ENTRANCE TEST-2025

SCHOOL OF BUSINESS STUDIES

ECONOMICS

Total Questions	**:**	**60**	**Question Booklet Series** [A]
Time Allowed	**:**	**70 Minutes**	**Entrance Test Roll No. :**

Important Instructions for Candidates :

1. Candidates shall compulsorily use only **blue/ black ball point pen.** In no case gel/ink pen or pencil should be used.
2. Compulsorily write your **entrance test roll number** in the space provided at the top of this page of the question booklet.
3. Fill up the necessary information in the spaces provided on OMR Answer Sheet including **Question Booklet Number** and **Question Booklet Series**.
4. OMR Answer Sheet has an original copy and a candidate's copy glued beneath it at the top. While making entries in the original copy, candidate should ensure that the **two copies are aligned properly** so that the entries made in the original copy against each item are exactly copied in the candidate's copy.
5. All entries in the OMR Answer Sheet, including answers to questions, are to be recorded in the Original Copy only.
6. **Choose only one correct/most appropriate response** for each question among the options A, B, C and D and darken the circle of the appropriate response completely. Incompletely darkened circle is not correctly read by the OMR scanner and no complaint to this effect shall be entertained.
7. **Do not darken more than one circle of option for any question. A question with more than one darkened response shall be considered wrong.**
8. **There will be negative marking for wrong answers. Each wrong answer will lead to deduction of 0.25 marks per wrong answer from the score.**
9. Only those candidates who obtain positive score in Entrance Test shall be eligible for admission.
10. Do not make any stray mark on the OMR sheet as this may lead to errors while scanning.
11. OMR answer sheet must be handled carefully and it should not be folded or mutilated, as in such case it will not be properly evaluated by the scanning machine.
12. Use of Electronic gadgets like calculator, mobile, smart watch, blue tooth etc. is strictly prohibited.
13. Rough work, if any, should be done on the blank sheets provided with the question booklet.
14. Ensure that the OMR Sheet is signed by the Examinee as well as by the invigilator.
15. At the end of the examination, fold the OMR Sheet along the crease on the top and tear off the top strip to separate the Original OMR Sheet from the Duplicate Copy.
16. Compulsorily hand over the **Original OMR Answer Sheet** to the invigilator.
17. Candidate's can retain duplicate copy of the OMR, Question Booklet and Admit Card.
18. If any of the information in the Response Sheet/Question Paper has been found missing or not mentioned as stated above, the candidate is solely responsible for that lapse.
19. Any deficiency on the OMR shall be the responsibility of the candidate himself/herself.

1. Which of the following is *NOT* a property of a typical budget set?

   (A) The budget set includes all affordable bundles

   (B) The budget set is convex if preferences are convex

   (C) All points on the budget line represent bundles that exhaust the consumer's income

   (D) The budget set excludes all unaffordable bundles

2. Which of the following scenarios violates the transitivity assumption?

   (A) $A \succ B$, $B \succ C$, and $A \succ C$

   (B) $A \sim B$, $B \sim C$, and $A \sim C$

   (C) $A \succ B$, $B \succ C$, and $A \sim C$

   (D) $A \succ B$, $B \succ C$, and $C \succ A$

3. The Engel curve for a necessity good (with income elasticity < 1) is:

   (A) Downward sloping

   (B) Upward sloping and convex

   (C) Upward sloping and concave

   (D) Horizontal

4. At consumer equilibrium under ordinal utility analysis, which of the following conditions must be satisfied?

   (A) $MUx = MUy$ and $Px = Py$

   (B) $MUx / Px = MUy / Py$ and the indifference curve is concave

   (C) The marginal rate of substitution equals the ratio of prices, and the indifference curve is convex to the origin

   (D) $MUx \times Px = MUy \times Py$ and the budget line is tangent to a utility function

5. The assumption of strict convexity of indifference curves implies that:

   (A) The indifference curve is linear

   (B) The consumer prefers corner bundles over mixed bundles

   (C) The marginal rate of substitution increases along the curve

   (D) The consumer prefers balanced consumption bundles over extremes

6. The Compensating Variation (CV) is best defined as:

   (A) The change in income that keeps utility constant before the price change

   (B) The change in income needed after the price change to restore original utility

   (C) The area under the demand curve

   (D) The utility difference between two bundles

7. If the Income-Consumption Curve bends backward toward the Y-axis as income rises, it implies that:

   (A) Good X is inferior

   (B) Good Y is inferior

   (C) Good X is a normal good

   (D) The Engel curve is positively sloped

8. In case of a Giffen good, which of the following must be true?

   (A) Substitution effect is negative

   (B) Income effect is zero

   (C) Positive income effect dominates the substitution effect

   (D) Negative income effect outweighs the substitution effect

9. If the production function is $Q = 2 L^{0.6} K^{0.4}$ what are the returns to scale?

   (A) Increasing

   (B) Constant

   (C) Decreasing

   (D) Cannot be determined

10. The ridge lines in a production function represent:

   (A) The limits beyond which one input has a negative marginal product

   (B) Iso-cost lines

   (C) Minimum returns to scale

   (D) Points of constant MRTS

11. In the short run, a firm continues to produce at a loss if :

   (A) Price > average total cost

   (B) Price < AVC

   (C) Price > AVC but < ATC

   (D) Marginal cost is rising

12. According to modern cost theory, the LAC curve is L-shaped due to:

   (A) Learning and reserve capacity

   (B) Rising factor prices

   (C) Short-run inefficiencies

   (D) Diseconomies of scale

13. In a perfectly competitive market, an increase in consumer income (assuming a normal good) will likely:

   (A) Shift the demand curve leftward

   (B) Shift the supply curve rightward

   (C) Shift the demand curve rightward

   (D) Cause a movement along the demand curve

14. A monopolist sets price:

   (A) Equal to marginal cost

   (B) Where marginal revenue equals marginal cost

   (C) Equal to average total cost

   (D) Where demand is inelastic

15. Third-degree price discrimination is based on:

   (A) Product quality

   (B) Consumer preferences

   (C) Elasticity of demand across market segments

   (D) Firm's production costs

16. Suppose the government imposes a price ceiling below the equilibrium price in a perfectly competitive market. What is the likely outcome?

   (A) Excess demand (shortage)

   (B) Market disequilibrium

   (C) Potential for black markets

   (D) All of the above

17. In an open economy with government, the correct national income identity is:

   (A) $Y = C + I + G + NX$

   (B) $Y = C + I + G$

   (C) $Y = C + I + X - M$

   (D) $Y = C + S + T + NX$

18. In a four-sector model, leakages include:

   (A) Taxes, imports, and savings

   (B) Consumption, government spending, and investment

   (C) Exports, transfers, and consumption

   (D) Investment, imports, and wages

19. Which of the following statements best reflects Keynes's original consumption theory, as opposed to empirical consumption patterns observed over time ?

(A) MPC is constant and equal to 1

(B) MPC lies between 0 and 1 and is assumed to be constant

(C) MPC decreases as income increases due to higher saving at higher incomes

(D) APC is always greater than MPC

20. According to the Relative Income Hypothesis, a person's consumption depends primarily on:

(A) Their absolute income

(B) Their lifetime average income

(C) Their income relative to past income

(D) Their income relative to others in society

21. Classical dichotomy implies that:

(A) Fiscal and monetary policies always work together

(B) Real and nominal variables can be analyzed separately

(C) Prices affect both real and nominal GDP equally

(D) Inflation influences real output permanently

22. The size of the multiplier is inversely related to:

(A) Average propensity to consume

(B) Marginal productivity of capital

(C) Marginal propensity to save

(D) Tax rate

23. Monetary neutrality implies:

(A) An increase in money supply leads to sustained growth in real output

(B) A change in money supply affects only nominal variables, not real variables in the long run

(C) Prices and wages adjust slowly to monetary shocks

(D) Central banks can control employment through money supply adjustments

24. According to Keynes, the primary cause of involuntary unemployment is:

(A) Nominal wage rigidity preventing equilibrium in the labor market

(B) Overinvestment during the boom phase of the business cycle

(C) Disruption in labor supply due to external technological changes

(D) Inadequate effective demand to purchase total output at full employment

25. The liquidity trap in Keynesian economics implies:

(A) Speculative demand for money is perfectly interest-elastic

(B) Speculative demand for money is perfectly interest-inelastic

(C) Interest rates are rising sharply

(D) Bonds are preferred over money

26. Which of the following theories explicitly incorporates transaction costs in the analysis of money demand?

   (A) Classical theory

   (B) Keynesian theory

   (C) Tobin's portfolio balance theory

   (D) Baumol's inventory theory

27. In Tobin's model, an increase in bond return volatility will lead to:

   (A) Lower money demand

   (B) Higher money demand

   (C) No change in money demand

   (D) Only affect precautionary demand

28. **Assertion (A):** In the Classical theory, changes in the interest rate do not affect the demand for money.

   Reason (R): The Classical theory assumes that money is held only for transaction purposes and that the velocity of money is constant.

   Options:

   (A) Both A and R are true, and R is the correct explanation of A

   (B) Both A and R are true, but R is not the correct explanation of A

   (C) A is true, but R is false

   (D) A is false, but R is true

29. **Assertion (A):** Integration can be used to calculate producer surplus in perfectly competitive markets.

   Reason (R): Producer surplus is the area below the price line and above the supply curve, which can be computed using definite integrals.

   Options:

   (A) Both A and R are true, and R is the correct explanation of A

   (B) Both A and R are true, but R is not the correct explanation of A

   (C) A is true, but R is false

   (D) A is false, but R is true

30. The derivative of $f(x) = 5x^3 - 2x + 7$ at $x = 1$ is:

   (A) 10

   (B) 13

   (C) 15

   (D) 17

31. If $f'(x) = 0$ at $x = a$ and $f''(a) < 0$, the point $x = a$ is a:

   (A) Global minimum

   (B) Local minimum

   (C) Local maximum

   (D) Point of inflection

32. The integral $\int (6x^2 + 4x)dx$ is:

   (A) $2x^3 + 2x^2 + C$

   (B) $3x^3 + 4x^2 + C$

   (C) $6x^3 + 4x^2 + C$

   (D) $2x^3 + 4x^2 + C$

33. If the standard deviation of a data set is 0, it means:

(A) All values are different

(B) All values are the same

(C) Mean is zero

(D) Median is high

34. A class of students has the following marks: 55, 60, 65, 70, 75. If the highest score increases by 15 points, what happens to the mean and median?

(A) Mean unchanged, median increases

(B) Both mean and median decrease

(C) Mean and median both increase

(D) Mean increases, median unchanged

35. If the Coefficient of Variation (CV) is 20% and the mean is 50, the standard deviation is:

(A) 2.5

(B) 5

(C) 10

(D) 15

36. The base year and current year prices and quantities of a basket are given:

Base Year: P = Rs. 5, Q = 10

Current Year: P = Rs. 8, Q = 10

Using the Laspeyres Price Index, compute the index.

(A) 80

(B) 100

(C) 120

(D) 160

37. Which of the following is *not* an assumption of the Ricardian model of Comparative Advantage?

(A) Labor is the only factor of production

(B) There is perfect mobility of labor between countries

(C) There is constant opportunity cost

(D) Technology differs between countries

38. **Assertion (A):** Comparative advantage can lead to gains from trade even if one country has an absolute advantage in all goods.

Reason (R): Gains from trade arise from differences in absolute cost only.

(A) Both A and R are true, and R is the correct explanation of A

(B) Both A and R are true, but R is not the correct explanation of A

(C) A is true, but R is false

(D) A is false, but R is true

39. The Mercantilist belief that trade is a zero-sum game implies:

(A) Trade benefits all countries involved

(B) Trade is only beneficial to one party at the expense of the other

(C) All countries can enjoy simultaneous trade surpluses

(D) Trade creates value through specialization

40. Which of the following best illustrates Mill's theory of reciprocal demand?

(A) Trade volumes are driven solely by supply-side cost structures

(B) International prices are determined by relative factor endowments

(C) Terms of trade are established where each country's demand for imports equals its supply of exports

(D) Opportunity costs dictate all trade flows without considering demand

41. The key difference between a tariff and a quota is that:

(A) Tariffs are used to restrict exports, not imports

(B) Tariffs allow market adjustments, while quotas fix quantity limits

(C) Quotas increase government spending

(D) Quotas raise revenue for the government while tariffs do not

42. The WTO's dispute settlement mechanism is important because:

(A) It punishes countries with high tariffs

(B) It promotes bilateral trade deals

(C) It guarantees trade surpluses

(D) It provides a legal and institutional framework to resolve trade conflicts

43. **Assertion (A):** Trade diversion under a customs union may lead to welfare losses despite increased intra-bloc trade.

Reason (R): This occurs when a country shifts imports from a lower-cost non-member country to a higher-cost member country due to preferential treatment.

(A) Both A and R are true, and R is the correct explanation of A

(B) Both A and R are true, but R is not the correct explanation of A

(C) A is true, but R is false

(D) A is false, but R is true

44. The Effective Rate of Protection (ERP) takes into account:

(A) Only the nominal tariff on final goods

(B) Only subsidies and quotas

(C) Exchange rate fluctuations

(D) Tariffs on both final goods and intermediate inputs

45. Which of the following best describes the early phase of liberalization in India (1980s)?

(A) Full convertibility of the rupee

(B) Complete deregulation of foreign investment

(C) Introduction of VAT

(D) Reduction in licensing and increased autonomy to public sector units

46. Agricultural Price Policy in India is primarily aimed at :

(A) Increasing government revenue

(B) Reducing export surplus

(C) Stabilizing food prices and ensuring farmer incentives

(D) Promoting non-agricultural employment

47. **Assertion (A):** Industrial Policy of 1991 encouraged Foreign Direct Investment (FDI) in core sectors.

Reason (R): The policy eliminated licensing requirements for *all* industries.

(A) Both A and R are true, and R is the correct explanation of A

(B) Both A and R are true, but R is not the correct explanation of A

(C) A is true, but R is false

(D) A is false, but R is true

48. **Assertion (A):** The Green Revolution made India self-sufficient in food grain production.

Reason (R): It significantly improved productivity in coarse cereals and pulses.

(A) Both A and R are true, and R is the correct explanation of A

(B) Both A and R are true, but R is not the correct explanation of A

(C) A is true, but R is false

(D) A is false, but R is true

49. **Assertion (A):** A low Gini coefficient implies a more equitable distribution of income.

Reason (R): The Lorenz curve will lie closer to the line of equality when income distribution is more equal.

(A) Both A and R are true and R is the correct explanation of A

(B) Both A and R are true but R is not the correct explanation of A

(C) A is true but R is false

(D) A is false but R is true

50. Which poverty measure captures the intensity of poverty among the poor?

(A) Headcount Ratio

(B) Gini Coefficient

(C) Poverty Gap Ratio

(D) Kuznets Ratio

51. Which of the following statements is true regarding the relationship between inequality and development according to Kuznets' hypothesis?

(A) Inequality has no relationship with development

(B) Inequality remains constant throughout development

(C) Inequality falls at early stages and rises at later stages

(D) Inequality rises then falls as income increases

52. Which of the following is NOT a key feature of the Capability Approach?

(A) Emphasis on individual agency and freedom

(B) Focus on outcomes rather than means

(C) Universal metric for measuring development across individuals

(D) Plurality of values and choices in defining well-being

53. Match the economists with their associated theories/models:

Column A (Economist)	Column B (Theory/Model)
a. Adam Smith	i. Big Push Theory
b. Ragnar Nurkse	ii. Division of Labor
c. Paul Rosenstein-Rodan	iii. Balanced Growth Model
d. Karl Marx	iv. Surplus Value and Class Conflict

Choose the correct option:

(A) a–ii, b–iii, c–i, d–iv

(B) a–iii, b–ii, c–iv, d–i

(C) a–ii, b–i, c–iii, d–iv

(D) a–iv, b–iii, c–ii, d–i

54. Which of the following statements are consistent with Marx's theory of capitalist development?

I. Capitalist development is historically progressive but ultimately self-destructive.

II. Capital accumulation leads to a rising organic composition of capital, reducing labor's share in income.

III. The capitalist state primarily functions to maintain class harmony and prevent exploitation.

IV. Technological progress under capitalism raises productivity but also intensifies worker alienation.

(A) I, II and IV only

(B) II and III only

(C) I, III and IV only

(D) I and IV only

55. Which of the following combinations correctly captures the primary mechanisms of growth in the respective models?

Model	Primary Mechanism
I. Marxian Theory	a. Surplus value and class exploitation
II. Big Push Theory	b. Simultaneous investment across sectors
III. Low-Level Trap (Nelson)	c. Per capita income too low for investment
IV. Balanced Growth (Nurkse)	d. Mutual demand generation through coordinated growth

Choose the correct pairing:

(A) I–a, II–b, III–c, IV–d

(B) I–b, II–a, III–d, IV–c

(C) I–a, II–d, III–b, IV–c

(D) I–c, II–b, III–a, IV–d

56. Which of the following correctly distinguishes Ricardo's and Marx's theories of surplus?

(A) Ricardo viewed surplus as rent; Marx viewed it as profit from capital

(B) Ricardo and Marx both equated surplus with net exports

(C) Ricardo believed surplus value arises from capitalist investment; Marx from differential land rent

(D) Ricardo identified surplus with rent due to diminishing returns on land; Marx saw surplus value as extracted from labor

57. Which of the following is a major limitation of the Proportional Reserve System of note issue?

(A) It leads to hyperinflation in the long run

(B) It fails to maintain any gold reserve against currency

(C) It unnecessarily locks up gold or foreign exchange, limiting flexibility in monetary policy

(D) It violates the legal tender status of money

58. If the reserve ratio is 20% and people do not hold cash, the theoretical money multiplier is:

(A) 0.2

(B) 2

(C) 4

(D) 5

59. Match the instruments of monetary policy with their type:

Column A	Column B
a. Repo rate	i. Qualitative instrument
b. Credit rationing	ii. Quantitative instrument
c. Open Market Operations	iii. Liquidity management
d. Moral suasion	iv. Persuasive tool

Choose the correct code:

(A) a–ii, b–iii, c–iv, d–i

(B) a–ii, b–i, c–ii, d–iv

(C) a–i, b–ii, c–iii, d–iv

(D) a–iii, b–i, c–ii, d–iv

60. According to the legal approach, which of the following qualifies as money?

a. A government bond that can be traded

b. Cryptocurrency such as Bitcoin

c. Currency notes issued by the central bank

d. Demand deposits with a commercial bank

Choose the correct option:

(A) a, b, and c

(B) Only c

(C) b and d

(D) a and c

ROUGH WORK

ENTRANCE TEST-2024

SCHOOL OF BUSINESS STUDIES

ECONOMICS

Question Booklet Series C

Total Questions : 60

Time Allowed : 70 Minutes

Roll No. :

Instructions for Candidates :

1. Write your Entrance Test Roll Number in the space provided at the top of this page of Question Booklet and fill up the necessary information in the spaces provided on the OMR Answer Sheet.

2. OMR Answer Sheet has an Original Copy and a Candidate's Copy glued beneath it at the top. While making entries in the Original Copy, candidate should ensure that the two copies are aligned properly so that the entries made in the Original Copy against each item are exactly copied in the Candidate's Copy.

3. All entries in the OMR Answer Sheet, including answers to questions, are to be recorded in the Original Copy only.

4. Choose the correct / most appropriate response for each question among the options A, B, C and D and darken the circle of the appropriate response completely. The incomplete darkened circle is not correctly read by the OMR Scanner and no complaint to this effect shall be entertained.

5. Use only blue/black ball point pen to darken the circle of correct/most appropriate response. In no case gel/ink pen or pencil should be used.

6. Do not darken more than one circle of options for any question. A question with more than one darkened response shall be considered wrong.

7. There will be 'Negative Marking' for wrong answers. Each wrong answer will lead to the deduction of 0.25 marks from the total score of the candidate.

8. Only those candidates who would obtain positive score in Entrance Test Examination shall be eligible for admission.

9. Do not make any stray mark on the OMR sheet.

10. Calculators and mobiles shall not be permitted inside the examination hall.

11. Rough work, if any, should be done on the blank sheets provided with the question booklet.

12. OMR Answer Sheet must be handled carefully and it should not be folded or mutilated in which case it will not be evaluated.

13. Ensure that your OMR Answer Sheet has been signed by the Invigilator and the candidate himself/herself.

14. At the end of the examination, hand over the OMR Answer Sheet to the invigilator who will first tear off the original OMR sheet in presence of the Candidate and hand over the Candidate's Copy to the candidate.

1. For a firm to practice third degree price discrimination, which condition(s) must be met?

   (A) The firm must have some monopoly power

   (B) The firm must be able to keep two markets separate

   (C) The price elasticity of the demand must be different in the two markets

   (D) All of these

2. Consider the statement "An efficient mix of public goods is produced when local land/housing prices and taxes come to reflect consumer preferences just as they do in the market for private goods". This statement is related to:

   (A) Tiebout hypothesis

   (B) Coase theorm

   (C) Contingent pricing

   (D) Liability rules

3. The direct regulation for optimal pollution control can be exercised by the governments through:

   (A) Sale of pollution rights

   (B) Congestion pricing

   (C) Either (A) or (B)

   (D) Both (A) & (B)

4. Market failure arises due:

   (A) Imperfect competition

   (B) Externalities

   (C) Public goods

   (D) All of these

5. Uncompensated costs imposed on others by the expansion of output by some firms implies:

   (A) External dis-economies of production

   (B) External dis-economies of consumption

   (C) External economies of production

   (D) External economies of consumption

6. According to Schumpeter's theory of profits, innovations are those which:

   (A) Change the production functions

   (B) Increase the demand for the product

   (C) Both (A) & (B)

   (D) None of these

7. "Rent is that portion of the produce of earth which is paid to the landlord for the use of the original and indestructible powers of the soil", is a definition by:

   (A) Marshall

   (B) Torrents

   (C) Malthus

   (D) None of these

8. According to Keynesian theory of interest individuals hold cash in order "to bridge the interval between the receipt of income and its expenditure". This motive of holding the cash refers to:

   (A) Speculative demand for money

   (B) Transactions demand for money

   (C) Precautionary demand for money

   (D) Demand for inactive balances

9. Which economist was first responsible for incorporating the supply side in the analysis of marginal productivity theory of wages?

   (A) Alfred Marshall

   (B) J.B. Clark

   (C) Jevons

   (D) Wicksteed

10. Which theory of international trade is also known as factor-endowment theory?

   (A) Stolper-Samuelson theory

   (B) Heckscher-Ohlin theory

   (C) Comparative cost advantage theory

   (D) Absolute cost advantage theory

11. The ratio of the price index of a country's exports to the price index of its imports is known as:

(A) Commodity terms of trade

(B) Net barter terms of trade

(C) Neither (A) nor (B)

(D) Both (A) & (B)

12. The temporary sale of a commodity at a lower price abroad in order to drive foreign producers out of business is known as:

(A) Persistent dumping

(B) Sporadic dumping

(C) Predatory dumping

(D) Trigger-price mechanism

13. The rate of tariff that maximises the benefit resulting from improvement in nation's terms of trade against the negative effect resulting from reduction in the volume of trade is called:

(A) Optimum tariff

(B) Revenue effect of tariff

(C) Consumption effect of tariff

(D) Trade effect of tariff

14. The classical macroeconomic theory was brought into disrepute during:

(A) 1920s

(B) 1930s

(C) 1940s

(D) 1970s

15. Consider the expression " wages + profits + interest + rent - net indirect taxes". Which measure of national income does it represent?

(A) Gross National Product at market price

(B) Gross Domestic Product at market price

(C) Net Domestic Product at market price

(D) Net Domestic Product at factor cost

16. Paradox of thrift is primarily in relation to:

(A) Savings

(B) Consumption

(C) Investment

(D) Production

17. GNP Deflater is equivalent to:

(A) $\dfrac{\text{Nominal GNP of a year}}{\text{Real GNP of a year}} \times 100$

(B) $\dfrac{\text{Real GNP of a year}}{\text{Nominal GNP of a year}} \times 100$

(C) $\dfrac{(\text{Nominal GNP of a year})(\text{Real GNP of a year})}{100}$

(D) None of these

18. You are given the following data: expected life of machinery = 1 year, expected yield from machinery = Rs.1100, rate of discount = 0.10. What would be the supply price of machine?

(A) 500

(B) 1000

(C) 1500

(D) None of these

19. Consider the saving function S = -10 + 0.2Y, and autonomous investment = Rs. 50 Cr. What will be the level of consumption?

(A) 150 Cr

(B) 200 Cr

(C) 240 Cr

(D) None of these

20. Which of the below statements is invalid with reference to Keynes consumption function?

(A) It explains declining tendency of marginal efficiency of capital

(B) It helps to validate Say's law of markets

(C) It helps to explain turning points of a business cycle

(D) It helps to derive the theory of multiplier

21. Consider the consumption function C = 50 + 0.6 Yd. What will be the value of Keynesian autonomous spending multiplier?

(A) 1

(B) 1.5

(C) 2.5

(D) 3

22. Consider the consumption function C = 60 + 0.9 Yd, import function M = 10 + 0.05Y. What will be the value of foreign trade multiplier?

(A) 5.55

(B) 6.66

(C) 7.77

(D) 8.88

23. The difference between government expenditure multiplier and the transfer payments multiplier is always equal to :

(A) 1.0

(B) 1.5

(C) 2.0

(D) 2.5

24. Which one of the following statements is NOT true ?

(A) Imports is a positive function of domestic income

(B) Imports are negatively related to appreciation of domestic currency

(C) Exports is positive function of foreign income

(D) Exports are positively related to depreciation of domestic currency

25. What factor(s) determine money supply in the economy ?

(A) High powered money

(B) Cash-reserve ratio of banks

(C) Currency-deposit ratio of the public

(D) All of these

26. If the ratio of currency reserves to deposits in the banks were 100 percent, the money multiplier would be :

(A) 0

(B) 1

(C) 10

(D) 100

27. Which of the below given actions by the central bank will have contractionary effect on the economy ?

(A) Buying of securities in the open market

(B) Reduction of the cash reserve ratio

(C) Hike in the repo rate

(D) All of these

28. Given desired currency deposit ratio equal to 0.5, and desired reserve deposit ratio equal to 0.10. Choose the value of the bank credit multiplier from below given values :

(A) 0.5

(B) 1.0

(C) 1.5

(D) None of these

29. Choose the CORRECT statement :

(A) Higher the value of marginal propensity to consume, flatter will be the IS curve

(B) Lower the interest elasticity of investment, flatter will be the IS curve

(C) The IS curve will shift to the left when the taxes decline

(D) The IS curve will shift to the left due to an increase in the investment expenditure

30. If the interest elasticity of money demand is zero, what shape the LM curve will assume ?

(A) Relatively elastic

(B) Perfectly elastic

(C) Relatively inelastic

(D) Perfectly inelastic

31. On all the points below the LM curve there is a disequilibrium in the money market of the nature in which:

I. Interest rate is lower than the equilibrium rate of interest

II. Excess demand for money

III. Interest rate is higher than the equilibrium rate of interest

IV. Excess supply of money

Choose your answer from the below given options.

(A) I & II

(B) I & IV

(C) III & IV

(D) III & II

32. The aggregate supply curve in its perfectly elastic range is based on the assumptions :

I. Money wage is fixed

II. Money wage is flexible

III. Marginal product of labor is constant

IV. Marginal product of labor is variable

Choose your answer from the below given options.

(A) I & III

(B) II & III

(C) II & IV

(D) I & IV

33. The aggregate demand curve slopes downwards because of :

(A) Real balance effect

(B) Rate of interest effect

(C) Foreign trade effect

(D) All of these

34. Changes in which of the following factors is NOT responsible for shift in the long run aggregate supply curve ?

(A) Money wages

(B) Labor force

(C) Stock of capital

(D) Technology

35. The short-run aggregate supply curve shifts due to :

(A) Change in wage rate

(B) Change in input prices

(C) Change in technology

(D) All of these

36. The common factor that produces a shift in the short-run and the long-run aggregate supply curves is :

(A) Technology change

(B) Changes in wage rate

(C) Changes in business taxes

(D) Changes in input prices

37. In the long-run both Keynesians and Monetarists are of the opinion that Philips curve is :

(A) Vertical

(B) Horizontal

(C) Upward sloping

(D) Downward sloping

38. The phenomenon of stagflation implies:

(A) Low inflation associated with low unemployment

(B) Low inflation associated with high unemployment

(C) High inflation associated with high unemployment

(D) High inflation associated with low unemployment

39. Which one of the given factors is NOT a cause of cost-push inflation ?

(A) Oil price rise

(B) Consumption demand by households

(C) Farm price rise

(D) Import price rise

40. In the interbank market the price that a bank is willing to pay for a unit of foreign currency refers to :

(A) Offer rate

(B) Exchange rate

(C) Currency swap

(D) Bid rate

41. Which one of the below-given variables results in the movement along the demand curve?
    (A) Change in income
    (B) Change in tastes
    (C) Change in tax imposed on the commodity
    (D) Change in expectations

42. The change in which one of the below-given variables results in shifting of the supply curve?
    (A) Input prices
    (B) Prices of related goods
    (C) Number of buyers
    (D) Consumer expectations

43. Suppose that consumers are ready to buy any quantity of a commodity for Rs. 400 but are unwilling to purchase any quantity above this price, what will be the shape of the demand curve?
    (A) Perfectly inelastic
    (B) Inelastic
    (C) Unitary elastic
    (D) Perfectly elastic

44. Consider the demand function Q = 100 - 4P, and the given P = Rs. 20. The price elasticity of demand will be equal to:
    (A) 4
    (B) 3
    (C) 2
    (D) 1

45. Consider the demand function of a commodity Q = 30 - 2P, wherein Q is the quantity demanded and P is the price of the commodity. If the market price for the commodity is Rs. 5, what will be the consumer's surplus?
    (A) 75
    (B) 100
    (C) 125
    (D) 150

46. Which factor(s) is(are) responsible for diminishing marginal rate of substitution?
    (A) Perfect substitutability between the goods
    (B) Non-satiability
    (C) Perfect complementarity between the goods
    (D) All of these

47. A consumer spends all her income on food and clothing. At the current price of food (Pf) = Rs.10 and price of clothing (Pc) = Rs. 5, he maximises his utility by purchasing 20 units of food and 50 units of clothing. What will be the consumer's income?
    (A) Rs. 400
    (B) Rs. 425
    (C) Rs. 450
    (D) Rs. 475

48. If the quantity demanded of a good varies inversely with the price when the income effect for the good is negative but is weaker than the substitution effect, the good is:
    (A) Normal good
    (B) Inferior good
    (C) Giffen good
    (D) None of these

49. Engel curve of a neuter is:
    (A) Vertical
    (B) Backward bending
    (C) Upward sloping
    (D) Horizontal

50. According to the law of variable proportions, which stage represents the range of rational production decisions?
    (A) Stage - I
    (B) Stage - II
    (C) Stage - III
    (D) Stages - IV

51. In case the two factors are perfect substitutes, the isoquants are :
   (A) Right angled
   (B) Convex to the origin
   (C) Downward sloping straight lines
   (D) Concave to the origin

52. In case of a production function exhibiting constant returns to scale with elasticity of substitution equal to zero, the shape of the isoquants will be :
   (A) Convex to the origin
   (B) Concave to the origin
   (C) Downward sloping straight lines
   (D) L-shaped

53. The economic profits of a firm are equal to :
   (A) Total Revenue - Economic Costs
   (B) Total Revenue - (Explicit Costs + Implicit Costs)
   (C) Either (A) or (B)
   (D) Neither (A) nor (B)

54. Pure competition is said to exist when :
   (A) Monopoly is absent
   (B) Perfect mobility of the resources exists
   (C) Perfect knowledge exists
   (D) All of the above conditions exist

55. The condition(s) for short-run equilibrium of firm under perfect competition is (are) :
   (A) Marginal Cost = Marginal Revenue = Price
   (B) Marginal Cost curve must be rising at the point of equilibrium
   (C) Neither (A) nor (B)
   (D) Both (A) & (B)

56. If input prices fall as more inputs are demanded by an expanding industry under perfect competition, the long-run supply curve for the commodity will be :
   (A) Positively sloped
   (B) Negatively sloped
   (C) Having constant slope
   (D) Having a zero slope

57. Choose the INCORRECT statement from the options given below :
   (A) Short-run supply curve of the competitive firm is that part of the marginal cost curve which lies below the average variable cost
   (B) Long-run equilibrium of a firm under perfect competition is established at the minimum point of the long-run average cost curve
   (C) If a perfectly competitive firm is not able to cover even its variable costs fully, it will shut down even in the short-run to avoid unnecessary losses
   (D) Under perfect competition an individual firm is a price taker

58. Given MC = marginal cost and e = elasticity of demand, the price (P) of the product produced by a firm operating under monopoly is given by :
   (A) $P = MC \dfrac{e}{e-1}$
   (B) $P = MC \dfrac{e}{1-e}$
   (C) $P = \dfrac{e-1}{MC}$
   (D) $P = \dfrac{1-e}{MC}$

59. A monopoly equilibrium can occur under which cost condition ?
   (A) Increasing marginal cost
   (B) Decreasing marginal cost
   (C) Constant marginal cost
   (D) All of these

60. Choose the INCORRECT statement with respect to Chamberlin's duopoly model :
   (A) It is based on the assumption of zero cost of production of the two Producers
   (B) It is assumed that the market demand curve for the product is linear
   (C) The two producers are mutually independent
   (D) It ignores the entry of new firms and is thus a closed model