

MODEL QUESTIONS FOR ENTRANCE TEST FOR ADMISSION TO 1st SEMESTER M.A. PROGRAMME IN ECONOMICS

DEPARTMENT OF ECONOMICS, DIBRUGARH UNIVERSITY

Instructions for Candidates:

- Fill in the appropriate space in the Question Booklet with blue/black BALL POINT ONLY.
- There are fifty (50) Compulsory Questions in this Question - cum - Answer Booklet each carrying **two (2) Marks**.
- There is no negative marking.
- Each question has four suggestive answers- A, B, C, D of which only one is correct.
- Mark the correct answers as shown below:

If the answer to Question No. say XX is D answer as follows:

Question No.	RESPONSE			
xx	A	B	C	<input checked="" type="checkbox"/>

- Making ticks in more than one option against any question shall be treated as wrong answer.
- Marking of any sign in any form on Question Booklet is PROHIBITED *in toto*, failing to comply with this norm will disqualify the candidature to this Entrance Test.
- Any change in answer made or erased by using solid or liquid eraser shall not be accepted. Therefore, once marked do not change the answer.
- At the end of the Test, the Question -cum- Answer Booklet is to be returned to the invigilator.

1. If $X_1 = f(P_1, P_2)$ and $X_2 = g(P_1, P_2)$, then the two commodities are substitutes if

(A) $(\delta X_1 / \delta P_2) < 0, (\delta X_2 / \delta P_1) > 0$	(C) $(\delta X_1 / \delta P_2) > 0, (\delta X_2 / \delta P_1) > 0$
(B) $(\delta X_1 / \delta P_2) > 0, (\delta X_2 / \delta P_1) < 0$	(D) $(\delta X_1 / \delta P_2) < 0, (\delta X_2 / \delta P_1) < 0$
2. Which of the following is TRUE?
 - I. *The indifference curve approach always analyses the effects of advertising, past behaviours, stocks, the interdependence of the preferences of the consumers etc.*
 - II. *Satiety is the reason for an indifference curve to be downward sloping.*
 Select the correct answer from the given codes:

(A) Only I is true	(C) Both I and II are true
(B) Only II is true	(D) Neither I nor II is true
3. A demand curve, which is parallel to the horizontal axis, showing quantity, has the price elasticity equal to

(A) Zero	(C) Less than one
(B) Infinity	(D) One
4. For downward movement along the iso-quant, MRTS of Labour per unit of capital ($MRTS_{L,K}$) is given by

(A) $-dK/dL$	(C) dL/dK
(B) dK/dL	(D) $-dL/dK$
5. A firm in a perfectly competitive market in the short run making losses but continuing in production. This implies that

(A) Price \geq Short run average variable cost	(C) Price $>$ Marginal Costs
(B) Price $<$ Average Total Costs	(D) Both A and B.
6. Deadweight loss is a measure of

(A) change in consumer welfare	(C) change in social welfare
(B) change in producer welfare	(D) change in social inequality
7. Given the same production function and market demand, a monopolist earns at least as much profit as a competitive firm in the short run, because

(A) Monopolist is free to charge the competitive market price	(C) Marginal cost of a monopolist is smaller than that of a competitive firm
(B) Short run profit of a competitive firm is zero	(D) Average cost of a monopolist is smaller than that of a competitive firm
8. Suppose Mahindra Automobiles Ltd. is the only producer of Jeep in India and also that the Indian Army is the only authorized user of it. Then, the market for Jeep is:

(A) A monopoly	(C) An oligopoly
(B) A monopsony	(D) None of these
9. Stability in equilibrium essentially refers to a situation –

(A) Wherefrom an economy never moves	(C) Temporary disturbances are self-exaggerating
(B) Where the temporary disturbances are automatically corrected if the economy deviates from equilibrium	(D) All of the above
10. Walrasian general equilibrium is a situation where there is a set of prices such that –
 - I. *In each market demand is equal to supply.*
 - II. *Each agent is able to buy and sell the quantities that optimise his/her goals*
 Select the correct answer from the given codes

(A) Both I and II are true	(C) Only I is true
(B) Neither I nor II is true	(D) Only II is true
11. In an economy of two individuals (A and B) and two commodities (X and Y) general equilibrium of exchange is reached when –

(A) $MRTS_{XY} = P_X/P_Y$	(C) $(MRS_{XY})_A = (MRS_{XY})_B$
(B) $MRS_{XY} = P_X/P_Y$	(D) None of the above
12. Consider the market for loanable funds. Other things being equal, an increase in taxes on savings and investment income will:

(A) shift demand to the right and increase the interest rate.	(C) shift supply to the right and decrease the interest rate.
(B) shift demand to the left and decrease the interest rate.	(D) shift supply to the left and increase the interest rate.
13. Suppose that annual inflation is 2% and the annual growth rate of real GDP is 3%. Then, the annual growth rate of nominal GDP

(A) 1%	(C) 6%
(B) 5%	(D) 1.5%
14. When the nominal interest rate changes, but the real rate of interest remains unchanged, then

(A) it affects both the investment function as well as the money demand function.	(C) it affects the money demand function but does not affect the investment function.
(B) it affects the investment function but does not affect the money demand function.	(D) neither the investment function nor the money demand function gets affected.
15. The Cambridge equation implies that –
 - I. *The income elasticity of demand for money is unity*
 - II. *The price elasticity of demand for money is unity*

Select the correct answer from the given codes

Codes:

- (A) Both I and II are true (C) Only I is true
(B) Neither I nor II is true (D) Only II is true

16. Choose the correct statement from the following:

- (A) The less interest-sensitive are investments, the more effective is fiscal policy relative to monetary policy. (C) Fiscal policy is most effective when LM curve is vertical.
(B) The less interest inelastic is the demand for money, more effective is monetary policy relative to fiscal policy. (D) When the economy is stuck in liquidity trap, monetary policy is more appropriate than fiscal policy.

(For questions numbered 17 to 20, select the right combination of Assertion (A) and Reason (R) from the codes given below)

17. **Assertion (A):** The long run cost curve is L-shaped rather than U-shaped.

Reason (R): The new technique of production of large plants reduce the total cost per unit of output in the long run.

Codes:

- (A) Both (A) and (R) are true, but (R) is not the correct explanation of (A). (C) (A) is true, but (R) is false.
(B) Both (A) and (R) are true and (R) is the correct explanation of (A). (D) (A) is false, but (R) is true.

18. **Assertion (A):** There is a natural tendency to collude under oligopoly.

Reason (R): Inter-dependence of firms in oligopolistic markets.

Codes :

- (A) Both (A) and (R) are correct, and (R) is the correct explanation of (A). (C) (A) is correct, but (R) is incorrect.
(B) Both (A) and (R) are correct, but (R) is not the correct explanation of (A). (D) (A) is incorrect, but (R) is correct.

19. **Assertion (A):** There exists inverse relationship between interest rates and bond prices.

Reason (R): A bond price represents the present discounted value of the payments agreed upon at the time of issuing the bond.

Codes :

- (A) Both (A) and (R) are correct, and (R) is the correct explanation of (A). (C) (A) is correct, but (R) is incorrect.
(B) Both (A) and (R) are correct, but (R) is not the correct explanation of (A). (D) (A) is incorrect, but (R) is correct.

20. **Assertion (A):** A pollution permit trading system is more efficient than the command and control approach

Reason (R): It involves the issuance of tradeable pollution permits based on a given environmental objective.

- (A) (A) is correct, but (R) is incorrect. (C) Both (A) and (R) are correct, and (R) is the correct explanation of (A).
(B) (A) is incorrect, but (R) is correct. (D) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).

21. There are four phases of a business cycle. Identify the correct sequence of the occurrence of these phases:

- (A) Recovery, Recession, Expansion, Depression (C) Depression, Expansion, Recession, Recovery
(B) Recovery, Expansion, Depression, Recession (D) Recovery, Expansion, Recession, Depression

22. The sequencing process of Schumpeter model of development is

- (A) Swarm like Clusters, Innovation, Bank credit, Breaking circular flow (C) Innovation, Bank credit, Breaking circular flow, Swarm like Clusters
(B) Breaking circular flow, Innovation, Bank credit, Swarm like Clusters (D) Bank credit, Innovation, Swarm like Clusters, Breaking circular flow

23. Suppose the production function is given by $Q = f(K, L)$, where Q, K and L represent output, capital and labour respectively. Then, according to the Solow model of growth, which of the following is correct?

- (A) $\frac{\partial Q}{\partial L} > 0$, $\frac{\partial^2 Q}{\partial L^2} < 0$ and $\frac{\partial Q}{\partial K} > 0$, $\frac{\partial^2 Q}{\partial K^2} < 0$ (C) $\frac{\partial Q}{\partial L} < 0$, $\frac{\partial^2 Q}{\partial L^2} > 0$ and $\frac{\partial Q}{\partial K} < 0$, $\frac{\partial^2 Q}{\partial K^2} > 0$
(B) $\frac{\partial Q}{\partial L} > 0$, $\frac{\partial^2 Q}{\partial L^2} > 0$ and $\frac{\partial Q}{\partial K} > 0$, $\frac{\partial^2 Q}{\partial K^2} > 0$ (D) $\frac{\partial Q}{\partial L} < 0$, $\frac{\partial^2 Q}{\partial L^2} < 0$ and $\frac{\partial Q}{\partial K} > 0$, $\frac{\partial^2 Q}{\partial K^2} > 0$

24. In Hicks' neutral technical progress, the technical progress is

- (A) Capital augmenting (C) Both Labour and Capital augmenting
(B) Labour augmenting (D) Change in the efficiency and productivity of labour

25. Which of the following is most disadvantageous to developing countries' international trade?

- (A) Import of manufactured goods and exports of primary products. (C) Protection
(B) Free trade (D) None of the above

26. Which of the following is not a component of current account of BOP?

- (A) Portfolio Investment (C) Net factor income from abroad
(B) Balance of trade (D) Net unilateral transfers from abroad

27. Suppose that exchange rate of rupee against US \$ depreciates by 10%. Then, the TRUE statement out of the following is:
 (A) It benefits Indian exporters. (C) It benefits importers in India.
 (B) It benefits Indian citizens working in the US. (D) Both (A) and (B).
28. The Bretton-woods system finally collapsed in the year
 A. 1970 C. 1972
 B. 1971 D. 1973
29. Market failure arises because of
 I. Public goods
 II. Imperfect information
 III. Monopoly power exists in the market.
 IV. Consumers can influence prices.
- Codes:**
 (A) I, II and IV only (C) I, II and III only
 (B) I and II only (D) I, II, III and IV
30. Which of the following statements is CORRECT?
 (A) In the presence of a negative externality, the competitive equilibrium is characterized by an overallocation of resources. (C) In a positive externality model, the competitive price is too low because the marginal external benefit is not captured by the market transaction.
 (B) In a negative externality model, the competitive price is too high. (D) All of the above
31. Fiscal reform measures in India include
 I. Increasing Tax-GDP ratio
 II. Expenditure Management
 III. Managing revenue deficit and fiscal deficit
 IV. Increasing liquidity in the economy
 Find the correct combination from the given codes :
 (A) I, II and III are correct. (C) II, III and IV are correct.
 (B) I and IV are correct. (D) III and IV are correct
32. Gross fiscal deficit of the State Governments is financed by
 I. Market Borrowings
 II. Printing of Currency
 III. Loans from the Central Government
 IV. External Borrowings
 Find the correct answer from the given codes:
Codes :
 (A) I, II and III are correct. (C) I and III are correct.
 (B) II, III and IV are correct. (D) II and IV are correct.
33. Fiscal deficit less interest payments is called
 (A) Net fiscal deficit (C) Primary deficit
 (B) Monetised deficit (D) Budgetary deficit
34. If, marginal propensity to consume is 0.75, then the value of the balanced budget multiplier is
 (A) 1 (C) 3
 (B) 2 (D) 4
35. Reverse repo rate indicates:
 (A) the rate at which the RBI borrows money from commercial banks (C) that RBI is the lender of last resort
 (B) the rate at which commercial banks borrow money from RBI (D) None of the above
36. The agriculture sector in Assam is under-developed mainly because of
 (A) Frequent flood (C) Lack of irrigation facilities
 (B) Stagnant cropping pattern (D) All of the above
37. Which of the following is not considered as a national debt?
 (A) LIC policies (C) Long term government bonds
 (B) Provident Fund (D) National Saving Certificate
38. GDP deflator is defined as:
 (A) $\text{Nominal GDP} \times \text{Real GDP}$. (C) $\frac{\text{Nominal GDP}}{\text{Real GDP}}$
 (B) Growth rate of nominal GDP – Rate of inflation. (D) Growth rate of nominal GDP – Growth rate of real GDP.
39. What is the dominant form in which privatization of public sector enterprises in India manifest itself
 (A) Disinvestment (C) Contracting out to private sector
 (B) Deregulation (D) Public-Private Partnerships
40. For a given set A, which of the following statements is NOT valid?
 (A) $A \cup A = A$ (C) $A \cap \emptyset = \emptyset$
 (B) $A \cup \emptyset = \emptyset$ (D) $A \cap A = A$

41. Consider a 3×3 non-singular matrix A with real entries. If the matrix B is derived from A by interchanging the first and last columns of A , then the determinant of B , denoted $\det B$, is equal to
- (A) $\det A$ (C) 0
 (B) $-\det A$ (D) $1/\det A$
42. $\lim_{n \rightarrow \infty} \sqrt[n]{n} = ?$
- (A) 0 (C) 1
 (B) 0.5 (D) 2
43. Out of the given functions below, the continuous function is:
- (A) $f(x) = \frac{1}{1-x}$, where x is any value on the real line. (C) $f(x) = \begin{cases} 2x + 3, & x < 1 \\ x + 5, & x \geq 1 \end{cases}$
 (B) $f(x) = \begin{cases} +1, & x \leq 0 \\ -1, & x > 0 \end{cases}$ (D) None of the above
44. $\frac{d}{dx}(\log x^2) = ?$
- (A) $\frac{2x}{\log x^2}$ (C) $\frac{2}{\log x^2}$
 (B) $\frac{1}{\log x^2}$ (D) $2 \log x$
45. Which of the following is a first order linear differential equation?
- (A) $\frac{dy}{dx} + u(x)y = v(x)$ (C) $\frac{dy}{dx} + ay = 0$
 (B) $\frac{dy}{dx} + ay = b$ (D) All of the above
46. The mean of 99 items is 55. The value of 100th item is 99 more than the mean of the 100 items. The value of the 100 item is
- (A) 149 (C) 155
 (B) 151 (D) 145
47. In a two variable linear regression Y is the dependent variable and X is the independent variable. The correlation coefficient between Y and X is 0.6. For this, which of the following result is correct?
- (A) 60% variations in Y are explained by X (C) 6% variations in Y are explained by X
 (B) 36% variations in Y are explained by X (D) None of the above
48. Out of the numbers 1 to 120, one is selected at random. The probability that it is divisible by 8 or 10 is
- (A) 0.2 (C) 0.4
 (B) 0.25 (D) 0.3
49. Swati's demand for chocolate is given by the following demand function: $Q = 30 - 2P$, where Q represents quantity and P price. Consumer's surplus for Swati at $P = 5$ is
- (A) 105 (C) 100
 (B) 110 (D) 95
50. Suppose an individual's utility maximizing consumption bundle is $\{x_1, x_2\} = \{9, 7\}$. With the increase in the relative price of x_1 (absolute price of x_1 remaining unchanged), the utility maximizing consumption bundle changes to $\{x_1, x_2\} = \{19, 5\}$. Then, which of the following statements is TRUE?
- (A) x_1 and x_2 are complements. (C) x_1 is a Giffen good and x_2 is a normal good.
 (B) x_1 and x_2 are substitutes. (D) None of the above.