

SECTION 1 - SECTION 1

Question No.1

Spending on capital equipment, inventories, and structures are referred to as:

- Expenditure on net exports (X - M)
- Government expenditure (G)
- Consumption expenditure (C)
- Investment expenditure (I)

Question No.2

MODVAT stands for

- Modern Value Added Tax
- Model Value Added Tax
- Modulated Value Added Tax
- Modified Value Added Tax

Question No.3

Factor reversal test is satisfied by

- Laspayer's Index
- Marshall-Edgeworth Index
- Fischer's Index
- Pasche's Index

Question No.4

The concept of gold-plating is an example of regulation in:

- Perfect Competition
- Monopoly
- Monopolistic Competition
- Oligopoly

Question No.5

You purchased an annual interest coupon bond one year ago that had 9 years remaining to maturity at that time. The coupon interest rate was 10% and the par value was Rs.1,000. At the time you purchased the bond, the yield to maturity was 8%. If you sold the bond after receiving the first interest payment and the yield to maturity continued to be 8%, your annual total rate of return on holding the bond for that year would have been _____.

- 7.00%
- 7.82%

- 8.00%
- 11.95%

Question No.6

Which of the following is an example of a final good or service?

- A CD player purchased by a household
- Steel used in the production of appliances
- Vegetables purchased by local restaurants to make soup
- Unemployment compensation

Question No.7

A fair coin is tossed four times. Probability of getting "at least one tail" is

- 1/16
- 15/16
- 3/4
- 1/4

Question No.8

Okun's law is the _____ relationship between real GDP and the _____.

- negative; inflation rate
- positive; inflation rate
- negative; unemployment rate
- positive; unemployment rate

Question No.9

Keynes employment theory is often referred to as

- Demand Deficiency Theory
- Excess supply theory
- Lapses from full employment
- Aggregate Supply theory

Question No.10

In the monocentric City model

- Land rent falls with the distance from the city center
- Housing price falls with the distance from the city center
- Population density falls with the distance from the city center
- All of these

Question No.11

With a floating exchange rate, a monetary contraction causes

- The exchange rate to depreciate
- A capital inflow
- The price level to rise
- The interest rate to fall

Question No.12

In order to maximize profits, a firm that can sell all it wants without affecting price should produce

- where average variable costs are minimized.
- where marginal cost is equal to price.
- where marginal cost is a minimum.
- where marginal cost is equal to average variable costs.

Question No.13

The standard error is a statistical measure of:

- The clustering of scores at each end of a survey scale
- The extent to which a sample mean is likely to differ from the population mean
- The normal distribution of scores around the sample mean
- The degree to which a sample has been accurately stratified

Question No.14

If a monopoly is unable to cover its short-run variable costs, it should

- shut down.
- increase output
- lower price.
- raise price.

Question No.15

The Leontief paradox is the finding that,

- the U.S. engaged mainly intra-industry trade, not inter-industry trade.
- the U.S. saw a large increase in production of capital-intensive products, even though it was experiencing large wave of immigration.
- the U.S. was importing products from the United Kingdom in which the U.S. had a relative productivity advantage.
- the capital embodied in U.S. imports relative to embodied labor was greater than for U.S. exports, even though the U.S. was considered relatively capital abundant.

Question No.16

The economists who emphasised, wage flexibility as a solution for unemployment were

- New Keynesians
- Post-Keynesian
- Keynesians
- Classical Economists

Question No.17

The marginal propensity to consume (MPC) can be defined as the fraction of

- A change in income that is spent
- A change in income that is saved
- Income that is saved
- Income that is spent

Question No.18

Marginal Cost curve cuts Average Cost curve at its

- Any point
- maximum point.
- Never cuts.
- minimum point.

Question No.19

Consider the market for tobacco products that is initially in equilibrium. A finding of a research study reveals that tobacco is harmful to health and at the same time that people's incomes fall. Consider that tobacco products are an inferior good. Given this information, relative to the initial equilibrium price and quantity, the equilibrium price will _____ and the equilibrium quantity will _____.

- be indeterminate; decrease
- be indeterminate; be indeterminate
- be indeterminate; increase
- increase; be indeterminate

Question No.20

Suppose two goods tea and milk provide the consumer with utility but only if they are consumed in fixed proportions. An increase in the price of tea will yield

- a substitution effect and an income effect in opposite direction.
- a substitution effect but no income effect.
- a substitution effect and an income effect in the same

direction.

- an income effect but no substitution effect.

Question No.21

When income elasticity of demand is greater than unity, then the commodity is

- Giffen good
- A luxury commodity
- An inferior good
- A necessity

Question No.22

Suppose the reserve ratio is 20% and Ashish's bank is exactly meeting its reserve requirement and wishes to hold no excess reserves. If Ashish deposits Rs. 500 into his checking account, his bank can increase loans instantly by:

- Rs.100
- Rs.400
- Rs.500
- Rs.2500

Question No.23

If an individual's indifference curve map does not obey the assumption of a diminishing MRS, then

- the individual will not maximize utility.
- tangencies of indifference curves to the budget constraint may not be points of utility maximization.
- the budget constraint cannot be tangent to an appropriate indifference curve.
- the individual will buy none of good X.

Question No.24

A Treasury bond due in one year has a yield of 5.7%; a Treasury bond due in 5 years has a yield of 6.2%. A bond issued by Ford Motor Company due in 5 years has a yield of 7.5%; a bond issued by Shell Oil due in one year has a yield of 6.5%. The default risk premiums on the bonds issued by Shell and Ford, respectively, are

- 0.8% and 1.3%
- 1.0% and 1.2%
- 1.2% and 1.0%
- 0.7% and 1.5%

Question No.25

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

Question No.26

In the long-run, under monopolistic competition, prices are _____ marginal costs, but economic profits are _____.

- above; positive
- below; zero
- above; zero
- below; positive

Question No.27

We would make Type II error when

- We accept false null hypothesis
- We accepted true null hypothesis
- We reject false null hypothesis
- We reject true null hypothesis

Question No.28

To calculate nominal GDP:

- Sum the quantity of all goods and services sold in an economy in a year.
- Sum the quantity of all final goods and services produced in an economy in a year.
- Weight the output of each final good and service produced in an economy in a year by its price that year and then sum the result.
- Weight the output of each good and service produced in an economy in a year by its price in that year, and then sum the result.

Question No.29

Keynes's description of the whimsical investment attitudes of entrepreneurs, sometimes optimistic, sometimes pessimistic is called

- Rationality behaviour
- Animal spirits
- Optimal decision making
- Ideal solution

Question No.30

Each firm in a cartel has an incentive to cheat since market price exceeds

- average cost.
- marginal cost.
- average variable cost.
- average fixed cost

Question No.31

Franchise bidding includes

- English auction
- Dutch auction
- Vickery auction
- All of these

Question No.32

In Krugman's core periphery model, spatial concentration of economic activity depends on

- Transport cost
- Factor mobility
- Share of manufacturing in GDP
- All of these

Question No.33

Based on accelerated multiplier interaction, whose theory of trade cycles generates constrained cycles?

- Kaldor
- Baumol
- Hicks
- Samuelson

Question No.34

Double counting in the national income accounts will not occur if GDP is computed by summing all:

- Sales of final output
- Sales
- Production costs
- Sales of final output and intermediate goods

Question No.35

An 8% coupon U.S. Treasury note pays interest on May 30 and

November 30 and is traded for settlement on August 15. The accrued interest on the Rs.100,000 face value of this note is _____.

- Rs.1,661.20
- Rs.800.00
- Rs.491.80
- Rs.983.61

Question No.36

Among the sampling techniques given below, which of the following is not a type of non-probability sampling?

- Convenience sampling
- Snowball sampling
- Quota sampling
- Stratified random sampling

Question No.37

In a competitive market, a tax on wage income falls completely on labour if

- Labour supply is elastic
- Labour supply is highly elastic
- Labour supply is inelastic
- Demand for product has infinite elasticity

Question No.38

The efficient scale of production is the quantity of output that minimizes

- average total cost.
- average variable cost.
- average fixed cost.
- marginal cost.

Question No.39

The $MPS + MPC$ must always equal

- The APC
- 1
- Zero
- the slope of the consumption function

Question No.40

If the co-efficient of correlation between x and y is 0.28, covariance between x and y is 3.36 and the variance of x is 9, then the variance of y is

- 16
- 8
- 2
- 4

Question No.41

A natural monopoly

- is a monopoly in the production of raw materials.
- is one result of a patent.
- necessarily involves inefficient pricing.
- occurs when one firm can supply the entire market more cheaply than can a number of firms.

Question No.42

In the Equation $MD = K \cdot PY$, K is

- The transaction velocity of money
- The inverse of the income velocity of money
- The income velocity of money
- The inverse of transaction velocity of money

Question No.43

The concept of single factoral and double factoral terms of trade

- Haberler
- Snider
- Jacob Viner
- Scammel

Question No.44

Metcalfé's law deals with

- Platform revolution
- Agglomeration externalities
- Network externalities
- All of these

Question No.45

Coase theorem states

- Zero pollution in social optimal
- Social welfare is maximized when marginal benefit minus marginal cost is maximized
- Under certain conditions, bargaining between parties can lead to socially optimal outcome

- None of these

Question No.46

In monopolistic competition there are _____ barriers to entry, so therefore in the long run, economic profit _____.

- no; equals zero
- many; is substantial
- no; is substantial
- many; equals zero

Question No.47

Along an aggregate demand curve, which of the following are held constant?

- nominal output and velocity
- real output and prices
- the money supply and real output
- the money supply and velocity

Question No.48

According to the pure expectation hypothesis, which of the following statements is correct concerning the expectations of market participants in an upward sloping yield curve environment?

- Interest rates will decrease and the yield curve will steepen
- Interest rates will increase and the yield curve will flatten
- Interest rates will decrease and the yield curve will flatten
- Interest rates will increase and the yield curve will steepen

Question No.49

The “compensated” demand curve is the demand curve that

- shows only the substitution effect.
- shows the Giffen good demand curve.
- shows only the income effect.
- shows both the income and substitution effects.

Question No.50

Cross elasticity of demand for a pair of substitute goods will be

- Positive
- Negative
- Unitary
- Infinite

Question No.51

According to Keynesians, the primary reason money is not neutral is

- reverse causation
- price stickiness
- rational expectations
- misperceptions over the aggregate price level

Question No.52

The deficit budget in which the deficits are covered through taxes is called

- Zero-based budget
- Surplus budget
- Unbalanced budget
- Balanced budget

Question No.53

According to John Maynard Keynes, the father of modern macroeconomic policy...

- supply creates its own demand through the circular flow of economic activity.
- government demand could be used to smooth fluctuations in aggregate output and income.
- markets coordinate supply and demand so that a policy of laissez-faire would prevent recessions.
- economic fluctuations were the cumulative result of mistakes made by businesses and households in an uncertain world.

Question No.54

The ratio of change in the equilibrium level of income to a change in some autonomous increase in spending is the

- Automatic stabilizer
- Multiplier
- Elasticity coefficient
- Accelerator

Question No.55

Expected value is defined as

- the relative frequency with which an event will occur.
- the profit on a fair bet.
- the outcome that will occur on average for a given experiment.
- the most likely outcome of a given experiment.

Question No.56

If demand is linear (a straight line), then price elasticity of demand is

- inelastic in the upper portion and elastic in the lower portion.
- constant along the demand curve.
- inelastic throughout.
- elastic in the upper portion and inelastic in the lower portion.

Question No.57

Ashwin's disposable income increases by Rs.1000, and he spends Rs. 600 of it. Ashwin's

- MPC is 0.4 and he saves Rs. 400
- MPC is 0.6 and he consumes Rs.400
- MPS is 0.4 and he saves Rs. 400
- MPS is 0.4 and he saves Rs. 600

Question No.58

Testing hypothesis is a

- Data analysis
- Data preparation
- Inferential statistics
- Descriptive statistics

Question No.59

National income accounting:

- Can be used to measure a nation's output, but not its production or consumption.
- Provides a set of rules for determining macroeconomic policy.
- Provides a set of rules and definitions for measuring economic activity in the aggregate economy.
- Is a useful tool for microeconomists.

Question No.60

A competitive, profit-maximizing firm hires labor until the:

- price of output multiplied by the marginal product of labor equals the nominal wage.
- real wage equals the real rental price of capital.
- wage equals the rental price of capital.
- marginal product of labor equals the nominal wage.

Question No.61

If demand is inelastic, marginal revenue will be

- zero
- positive
- constant
- negative

Question No.62

In the long run, the aggregate price level has:

- a positive effect on the quantity of aggregate output.
- no effect on the quantity of aggregate output.
- a negative effect on the quantity of aggregate output.
- an impact on aggregate output but no impact on employment.

Question No.63

If bundle X lies on an indifference curve and bundle Y lies to the right of the curve, the individual

- prefers bundle X to bundle Y.
- enjoys bundle X and Y equally.
- must receive more of both—with bundle Y.
- prefers bundle Y to bundle X.

Question No.64

In 2016, a cricket ball costs Rs.200. If there is deflation of 4% in 2017 (that is, prices fall by 4%) and there is deflation of 2% in 2018, what will be the price of a cricket ball at the end of this time frame? (Round to the nearest paisa)

- Rs.188.00
- Rs. 188.16
- Rs. 212.16
- Rs.212.00

Question No.65

The New Economic Geography is concerned with

- Demand side cumulative and circular causation
- Supply side cumulative and circular causation
- Interplay between centripetal and Centrifugal forces
- All of these

Question No.66

The statement that “the cost of reducing the rate of inflation is that people must lose their jobs” indicates that the speaker believes in a relationship that is usually depicted by which of the following?

- The spending multiplier
- The quantity theory of money
- The liquidity trap
- The short-run Phillips curve

Question No.67

Comparisons of GDP levels across countries are most accurate when:

- Prices are the same across countries
- Prices for non-market activities are the same across countries
- The value of non-market activities is the same across countries
- Prices and the value of non-market activities are the same across countries

Question No.68

Along an aggregate demand curve, which of the following are held constant?

- the money supply and velocity
- real output and prices
- the money supply and real output
- nominal output and velocity

Question No.69

The deviations in the actual rate of unemployment away from the natural rate of unemployment is called:

- frictional.
- cyclical.
- structural.
- seasonal.

Question No.70

The Nash equilibrium in a Bertrand price setting game in which firms first choose output capacities resembles the equilibrium in

- the competitive model.
- the price leadership model.
- The Cournot model.
- the cartel model.

Question No.71

The expansion path identifies

- the least-cost combination of outputs
- the firm's demand curves for the inputs.

- the least costly combination of inputs required to produce various levels of output.
- the various combinations of inputs that can be used to produce a given level of output.

Question No.72

A leftward shift of the Phillips curve will cause

- An outcome known as stagflation
- An increase in both unemployment and inflation
- A decrease in both unemployment and inflation
- A trade-off between unemployment and inflation

Question No.73

Suppose an economy is at full employment initially with balanced trade and a balanced budget. Holding everything else constant, when the government runs a deficit and the economy runs a trade surplus, this results in:

- A decrease in private saving
- An increase in private investment
- An increase in private saving
- Leakages exceeding injections in this economy

Question No.74

The distinguishing feature that determines whether an analysis is classical or Keynesian is

- the assumption about the transmission mechanism of monetary policy.
- the speed of price adjustment.
- the degree of monopoly power in the economy.
- the slope of the aggregate demand curve.

Question No.75

If the interest rate is 10 percent, an individual would be indifferent between receiving Rs.5.00 today or

- Rs.5.00 one year from now.
- Rs.5.50 one year from now.
- Rs.4.50 one year from now.
- Rs.4.00 one year from now.

Question No.76

The sum of the deviations of the items from arithmetic mean is

- Maximum

- 0
- Minimum
- 1

Question No.77

Agglomeration economies are due to

- Economics of learning, matching and sharing
- Network economics on demand side
- Hub Spoke economies
- Economics of distance

Question No.78

According to classical models, the level of employment is determined primarily by

- Prices and wages
- Interest rates
- The quantity of money
- The level of aggregate demand for goods and services

Question No.79

The rate of product transformation refers to

- how quickly a firm can produce a final good while starting with only natural resources.
- how a firm can substitute one input for another and still maintain the same production level.
- how production of one good can be substituted for another while still using a fixed supply of inputs efficiently.
- how a consumer can trade one good for another while still maximizing his or her utility.

Question No.80

According to Keynes, the basic cause of depression is

- Too little aggregate demand relative to productive capacity
- Too little productive capacity
- Inelastic supply
- General malfunctioning of the economy

Question No.81

A firm's economic profits are given by

- total revenue minus total accounting cost.
- total revenue minus total economic cost.
- total revenue minus the cost of capital.

- the owner's opportunity cost.

Question No.82

In the long run, according to the quantity theory of money and the classical macroeconomic theory, if velocity is constant, then _____ determines real GDP and _____ determines nominal GDP.

- the productive capability of the economy; the money supply
- the money supply; velocity
- velocity; the money supply
- the money supply; the productive capability of the economy

Question No.83

In the Keynesian model of income and employment, the economy is producing the equilibrium output when

- Total spending equals total output
- Total saving exceeds total investment
- Surplus inventories are maximised
- Total income equal to total savings

Question No.84

If the price of IPAD falls and the quantity of IPAD sold increases, which statement may have caused this change?

- Supply of IPAD shifts to the left.
- Demand for IPAD shifts to the right.
- Supply of IPAD shifts to the right.
- Demand for IPAD shifts to the left.

Question No.85

Keynes suggested that _____ income households consume a _____ proportion of their income than _____ income households

- low; smaller; middle
- high; larger; low
- low; larger; high
- low; smaller; high

Question No.86

According to the IS–LM model, if the government increases taxes but the RBI wants to hold the interest rate constant, then the RBI must _____ the money supply.

- first decrease and then increase
- increase

- decrease
- first increase and then decrease

Question No.87

A Pigouvian subsidy

- moves production to the socially optimal level of output
- is measured in terms of Pigouvian dollars.
- is the same thing as a Pigouvian tax.
- cannot exist with externalities.

Question No.88

Suppose that in a multiple regression, the F is highly significant, but each variable's individual t-statistic is insignificant. This indicates that:

- multicollinearity may be present
- a nonlinear model would be a better fit
- autocorrelation may be present
- the regression is good

Question No.89

If the MPC is 0.8, then the multiplier is:

- 5
- 8
- 4
- 10

Question No.90

Which one of the following pairs is not correctly matched?

- Special duty : Duty based on quantity
- Optimum tariff : Exchange control
- Quota : Non-tariff Distortion
- Autarky : Absence of trade

Question No.91

Per capita real output product is best defined as:

- The market value of all final goods and services produced in an economy in the prices of a given year divided by the population
- The market value of all final goods and services produced in an economy in the prices of a given year
- The market value of all final goods and services produced in an economy in current prices
- The market value of all final goods and services produced in

an economy in current prices divided by the population

Question No.92

A coupon bond pays interest semi-annually, matures in 5 years, has a par value of Rs.1,000 and a coupon rate of 12%, and an effective annual yield to maturity of 10.25%. The price the bond should sell for today is _____.

- Rs.1,075.80
- Rs.924.16
- Rs.922.77
- Rs.1,077.20

Question No.93

One advantage of a floating exchange rate is that

- It prevents inflation.
- It raises the value of the currency to a higher level than could be achieved with a pegged rate.
- It permits the country to conduct an independent monetary policy.
- It constrains the government from issuing excessive debt.

Question No.94

If an increase in the price of a good has no impact on the total revenue in that market, demand must be

- price inelastic.
- price elastic.
- perfectly elastic
- unit price elastic.

Question No.95

The "twin deficits" refers to

- current account and capital account deficits.
- a lower real GDP growth rate and a higher inflation rate than comparable countries.
- government deficits at the central and state levels.
- government budget and current account deficits.

Question No.96

Why effective duration, rather than modified duration should, be used when bonds contain embedded options?

- Effective duration considers expected changes in cash flows
- Modified duration considers expected changes in cash flows

- Either could be used if the bond has embedded options
- None of these

Question No.97

For purposes of calculating GDP, which of the following payments are not included in the government spending component?

- Social security payments.
- The federal government's purchase of a submarine from a shipbuilder.
- Wages paid by a local government to its road crew.
- Wages paid by a state government to the workers in its welfare department.

Question No.98

Compute the mode if mean is 4 and median is 6

- 0
- 14
- 10
- 8

Question No.99

If the marginal propensity to save (MPS) is small, it will

- not affect the value of the spending multiplier.
- increase the interest rate.
- make the spending multiplier smaller.
- make the spending multiplier larger.

Question No.100

Among a group of 20 teachers, 3 teachers are singers. Two teachers are picked at random. The probability that both teachers are singers are:

- 9/400
- 6/380
- 9/380
- 6/400