 - D. Life Expectancy, Education and Gross National Income
92. The demographic dividend in economic development for countries like India is resulting from
- A. Achieving population stabilization
 - B. Completing third stage of demographic transition
 - C. A decline of mortality and fertility and subsequent change in the age structure of the population.
 - D. Negative population growth
93. The theory of Big Push in development economics was put forwarded by
- A. Walt Whitman Rostow
 - B. Robert W. Vishny
 - C. Paul Rosenstein-Rodan
 - D. Albert O. Hirschman

94. In the Lewis model of development, the transition of surplus labour from the subsistence sector to the modern sector will occur till
- Marginal product of capital becomes equal in both the sectors.
 - Marginal product of labour becomes equal in both the sectors.
 - Share of Wages and profit becomes equal in the modern sector
 - Marginal product of labour in subsistence sector becomes greater than the marginal product of labour in the modern sector
95. The Coal Block allocation under UPA 2 government became controversial for following
- Auction system
 - E-Auction
 - First-come First-served basis
 - Lottery system
96. According to Laffer curve if the tax rate is 100% the revenue would be
- Infinity
 - Zero
 - 50%
 - 100%
97. Which of the following policy measures proved critical in adopting HYV technology in India
- Encouraging dryland farming
 - Developing fruits and vegetables
 - Encouraging agricultural exports
 - Rural branch expansion by banks
98. A tax is said to be buoyant if tax revenues increase more than proportionately in response to a unit rise in _____
- Tax rate
 - Tax base
 - National income
 - Personal Income
99. Which of the following types of tax that does not distinguish between commodities and services
- Central Exercise Tax
 - Sales tax
 - MODVAT
 - Goods and Services Tax
100. It is not ideal to tax a service like education because education is an example of
- Public Good
 - Private Good
 - Merit Good
 - Luxury Good