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ECONOMICS

Paper – II

1. If a straight line demand curve is tangent to a curvilinear demand curve, the elasticity of the two demand curves at the point of tangency is

    (A)   the same

    (B)   different

    (C)   can be the same or different

    (D)   dependent on the location of the points of tangency.

2. The law of downward-sloping demand can be explained in terms of

    (A)   the substitution effect

    (B)   the income effect

    (C)   both the substitution and income effects

    (D)   neither the substitution nor income effect.

3. Which of the following does not cause an increase in demand ?

    (A)   An increase in consumers' incomes

    (B)   An increase in consumers' preference for the commodity

    (C)   A reduction in the commodity's price

    (D)   A reduction in the price of a complementary good.

4. The demand curve faced by a perfectly competitive firm is

    (A)   negatively sloped

    (B)   positively sloped

    (C)   horizonal

    (D)   any of these.

5. In general, if the average revenue curve is a straight line, the marginal revenue curve will be

    (A) U-shaped

    (B)   a straight line

    (C) C-shaped

    (D)   bell-shaped.

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6. When the law of diminishing returns begins to operate, the TVC curve begins to

   (A)   fall at an increasing rate

   (B)   rise at a decreasing rate

   (C)   fall at a decreasing rate

   (D)   rise at an increasing rate.

7. MC is given by

   (A)   the slope of the TFC curve

   (B)   the slope of the TVC curve but not by the slope of the TC curve

   (C)   the slope of the TC curve but not by the slope of the TVC curve

   (D)   either the slope of the TVC curve or the slope of the TC curve.

8. Economic rent is earned by a factor when its

   (A)   supply is perfectly elastic

   (B)   supply is inelastic

   (C)   supply is more than its demand

   (D)   demand is less than its supply.

9. The slope of the iso-cost line measures

   (A)   the marginal rate of technical substitution

   (B)   the marginal rate of substitution

   (C)   the ratio of input prices

   (D)   optional combination of inputs.

10. Demand for a factor is 'derived demand' because

   (A)   it is derived from the entrepreneur's need for profit

   (B)   it emerges from the demand for the final product

   (C)   it stems from government policy relating to labour

   (D)   it is derived from long period expectation.

11. In the short run, the monopolist

   (A)   breaks even

   (B)   incurs a loss

   (C)   makes a profit

   (D)   any of these.

12. The short-run supply curve of the monopolist is

(A)   the rising portion of the MC curve

(B)   the rising portion of the MC curve above AVC

(C)   The rising portion of the MC curve above AC

(D)   none of these.

13. In economics, the term 'opportunity cost' refers to

(A)   the monetary cost of a good or service

(B)   the money cost of hiring an economic resource

(C)   the value of a good or service foregone

(D)   the money cost of providing a good or service.

14. Which of the following most closely approximates an oligopoly ?

(A)   The cigarette industry

(B)   The barber shops in a city

(C)   The gasoline stations in a city

(D)   Wheat farmers in the village.

15. With reference to the Cournot's model, determine which one of the following statements is false :

(A)   The solution is stable

(B)   **Each duopolist assum**es the other will keep its price constant

(C)   The duopolists do not recognise their interdependence

(D)   Each duopolist assumes the other will keep its quantity constant.

16. The Indian economist with whom the CES production function is associated is

(A)   B. S. Minhas

(B)   A. K. Sen

(C)   T. N. Srinivasan

(D)   V. K. R. V. Rao.

17. Equilibrium of a monopolist will never be below the middle point of the average revenue curve because below the middle point

(A)   **elasticity of demand is less than unity**

(B)   MR is negative

(C)   both (a) and (b)

(D)   **market laws ce**ase to operate.

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18. A given economic state is Pareto-optimum if a policy change can

    (A)   make everyone better off

    (B)   make someone better off and someone worse off

    (C)   make someone better off and none worse off

    (D)   not make anyone better off without making someone worse off.

19. Net national product equals

    (A)   national income plus indirect business taxes

    (B)   national income less depreciation

    (C)   national income plus depreciation

    (D)   **gross domestic product less indirect** business taxes.

20. A positive GDP gap exists when

    (A)   **nominal GDP is greater than real GDP**

    (B)   real GDP is greater than potential GDP

    (C)   potential GDP is greater than real GDP

    (D)   economic activity is at its full-employment level.

21. In an open economy, domestic interest rate is pegged to the fixed global interest rates. Then the LM curve will be

    (A)   a horizontal straight line

    (B)   a vertical straight line

    (C)   an upward sloping straight line

    (D)   parallel to the IS curve.

22. When the MPC is 0·80 and the APC is 0·95, the MPS is

    (A)   **0·20 and the APS is 0·05**

    (B)   0·05 and the APS is 0·20

    (C)   0·20 and the APS is 0·20

    (D)   0·05 and the APS is 0·05.

23. In the Harrod growth model, there will be stable equilibrium if

    (A)   natural rate of growth is equal to warranted rate of growth

    (B)   natural rate of growth exceeds warranted rate of growth

    (C)   natural rate of growth equals actual rate of growth

    (D)   natural rate of growth equals warranted rate of growth which equals actual growth rate.

24. The devaluation of currency, according to Marshall-Lerner conditions, will not be helpful if the sum of elasticities of exports and imports is

(A)   equal to unity

(B)   less than unity

(C)   greater than unity

(D)   greater than 4.

25. The Phillips curve shows that

(A)   **high unemployment rates** are associated with low inflation rates

(B)   high unemployment rates are associated with high inflation rates

(C)   high unemployment rates are associated with a large increase in the nominal wage

(D)   high inflation rates are associated with a small increase in the nominal wage.

26. Which one of the following is not an example of near money ?

(A)   **Treasury bills of the Government of India**

(B)   Equity shares of Dr. Reddy's laboratories

(C)   Bill of exchange

(D)   Bonds and Debentures.

27. Under fixed exchange rate system, following a contractionary fiscal policy

(A)   **exchange rate rises, but income level falls**

(B)   exchange rate falls, but income level rises

(C)   income level falls along with constant exchange rate

(D)   income level rises along with constant exchange rate.

28. A profit maximising firm will stop production in the short-run if price is

(A)   lower than average cost

(B)   lower than marginal cost

(C)   **lower than average variable cost**

(D)   equal to average cost.

29. Transaction demand for money is proportional to

(A)   rate of interest

(B)   income

(C)   money supply

(D)   investment.

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30. Right-angled isoquants represent

(A) a variable proportion production function

(B) a fixed proportion production function

(C) a homogeneous production function

(D) none of these.

31. In any economy inflation rate is 4%, income growth rate is 6%. The economy seeks to ensure stable exchange rate. Then under monetary approach money growth rate must be

(A) 2%

(B) 4%

(C) 10%

(D) 16%.

32. The imposition of a tariff by a country A on imports from country B

(A) always benefits A

(B) could benefit both countries, provided B retaliates

(C) always benefits B

(D) may benefit A if B does not retaliate,

depending on the shape of the reciprocal demand curves.

33. The H-O theory postulates that as a result of trade the difference in factor prices between nations

(A) diminishes

(B) increases

(C) remains unchanged

(D) **any of these is poss**ible.

34. X-efficiency concept was formulated by

(A) Ragnar Nurnse

(B) Rosenstein Rodan

(C) Hans Singer

(D) H. Leibenstein.

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35. Human Development Index was formulated by

(A)   UNCTAD

(B)   UNICEF

(C)   UNDP

(D)   IBRD.

36. Disguised unemployment is a characteristic of

(A)   services

(B)   industry

(C)   subsistence agriculture

(D)   none of these.

37. In Rostow's stage theory, the drive to maturity stage

(A)   starts the development process

(B)   completes the development process

(C)   comes before the take-off

(D)   follows the take-off.

38. Liberalization process started in India in the year

(A)   1978

(B)   1986

(C)   1991

(D)   1996.

39. The idea of inclusive growth was introduced during the

(A)   2nd Plan

(B)   4th Plan

(C)   10th Plan

(D)   11th Plan.

40. The GDP in the Indian economy in 2010-11 is widely expected

(a)   to grow at around 6%

(b)   to grow at around 8·5%

(c)   to surpass that of Japan

(d)   to surpass that of China.

Codes :

(A)   only (b)

(B)   (a) and (c)

(C)   (b) and (d)

(D)   only (a).

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41. When two variables are correlated

      (a)   they move together in the same direction

      (b)   they move together but in opposite directions

      (c)   when one moves the other remains fixed and vice versa

      (d)   when one moves in a random way the other can have any behaviour

Codes :

(A)   All of these

(B)   (a) and (b)

(C)   (c) and (d)

(D)   (a), (b) and (c).

42. When two variables are highly correlated we expect the coefficient of regression of one on the other

      (a)   to be unity and statistically significant

      (b)   to be highly statistically significant

      (c)   to be zero and statistically insignificant

      (d)   to be insignificant.

Codes :

(A)   only (a)

(B)   (a) or (c)

(C)   only (b)

(D)   (b) or (c).

43. Coefficient of variation

      (a)   measures the variability of the distribution on the two sides of the mean

      (b)   variability of the distribution relative to the mean

      (c)   is unity for a symmetric distribution

      (d)   is zero for a constant.

Codes :

(A)   only (a)

(B)   (a) & (c)

(C)   only (b)

(D)   (b) & (d).

44. *X* and *Y* are two independent random variables. Then

    (A) $var(X + Y) > var(X - Y)$

    (B) $var(X + Y) < var(X - Y)$

    (C) $var(X + Y) = 2\,var(X - Y)$

    (D) $var(X + Y) = var(X - Y)$.

45. The probability distribution of *X* is as follows :

X	*f(x)*
1	0·1
2	0·1
3	0·2
4	0·2
5	0·1
6	0·3

    Here $P[X \le 2] + P[2 < X \le 4] + P[X \ge 5]$ equals

    (A)   0·7

    (B)   1

    (C)   0·8

    (D)   0·9.

46. An increase in money supply shifts

    (A)   **the LM curve to the right**

    (B)   the IS curve to the left

    (C)   the LM curve to the left

    (D)   the IS curve to the right.

47. Select the correct match from the following by using the codes given below :

a)	Inflation-Unemployment trade-off	1.	Don Patinkin
b)	Real balance effect	2.	Robert Solow
c)	Neoclassical Growth Model	3.	Harrod, R.F.
d)	Knife-edge instability	4.	NAIRU.

    Codes :

	a	*b*	*c*	*d*
(A)	2	3	1	4
(B)	4	1	2	3
(C)	2	3	4	1
(D)	3	2	1	4

48. Whenever personal income is taxed, investment multiplier

   (A)   falls

   (B)   rises

   (C)   does not change

   (D)   either falls or rises.

49. Select the correct match from the following by using the codes given below :

   a)   Govt. budget   1.   Non-rivalry in consumption

   b)   Central bank   2.   Monetary policy

   c)   Public goods   3.   Allocation, distribution and stabilization function

   d)   Commercial bank   4.   Credit creation.

   Codes :

	a	b	c	d
(A)	3	4	1	2
(B)	1	4	3	2
(C)	2	3	4	1
(D)	3	2	1	4.

50. A multivariate regression analysis is one with

   (A)   only one X variable

   (B)   two or more X variables

   (C)   number of X variables do not matter

   (D)   depicts quadratic relationship between Y and X variables.