

M. Phil. /Ph. D. Entrance Test – 2015**Subject: Economics****Paper – I**

Important: Please consult your Admit Card/Roll No. slip before filling your Roll Number on the Test Booklet and Answer Sheet.

Roll No.

In Figure

In Words

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O.M.R. Answer Sheet Serial No.

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Signature of Candidate: _____

Signature of Invigilator: _____

Time: 60 Minutes**Number of Questions: 50****Maximum Marks: 50****DO NOT OPEN THE SEAL ON THE BOOKLET UNTIL ASKED TO DO SO.****INSTRUCTIONS:**

- Write your Roll No. on the Questions Booklet and also on the OMR Answer Sheet in the space provided and nowhere else.
- Enter the Question Booklet Serial No. on the OMR Answer Sheet. Darken the corresponding bubbles with **Black Ball Point/Black Gel Pen**.
- Do not make any identification mark on the Answer Sheet or Question Booklet.
- Please check that this Question Booklet contains **50** Questions. In case of any discrepancy, inform the Assistant Superintendent within 10 minutes of the start of Test.
- Each question has four alternative answer (A,B,C,D) of which only one is correct. For each question, darken only one bubble (A or B or C or D), whichever you think is the correct answer, on the Answer Sheet with **Black Ball Point/Black Gel Pen**. **There shall be no negative marking for wrong answers.**
- If you do not want to answer a question, leave all the bubbles corresponding to that question blank in the Answer Booklet. No marks will be deducted in such cases.
- Darken the bubbles in the OMR Answer Sheet according to the Serial No. of the question given in the Question Booklet.
- If you want to change an already marked answer, erase the shade in the darkened bubble completely.
- For rough work only the blank sheet at the end of the Question Booklet be used.
- The Answer Sheet is designed for computer evaluation. Therefore, if you do not follow the instructions given on the Answer Sheet, it may make evaluation by the computer difficult. **Any resultant loss to the candidate on the above account, i.e. not following the instructions completely, shall be of the candidate only.**
- After the test, hand over the Question Booklet and the Answer Sheet to the Assistant Superintendent on duty.
- In no case the Answer Sheet, the Question Booklet, or its part or any material copied/noted from this Booklet is to be taken out of the examination hall. Any candidate found doing so would be expelled from the examination.
- A candidate who creates disturbance of any kind or changes his/her seat or is found in possession of any paper possibly of any assistant or found giving or receiving assistant or found using any other unfair means during the examination will be expelled from the examination by the Centre Superintendent/Observer whose decision shall be final.
- Communication equipment such as mobile phones, pager, wireless set, scanner, camera or any electronic/digital gadget etc., is not permitted inside the examination hall. Use of calculators is not allowed.**
- The candidates will not be allowed to leave the Examination Hall/Room before the expiry of the allotted time.

(1075)

1. The word 'economic' refers to something that:
 - A) Is scarce
 - B) Is limited
 - C) Commands a price
 - D) All of the above
2. A positive GDP gap exists when:
 - A) Nominal GDP is greater than real GDP
 - B) Potential GDP is greater than real GDP
 - C) Real GDP is greater than potential GDP
 - D) Economic activity is at its full employment level
3. Unanticipated inflation is harmful to:
 - A) Creditors
 - B) Debtors
 - C) Retirees whose retirement is indexed
 - D) Economic growth but has no effect upon individual members of the economy
4. The natural rate of unemployment is the rate of unemployment that exists when there is only:
 - A) Frictional and cyclical unemployment
 - B) Frictional and structural unemployment
 - C) Structural and cyclical unemployment
 - D) Frictional unemployment
5. The consumption function specifies that consumption spending is:
 - A) Negatively related to the level of disposable income
 - B) Positively related to the level of disposable income
 - C) Negatively related to the rate of interest
 - D) Positively related to the rate of interest
6. An inflationary gap can be eliminated by:
 - A) Equal increases in net tax revenues and government spending
 - B) An increase in government spending and a decrease in lump sum taxes
 - C) Equal decreases in net tax revenues and government spending
 - D) A decrease in lump sum taxes
7. Built in stabilizers are:
 - A) Discretionary fiscal actions available to the government
 - B) Increased government spending on public works projects
 - C) A change in the income tax rate
 - D) Changes in net tax revenues that are the result of a change in the level of economic activity

8. The velocity of money measures:
- The use of each unit of money in purchasing final output
 - The average use of money in purchasing final output
 - The average use of money by consumers in purchasing consumer goods
 - The average use of money by the business sector
9. Capital deepening occurs when there is:
- An increase in the stock of capital
 - An equal increase in the stock of capital and the labour supply
 - A greater increase in the labour supply than in the stock of capital
 - A greater increase in the stock of capital than in the labour supply
10. If total revenue rises when price falls, the demand curve is:
- Elastic
 - Unitary elastic
 - Inelastic
 - Any of the above
11. When total utility increases, marginal utility is:
- Negative and increasing
 - Negative and declining
 - Zero
 - Positive and declining
12. The demand curve faced by a perfectly competitive firm is:
- Negatively sloped
 - Positively sloped
 - Horizontal
 - Any of the above
13. In the short run, the monopolist:
- Makes a profit
 - Breaks even
 - Incurs a loss
 - Any of the above
14. Price discrimination involves charging different prices for a commodity:
- To different classes of customers
 - For different quantities purchased
 - In different markets
 - All of the above
15. Profit is equal to total revenue minus:
- Explicit costs
 - Implicit costs
 - Implicit and explicit costs
 - Wages and rents
16. In case of multiple correlation, the number of variables involved are greater than:
- Three
 - Four
 - Two
 - One
17. The component useful for long term forecasting is:
- Seasonal
 - Cyclical
 - Irregular
 - Trend

18. Probability of a sure event is:
A) 0 B) 1 C) 0.5 D) None of these
19. The appropriate expenditure switching policy to correct a deficit in the balance of payments is:
A) Revaluation B) Devaluation
C) Monetary Policy D) Fiscal Policy
20. 'Economies of Scale' is a term that refers to the production situation where the growth of output in relation to the increase in the use of inputs is:
A) Greater B) Less C) Equal D) All of these
21. A liquidity effect occurs when:
A) A reduction in government spending lowers the rate of interest
B) A money supply increase lowers the rate of interest
C) An increase in government spending increases the rate of interest
D) A money supply increase raises the rate of interest
22. Interest return is the:
A) Sum received in lending to a deficit spending unit
B) Present value of the annual flow of interest payments
C) Coupon rate of interest
D) None of the above
23. A bank is insolvent when:
A) Deposit liabilities exceed owner's equity
B) Owner's equity exceeds deposit liabilities
C) Total assets exceed owner's equity
D) Total liabilities exceed total assets
24. The GNP deflator:
A) Measures the real value of constant GNP
B) Is used to measure real household income over time
C) Is an index of price changes in GNP over time
D) Is an index of changes in wholesale prices over time
25. The rate of interest, in Classical Analysis:
A) Determines the full employment level of output
B) Equates saving and investment
C) Equates the supply and demand for money
D) Determines the short run employment of labour

26. Keynes held that:
- A) Consumption is a function of the level of income and saving is a function of the rate of interest
 - B) Saving is a function of income and consumption is a function of rate of interest
 - C) Both consumption and saving depend on the level of income
 - D) Both consumption and saving depend on the rate of interest
27. The Philips curve shows:
- A) An inverse relationship between the rate of inflation and the rate of unemployment
 - B) A direct relationship between the rate of inflation and the rate of unemployment
 - C) An inverse relationship between the rate of inflation and the level of employment
 - D) An inverse relationship between the price level and the level of employment
28. According to Rational Expectations Theory, money supply changes:
- A) Generally do not affect the real rate of interest
 - B) Generally do affect the real rate of interest
 - C) Affect the real rate of interest because individuals incorrectly anticipate the inflationary effect of money supply changes
 - D) Affect the real rate of interest because individuals correctly anticipate the inflationary effect of money supply changes
29. The premise that benefit of economic growth will reach all sections of the population is called:
- A) Trickle Up Effect
 - B) Trickle Down Effect
 - C) Take Off Effect
 - D) Backlash Effect
30. Conspicuous consumption leads to:
- A) Increase in investment
 - B) Decrease in consumption
 - B) Decrease in saving
 - D) None of these
31. The concept of 'Demonstration Effect' was given by:
- A) Friedman
 - B) Duesenberry
 - C) Marshall
 - D) Modigliani
32. The incidence of tax refers to:
- A) Growth of taxation
 - B) The way in which tax is collected
 - C) Who pays the tax ultimately
 - D) Level and rate of taxation

33. A regressive tax will tend to redistribute income:
- A) Equally B) Unequally C) Indirectly D) Proportionally
34. Consumer surplus is defined as:
- A) The difference between what the consumer actually pays and what he's willing to pay
 B) The difference between what the consumer is willing to pay and what he actually pays
 C) The sum of what the consumer pays and what he's willing to pay
 D) What the consumer is willing to pay divided by what he actually pays
35. The existence of a natural rate of unemployment suggests that:
- A) There is no inflation – unemployment trade off in the long run
 B) Increased likelihood of demand pull inflation
 C) A decrease in the rate of unemployment
 D) The short run Philips curve is steeper than the long run Philips curve
36. If a firm doubles all inputs in the long run and total output is less than double, it is a case of:
- A) Diminishing returns B) Constant returns to scale
 C) Increasing returns to scale D) Decreasing returns to scale
37. A depreciation of a nation's currency usually causes internal prices to:
- A) Fall B) Rise
 C) Remain unchanged D) All of these
38. Automatic adjustment of balance of payments disequilibrium can be brought about by variations in:
- A) External prices B) Internal prices C) Income D) All of these
39. Hedging refers to:
- A) The acceptance of a foreign exchange risk
 B) The covering of a foreign exchange risk
 C) Foreign exchange speculation
 D) Foreign exchange arbitrage
40. An example of a Euro currency is:
- A) A dollar deposit outside the United States
 B) A pound sterling deposit outside the United Kingdom
 C) A mark deposit outside Germany
 D) All of the above

41. The Bretton Woods system was:
- A) A gold standard
 - B) A flexible exchange rate system
 - C) A gold exchange standard
 - D) None of these
42. The demand for money is:
- A) Positively related to output and the rate of interest
 - B) Negatively related to output and the rate of interest
 - C) Negatively related to output and positively related to the rate of interest
 - D) Positively related to output and negatively related to the rate of interest
43. By definition, the marginal propensity to consume:
- A) Equals $\Delta C / \Delta Y$
 - B) Is the behavioural coefficient, b, in the equation: $C = a + bY$
 - C) Is the slope of the Consumption Function
 - D) All of the above
44. Crowding Out occurs when:
- A) A change in the rate of interest affects the quantity of money demanded
 - B) A stimulative fiscal policy pushes up the rate of interest which lowers investment spending
 - C) A stimulative fiscal policy changes the velocity of money
 - D) A stimulative fiscal policy increases equilibrium output
45. Ceteris Paribus is used in economics when:
- A) Two variables are positively related
 - B) Two variables are negatively related
 - C) The value of an independent variable affecting the dependent variable is held constant
 - D) The value of a dependent variable affecting the independent variable is held constant
46. At the best, or optimum, short run level of output, the firm will be:
- A) Maximising total profits
 - B) Minimising total losses
 - C) Either maximising total profits or minimising total losses
 - D) Maximising profits per unit
47. Simultaneous equilibrium in the money (LM) and goods (IS) markets exists:
- A) At an unlimited number of output levels and rates of interest
 - B) At only one output level and rate of interest
 - C) At an unlimited number of output levels and only one rate of interest
 - D) At only one output level and an unlimited number of rates of interest

48. The short run labour supply function is:

- A) Positively sloped because of disutility of work
- B) Negatively sloped because of disutility of work
- C) Positively sloped because of disutility of leisure
- D) Negatively sloped because of disutility of leisure

49. The demand for labour schedule:

- A) Shifts leftward when the price level rises
- B) Shifts rightward when the price level rises
- C) Shifts rightward when there is a proportional increase in the price level and the nominal wage
- D) Shifts leftwards when there is a proportionate increase in the price level and the nominal wage

50. According to Kaldor's Model of Trade Cycle, Saving and Income relationship is:

- A) Linear and direct
- B) Linear and inverse
- C) Nonlinear and direct
- D) Nonlinear and inverse

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