ENTRANCE EXAMINATION FOR ADMISSION, MAY 2012.

M.A. (APPLIED ECONOMICS)

COURSE CODE : 350

Register Number: ____________

Signature of the Invigilator
(with date)

__________________________________________________________

COURSE CODE : 350

Time : 2 Hours  Max : 400 Marks

Instructions to Candidates:

1. Write your Register Number within the box provided on the top of this page and fill in the page 1 of the answer sheet using pen.
2. Do not write your name anywhere in this booklet or answer sheet. Violation of this entails disqualification.
3. Read each of the question carefully and shade the relevant answer (A) or (B) or (C) or (D) in the relevant box of the ANSWER SHEET using HB pencil.
4. Avoid blind guessing. A wrong answer will fetch you -1 mark and the correct answer will fetch 4 marks.
5. Do not write anything in the question paper. Use the white sheets attached at the end for rough works.
6. Do not open the question paper until the start signal is given.
7. Do not attempt to answer after stop signal is given. Any such attempt will disqualify your candidature.
8. On stop signal, keep the question paper and the answer sheet on your table and wait for the invigilator to collect them.
9. Use of Calculators, Tables, etc. are prohibited.
1. Scarcity definition of economics was given by
   (A) Adam Smith  (B) Marshall
   (C) Lionel Robbins  (D) Paul Samuleson

2. A typical demand curve cannot be
   (A) Convex to the origin  (B) A straight line parallel to y-axis
   (C) A straight line parallel to x-axis  (D) Rising upwards to the right

3. An income – demand curve for a ‘Luxury commodity’ slopes
   (A) Upwards to the right from the origin
   (B) Vertically
   (C) Upwards from left to right only beyond a certain level of consumer’s income
   (D) Horizontally

4. When the demand curve is a rectangular hyperbola, it represents
   (A) Unitary elastic demand  (B) Perfectly elastic demand
   (C) Perfectly inelastic demand  (D) Relatively elastic demand

5. Income – elasticity of demand will be zero when a given change in income bring about
   (A) A less than proportionate change in quantity demanded
   (B) A more than proportionate change in demand
   (C) The same Proportionate change in demand
   (D) No change in demand

6. A monopolist charging high price operates on
   (A) The elastic part of a demand curve
   (B) The inelastic part of a demand curve
   (C) The constant elastic part of a demand curve
   (D) Ignores elasticity of demand altogether

7. If cross – elasticity of one commodity for another turns out to be zero, it means they are
   (A) Close substitutes  (B) Good complements
   (C) Completely unrelated  (D) None of these

8. Marginal utility curve is always
   (A) Rising  (B) Falling
   (C) Parallel to x-axis  (D) Parallel to y-axis

9. A consumer’s demand curve can be obtained from
   (A) Income – consumption curve  (B) Engles’ Curve
   (C) Price – consumption curve  (D) None of these
10. Marginal utility approach was finalized by
   (A) J.R. Hicks (B) Alfred Marshall
   (C) J.S. Mills (D) A.C. Pigou

11. Adam Smith spoke about the famous diamond water paradox to show that
   (A) Utility is related to supply
   (B) Utility is related to demand
   (C) Utility could be the cause of value
   (D) Utility could not be the cause of value

12. Which of the following is most closely connected with Paul A. Samuelson?
   (A) Indifference curve analysis
   (B) Marginal utility analysis
   (C) Revealed preference theory
   (D) Liquidity Preference theory

13. Which of the following is called as the Gossen’s First Law?
   (A) Law of substitution
   (B) The law of equi-marginal utility
   (C) The law of diminishing utility
   (D) The law of indifference

14. Marginal utility has no place in a ordinal theory because it is
   (A) Introspective
   (B) Subjective
   (C) Not observable
   (D) Additive

15. Economist associated with the development of indifference curve analysis are
   (A) Hicks and Allen
   (B) Hicks and Robbins
   (C) Marshall and Hicks
   (D) Hicks and Walras

16. An indifference curve is always
   (A) Concave to the origin
   (B) Convex to the origin
   (C) A vertical straight line
   (D) A horizontal straight line

17. MRS\textsubscript{xy} and MRS\textsubscript{yx} both will be zero where the commodity \textit{x} and \textit{y} are
   (A) Complement to each other
   (B) Substitutes to each other
   (C) Perfect complementarily
   (D) Imperfect complementarily

18. If indifference curve has a positive slope, it means
   (A) Consumer preferences unpredictable
   (B) Consumer preferences are irrational
   (C) \textit{x} is a discommodity
   (D) \textit{y} is a discommodity

19. Consumer’s surplus sis the highest in the case of
   (A) Necessities
   (B) Comforts
   (C) Luxuries
   (D) Conventional necessities
20. The Revealed Preference theory assumes
   (A) Strong ordering          (B) Weak ordering
   (C) Introspection            (D) None of these

21. Slutsky’s theory is consumption theory relates to
   (A) Income effect            (B) Substitution effect
   (C) Complementarily of goods (D) Both (A) and (B)

22. The market period supply curve for perishable commodity is
   (A) Relatively inelastic      (B) Perfectly inelastic
   (C) Relatively elastic       (D) Perfectly elastic

23. “Production” may be defined as an act of
   (A) Creating utility         (B) Earning profit
   (C) Destroying utility       (D) Providing services

24. Law of Diminishing Returns to factors is relevant to
   (A) Short period             (B) Long period
   (C) Secular period           (D) Both short and long period

25. In short-run, a firm would remain in business as long as which one of the following of costs is covered?
   (A) Total costs              (B) Fixed costs
   (C) Variable costs           (D) Constant costs

26. In economics the central problem is:
   (A) allocation                (B) scarcity
   (C) consumption               (D) production

27. Indicate below what is NOT a factor of production?
   (A) Capital                   (B) Land
   (C) A bank loan               (D) Labour

28. Macroeconomics deals with
   (A) the behaviour of firms
   (B) economic aggregates
   (C) the activities of individual units
   (D) the behaviour of the electronics industry

29. Microeconomics is not concerned with the behaviour of
   (A) industries               (B) consumers
   (C) aggregate demand         (D) firms
30. The study of inflation is part of
   (A) macroeconomics             (B) descriptive economics
   (C) normative economics        (D) microeconomics

31. Aggregate supply is the total amount
   (A) of products produced by a given industry
   (B) of goods and services produced in an economy
   (C) produced by the government
   (D) of labour supplied by all households

32. The total demand for goods and services in an economy is known as:
   (A) national demand             (B) aggregate demand
   (C) gross national product      (D) economy-wide demand

33. Inflation is:
   (A) a decrease in the overall price level
   (B) a decrease in the overall level of economic activity
   (C) an increase in the overall level of economic activity
   (D) an increase in the overall price level

34. A recession is:
   (A) a period of declining unemployment
   (B) a period of declining prices
   (C) a period of very rapidly declining prices
   (D) a period during which aggregate output declines

35. Unemployment means that:
   (A) there is excess demand in the labour market.
   (B) at the going wage rate, there are people who want to work but cannot find work.
   (C) people are not willing to work at the going wage rate.
   (D) there are some people who will not work at the going wage rate.

36. The concept of opportunity cost:
   (A) suggests a major increase in public health-care spending means an expansion in other areas will be harder to achieve.
   (B) suggests all our wants can be achieved.
   (C) is relevant only for a capitalist economy like the United States.
   (D) would be irrelevant if we eliminated poverty.

37. Economics is the study of
   (A) production technology
   (B) consumption decisions
   (C) how society decides what, how, and for whom to produce
   (D) the best way to run society
38. The presence of extreme observations does not affect
   (A) AM (B) Median (C) Mode (D) Any of these

39. When a firm registers both profits and losses, which of the following measure of central tendency cannot be considered?
   (A) AM (B) GM (C) Median (D) Mode

40. An aeroplane flies from A to B at the rate of 500 km/hour and comes back from B to A at the rate of 700 km/hour. The average speed of the aeroplane is
   (A) 600 km. per hour (B) 583.33 km. per hour
   (C) $100/\sqrt{35}$ km. per hour (D) 620 km. per hour

41. Which measure of dispersion is the quickest to compute?
   (A) Standard deviation (B) Quartile deviation
   (C) Mean deviation (D) Range

42. The most commonly used measure of dispersion is
   (A) Range (B) Standard deviation
   (C) Coefficient of variation (D) Quartile deviation

43. 10th percentile is equal to
   (A) 1st decile (B) 10th decile (C) 9th decile (D) none

44. “Root –Mean Square Deviation from Mean“ is
   (A) Standard deviation (B) Quartile deviation
   (C) Both (A) and (B) (D) None

45. Correlation analysis aims at
   (A) Predicting one variable for a given value of the other variable
   (B) Establishing relation between two variables
   (C) Measuring the extent of relation between two variables
   (D) Both (B) and (C)

46. If the plotted points in a scatter diagram lie from upper left to lower right, then the correlation is
   (A) Positive (B) Zero (C) Negative (D) None of these

47. The covariance between two variables is
   (A) Strictly positive (B) Strictly negative
   (C) Always 0 (D) Either positive or negative or zero

48. A person saved Rs. 16,500 in ten years. In each year after the first year he saved Rs. 100 more than he did in the preceding year. The amount of money he saved in the 1st year was
   (A) Rs. 1000 (B) Rs. 1500 (C) Rs. 1200 (D) None of these
49. The Arithmetic Mean of two positive numbers is 40 and their Geometric Mean is 24. The numbers are
   (A) (72, 8) (B) (70, 10) (C) (60, 20) (D) none of these

50. Simple Interest on Rs. 3500 for 3 years at 12% per annum is
   (A) Rs. 1200 (B) Rs. 1260 (C) Rs. 2260 (D) none of these

51. A sum of money doubles itself in 10 years. The number of years it would triple itself is
   (A) 25 years (B) 15 years (C) 20 years (D) none of these

52. The population of a town increases every year by 2% of the population at the beginning of that year. The number of years by which the total increase of population be 40% is
   (A) 7 years (B) 10 years (C) 17 years (app) (D) none of these

53. The annual birth and death rates per 1000 are 39.4 and 19.4 respectively. The number of years in which the population will be doubled assuming there is no immigration or emigration is
   (A) 35 yrs. (B) 30 yrs. (C) 25 yrs. (D) none of these

54. The sum of the ages of 3 persons is 150 years. 10 years ago their ages were in the ratio 7: 8 : 9. Their present ages are
   (A) (45, 50, 55) (B) (40, 60, 50) (C) (35, 45, 70) (D) none of these

55. The line $Y = a + bX$ represents the regression equation of
   (A) $Y$ on $X$ (B) $X$ on $Y$ (C) both (D) none

56. The regression coefficients are zero if $r$ is equal to
   (A) 2 (B) -1 (C) 1 (D) 0

57. Index number for the base period is always taken as
   (A) 0 (B) 50 (C) 1 (D) 100

58. Fisher's ideal index number is based on
   (A) the arithmetic mean of Laspeyre's and Paasche's index numbers
   (B) the median of Laspeyre's and Paasche's index numbers
   (C) the mode of Laspeyre's and Paasche's index numbers
   (D) none of the above

59. Paasche's index is based on
   (A) Base year quantities (B) Current year quantities
   (C) Average of current and base year (D) None of these

60. If the coefficient of correlation between two variables is $-0.9$, then the coefficient of determination is
   (A) 0.9 (B) 0.81 (C) 0.1 (D) 0.19
61. The value of correlation coefficient lies between
   (A) $-1$ and $+1$  (B) $-1$ and 0  (C) 0 and 1  (D) none

62. Periods of less than full employment correspond to
   (A) points on the production possibility curve.
   (B) points outside the production possibility curve.
   (C) points inside the production possibility curve.
   (D) either points inside or outside the production possibility curve.

63. In a free market system, the amount of goods and services that any one household
    gets depends upon its:
   (A) income  (B) wage and interest income
   (C) income and wealth  (D) wealth

64. In a free market
    (A) governments intervene
    (B) governments plan production
    (C) governments interfere
    (D) prices adjust to reconcile scarcity and desires

65. Time series data show information
   (A) about the same point in time over different places
   (B) about different points in time over the same variable
   (C) about different variables over different places
   (D) about different points in time over different places

66. If your income during one year is £10,000 and the following year it is £12,000, then it
    has grown by
   (A) 20%  (B) 2%  (C) 12%  (D) 16%

67. A straight-line diagram can be drawn knowing the _____ and ________
   (A) vertical axis and horizontal axis  (B) intercept and slope
   (C) scale and slope  (D) intercept and scale

68. If the diagram of a line shows that lower values on the vertical scale are associated
    with higher values on the horizontal scale, this is an example of ________
   (A) a nonlinear relationship  (B) a positive linear relationship
   (C) a scatter diagram  (D) a negative linear relationship

69. A demand curve can shift because of changing
   (A) incomes  (B) prices of related goods
   (C) tastes  (D) all of the above
70. An increase in consumer income will increase demand for a ______ but decrease demand for a ________
   (A) substitute good, inferior good   (B) normal good, inferior good
   (C) inferior good, normal good      (D) normal good, complementary good

71. If income were distributed equally, the Lorenz curve would be:
   (A) a line lying directly on the horizontal axis
   (B) a line lying directly on the vertical axis at 100%
   (C) a 45-degree line between 0 and 100%
   (D) a line lying directly on the vertical axis at 0%

72. The Gini coefficient is:
   (A) a commonly used measure of the degree of inequity in an income distribution.
   (B) the ratio of the percentage of total income received by the top 20% of families to
        the percentage of total income received by the bottom 20% of families.
   (C) the most common way of representing the income distribution graphically.
   (D) a commonly used measure of the degree of inequality in an income distribution.

73. A Gini coefficient of zero means that the:
   (A) the income is split equally between the top 20% and the rest of the distribution.
   (B) one person has all the income and everyone else has nothing.
   (C) income is equally distributed.
   (D) all the income is received by the top 20% of the income distribution.

74. A Gini coefficient of one means that:
   (A) all the income is received by the top 20% of the income distribution.
   (B) the income is split equally between the top 20% and the rest of the distribution.
   (C) one family has all the income and everyone else has nothing.
   (D) income is distributed equally.

75. Vertical equity holds that:
   (A) those with equal ability to pay should bear equal tax burdens.
   (B) those with greater ability to pay should pay more.
   (C) those with equal ability to pay should bear unequal tax burdens.
   (D) those who benefit the most from government services should bear the higher tax
        burden.

76. The total amount of tax you pay divided by your total income is the:
   (A) total tax rate.   (B) average tax rate.
   (C) marginal tax rate.   (D) proportional tax rate.

77. A tax whose burden is the same proportion of income for all households is:
   (A) a proportional tax.
   (B) an equal tax.
   (C) a progressive tax.   (D) a regressive tax.
78. A progressive income tax means that those with a higher income pay:
   (A) a higher percentage of their income in taxes than low-income people.
   (B) all the taxes in the economy.
   (C) a lower percentage of their income in taxes than low-income people.
   (D) the same percentage of their income in taxes as low-income people.

79. Tax incidence is the:
   (A) behaviour of shifting the tax to another party.
   (B) structure of the tax.
   (C) ultimate distribution of a tax's burden.
   (D) measure of the impact the tax has on employment and output.

80. Tax shifting:
   (A) occurs when taxes cause prices to increase, but wages to fall.
   (B) is the ultimate distribution of a tax's burden.
   (C) occurs when households can alter their behaviour and do something to avoid paying a tax.
   (D) is the way in which a tax is structured.

81. An example of an indirect tax is:
   (A) income tax.                    (B) inheritance tax.
   (C) a tax on profits.             (D) VAT.

82. Housing Benefit is a good example of:
   (A) a universal (social insurance based) benefit.
   (B) a means-tested cash benefit.
   (C) a benefit in kind.
   (D) none of the above.

83. The real exchange rate is constant when the nominal exchange rate appreciates at a rate equal to ...
   (A) the rate of inflation plus the real rate of interest.
   (B) the nominal rate of interest, assuming the Fisher Principle holds.
   (C) the difference between the rate of growth of the money supply and the rate of inflation.
   (D) the difference between the foreign and domestic inflation rates.

84. The term 'Fourth World' has been coined to describe:
   (A) countries that still have a communist government, like China and Cuba.
   (B) the republics of the former Soviet Union.
   (C) the newly industrialised countries, like Korea, Taiwan, Malaysia.
   (D) countries that have fallen far behind the economic advances of the rest of the world.
85. The developed nations have only about 15% of the world’s population, but they are estimated to consume ____ of the world’s output.
   (A) 25%  (B) 65%  (C) 80%  (D) 50%

86. A policy of developing local industries that can compete with imports is referred to as:
   (A) unbalanced growth  (B) industrial promotion
   (C) import substitution  (D) export promotion

87. Which of the following factors has been suggested as an explanation for the lack of economic growth in many poor nations?
   (A) An adequate level of social overhead capital.
   (B) The supply of human resources is too high.
   (C) The constraints imposed by dependency on the already-developed nations.
   (D) A steady rate of capital formation.

88. One of the benefits of putting resources into agricultural projects is that:
   (A) agricultural investment will prevent the flight of capital abroad.
   (B) export prices for agricultural products are more stable than those for industrial products.
   (C) agricultural projects usually have very low import requirements.
   (D) successful agricultural projects produce surplus food to support urban development.

89. The policy that has been the most successful in increasing agricultural output in developing countries is:
   (A) produce-marketing boards  (B) land reform
   (C) import substitution  (D) mechanisation

90. Which of the following is NOT one of the problems facing most developing nations?
   (A) Foreign debt  (B) Rapid population growth
   (C) Labour shortages  (D) Food shortages

91. Structuralist economists who study developing countries focus their attention on:
   (A) the caste or class structure and discrimination in the labour market.
   (B) the impact of international trade structures on developing countries.
   (C) changes in industrial structure over time.
   (D) specific barriers to development and how to overcome them.

92. According to the classical economists, those who are not working:
   (A) are too productive to be hired at the current wage.
   (B) have given up looking for a job, but would accept a job at the current wage if one were offered to them.
   (C) have chosen not to work at the market wage.
   (D) are unable to find a job at the current wage rate.
93. Which school of economic thought suggested that one possible cause of inflation was a 'push' from the cost side?
   (A) Keynesians          (B) Monetarists
   (C) Marxists            (D) New classical economists

94. Debt re-scheduling is:
   (A) regular payments of interest and repayments of capital.
   (B) a programme of austerity measures agreed with the IMF to make repayment possible.
   (C) a change in debt repayment due to inability to pay.
   (D) an agreement with the World Bank to turn some of a debt into other forms.

95. The natural rate of unemployment is generally thought to be the sum of:
   (A) frictional unemployment and structural unemployment.
   (B) cyclical unemployment and structural unemployment.
   (C) frictional unemployment and cyclical unemployment.
   (D) frictional unemployment and seasonal unemployment.

96. Frictional unemployment exists
   (A) When there is a decrease in real GDP
   (B) Because it takes time to find a job when one is first entering the labour force
   (C) As a result of technological change
   (D) When an individual retires

97. Other things remaining constant, marginal productivity of labour
   (A) Increases when the price of the good sold increases.
   (B) Decreases when there is an adverse supply shock
   (C) Increases when more workers are hired
   (D) Decreases when there is an increase in the quantity of capital.

98. Planning Commission of India was set up in the year
   (A) 1947              (B) 1950          (C) 1951         (D) 1949

99. Which of the following is the recently ended five-year plan?
   (A) Eleventh           (B) Twelfth        (C) Thirteenth (D) Ninth

100. Who is the chairman of the planning commission of India?
   (A) Montek Singh Ahluwalia (B) Dr. Manmohan Singh
    (C) C. Pratibha Patil (D) Pranab Mukherjee