Roll No.

(Write Roll Number from left side exactly as in the Admit Card)

0715

Subject Code : 07

Signature of Invigilators

1. _____

2. _____

Question Booklet Series | **A**

PAPER–II

Question Booklet No.

OMR Sheet No. ....

(To be filled by the candidate)

ECONOMICS

Time : 1 Hour 15 Minutes

Maximum Marks: 100

Instructions for the Candidates

1. Write your Roll Number in the space provided on the top of this page as well as on the OMR Sheet provided.

2. At the commencement of the examination, the question booklet will be given to you. In the first 5 minutes, you are requested to open the booklet and verify it:

   (i) To have access to the Question Booklet, tear off the paper seal on the edge of this cover page.

   (ii) Faulty booklet, if detected, should be got replaced immediately by a correct booklet from the invigilator within the period of 5 minutes. Afterwards, neither the Question Booklet will be replaced nor any extra time will be given.

   (iii) After this verification is over, the Question Booklet Series and Question Booklet Number should be entered on the OMR Sheet and the OMR Sheet Number should be entered on this Question Booklet.

3. This paper consists of fifty (50) multiple-choice type questions. All the questions are compulsory. Each question carries *two* marks.

4. Each Question has four alternative responses marked: (A) (B) (C) (D). You have to darken the circle as indicated below on the correct response against each question.

   Example: (A) (B) ● (D), where (C) is the correct response.

5. Your responses to the questions are to be indicated correctly in the OMR Sheet. If you mark your response at any place other than in the circle in the OMR Sheet, it will not be evaluated.

6. Rough work is to be done at the end of this booklet.

7. If you write your Name, Roll Number, Phone Number or put any mark on any part of the OMR Sheet, except for the space allotted for the relevant entries, which may disclose your identity, or use abusive language or employ any other unfair means, such as change of response by scratching or using white fluid, you will render yourself liable to disqualification.

8. Do not tamper or fold the OMR Sheet in any way. If you do so, your OMR Sheet will not be evaluated.

9. You have to return the Original OMR Sheet to the invigilator at the end of the examination compulsorily and must not carry it with you outside the Examination Hall. You are, however, allowed to carry question booklet and duplicate copy of OMR Sheet after completion of examination.

10. **Use only Blue/Black Ball point pen.**

11. **Use of any calculator or log table or mobile phone etc. is strictly prohibited.**

12. **There are no negative marks for incorrect answers.**

[Please Turn Over]

ECONOMICS

PAPER II

1. In Keynesian consumption function, the property shows

   (A) MPC = APC

   (B) MPC < APC

   (C) MPC > APC

   (D) APC is Zero

2. To achieve a rise of income of 500, given MPC= 0.8, how much should be the rise in government expenditure in a simple Keynesian model?

   (A) 200

   (B) 300

   (C) 100

   (D) 400

3. If the ratio of currency to demand deposit ratio increases, the money multiplier value

   (A) increases

   (B) decreases

   (C) does not change

   (D) change in equal proportion

4. Friedman's restatement of quantity theory of money demand basically showed which one of the following?

   (A) Income velocity becomes a function of rate of interest and inflation.

   (B) Income velocity becomes a function of money supply.

   (C) Money demand always becomes an inelastic function.

   (D) Money demand becomes independent of rate of return.

5. The basic assumption of classical approach to determination of output and employment is

   (A) price flexibility and wage rigidity

   (B) wage flexibility and price rigidity

   (C) wage-price flexibility

   (D) wage-price rigidity

6. The Balanced Budget Multiplier increases income by

   (A) Zero

   (B) Infinity

   (C) the amount of expenditure change.

   (D) the difference of change in taxes and expenditure.

7. In the long-run:

   (I) Phillips curve is vertical at the natural rate of unemployment.

   (II) Changes in money supply do not influence employment.

   (A) I is true but not II.

   (B) II is true but not I.

   (C) Both I and II are correct.

   (D) Both I and II are wrong.

8. The additivity of utility in the Marshallian analysis of demand is based on the assumption of

   (A) Rationality and diminishing marginal utility.

   (B) Constancy of MU_m (Marginal Utility of money) and transitivity.

   (C) Cardinality and independence of utility.

   (D) Constancy of MU_m and diminishing marginal utility.

[Please Turn Over]

9. MC is given by
   (A) the slope of AC curve.
   (B) the slope of TVC curve but not by the slope of TC curve.
   (C) the slope of TC curve but not by the slope of TVC curve.
   (D) either the slope of TVC or the slope of TC curve.

10. Match *List I* with *List II* and select the correct answer from the codes given below:

List I	*List II*
(a) Kaldor and Hicks	1. Social Welfare function
(b) Bergson and Samuelson	2. Impossibility theorem
(c) Kenneth J Arrow	3. Price Competition
(d) Bertrand	4. Compensation criterion

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

11. Consider the following statements:
   According to the law of variable proportions, total product is maximum when
   (1) Marginal product is zero.
   (2) Marginal product cuts average product curve from above.
   (3) Slope of marginal product is zero.
   (4) Tangent to the total product curve is parallel to horizontal axis.
   Which of the following statements are correct?
   (A) 1 and 4
   (B) 3 and 4
   (C) 1 and 3
   (D) 2 and 3

12. If by increasing quantity of labour used by one unit, the firm can give up 2 units of capital and still produce the same output then the MRTS $_{LK}$ is
   (A) $\frac{1}{2}$
   (B) 1
   (C) 4
   (D) 2

13. Which one of the following statements is correct? The Sweezy model of oligopoly assumes that price elasticity of demand
   (A) is higher for a price increase than for a price decrease.
   (B) is lower for a price increase than for a price decrease.
   (C) cannot change for a price increase or price decrease.
   (D) cannot change for a price decrease.

14. The following four items consist of two statements one labelled the Assertion A and the other labelled the Reason R. You are to examine these 2 statements carefully and decide if Assertion A and the Reason R are individually true and if so, whether the reason is a correct explanation of the Assertion:

   Assertion (A): Long run equilibrium of the industry in a perfectly competitive market occurs at the point where price equals minimum long run average cost.

   Reason (R): In this position of zero economic profit there is no tendency on the part of any existing firm to exit and no potential entrant wants to enter the industry.

Codes:
   (A) Both *(A)* and *(R)* are true and *(R)* is the correct explanation of *(A)*.
   (B) Both *(A)* and *(R)* are true and *(R)* is not the correct explanation of *(A)*.
   (C) *(A)* is true but *(R)* is false.
   (D) *(A)* is false but *(R)* is true.

15. A monopoly practices second degree price discrimination if
   (A) it can perfectly identify the individual type of the consumers.
   (B) it can identify the consumers with certain groups whose types are known.
   (C) it can identify either the consumers' individual type or which group they belong to but it has an idea about the types of consumers in the market.
   (D) it cannot offer quantity discount at the market.

16. Compare the monopoly profit with oligopoly profits with symmetric firms in a market.

    (A) The monopoly profit is the same as the sum of oligopoly profits.

    (B) The monopoly profit is less than the sum of oligopoly profits.

    (C) The monopoly profit is greater than the sum of oligopoly profits.

    (D) They are not comparable due to lack of information.

17. Consider the ordinary (Marshallian) and the compensated (Hicksian) demand curves of an interior commodity.

    (A) The ordinary demand curve is steeper than the compensated demand curve.

    (B) The ordinary demand curve is flatter than the compensated demand curve.

    (C) Both curves have identical slopes and parallel to each other.

    (D) Both the curves have identical slopes and coincide.

18. An expenditure function is

    (A) Linear in prices

    (B) Concave in prices

    (C) Convex in prices

    (D) Independent of prices

19. Consider an exchange economy with two individuals and two commodities. The endowments of the commodities are 1 unit each. Which one of the following allocations are Pareto optimum?

    (A) $\{(½, ½), (½, ½)\}$

    (B) $\{(¼, ¼), (½, ½)\}$

    (C) $\{(¾, ¾), (½, ½)\}$

    (D) $\{(½, ½), (¾, ¾)\}$

20. That part of disposable income not spent on consumption is defined as

    (A) transitory disposable income

    (B) permanent disposable income

    (C) disposable income

    (D) saving

21. The classical economists argued that the production of goods and services (supply) generates an equal amount of total income and, in turn, total spending. The theory is called

    (A) the animal spirit theory.

    (B) the 'General theory of Keynes'.

    (C) Say's Law

    (D) the law of autonomous consumption.

22. Inverted U-hypothesis is proposed by:

    (A) Amartya Sen

    (B) Jagdish Bhagwati

    (C) Robert Solow

    (D) Simon Kuznets

23. Changes in sales tax is a part of the

    (A) Monetary policy

    (B) Fiscal policy

    (C) Both the fiscal and monetary policy

    (D) Money supply control

24. Match the following:

    (a) Hirschman   (i) Low level equilibrium trap

    (b) Nelson   (ii) Unbalanced growth

    (c) R. M. Solow   (iii) Cambridge theory of economic growth

    (d) N. Kaldor   (iv) Neo-classical growth theory

    (A) (i)-(i), (ii)-(ii), (iii)-(iii) and (iv)-(iv)

    (B) (i)-(ii), (ii)-(i), (iii)-(iv) and (iv)-(iii)

    (C) (i)-(iv), (ii)-(iii), (iii)-(ii) and (iv)-(i)

    (D) (i)-(iii), (ii)-(ii), (iii)-(i) and (iv)-(iv)

25. Kaldor's model of Economic growth emphasizes on

    (A) Traditional factors of production

    (B) Technical determinism

    (C) Non-Technical Dynamism

    (D) Static Factors

[Please Turn Over]

26. Knife-edge problem in Harrod's model arises because
- (A) independent determination of s, v and n by three different sectors.
- (B) joint determination of s & v and independent determination of n.
- (C) joint determination of s, v and n by three sectors.
- (D) s and n are determined jointly by two sectors while v is determined by the other sector independently.

27. Indian income tax is
(1) Progressive (2) Proportionate
(3) Direct (4) Income-elastic
Find the correct statement from below.
- (A) 1, 2 and 4 are correct.
- (B) 1, 2 and 3 are correct.
- (C) 1, 3 and 4 are correct.
- (D) 2, 3 and 4 are correct.

28. A pure public good is
- (A) Excludable and rival in consumption.
- (B) Non-excludable and rival in consumption.
- (C) Excludable and non-rival in consumption.
- (D) Non-excludable and non-rival in consumption.

29. If positive externality is associated with an activity, for that particular activity
- (A) Private optimum > Social optimum
- (B) Private optimum = Social optimum
- (C) Private optimum < Social optimum
- (D) The relation between private and social optimum is uncertain.

30. Budgetary deficit does not take into account
- (A) Revenue deficit
- (B) Capital Budget deficit
- (C) Balance of payments deficit
- (D) Interest payment on public debt

31. Justice in taxation is best ensured by applying the principle of
- (A) Equal absolute sacrifice
- (B) Equal proportional sacrifice
- (C) Equal marginal sacrifice
- (D) Equal average sacrifice

32. An optimum currency area does not have which of the following?
- (A) Countries should have high trade linkage.
- (B) Countries should have high factor mobility.
- (C) Countries should follow a flexible exchange rate regime.
- (D) Countries should have economic integration among themselves.

33. The Prefisch-singer hypothesis of falling terms of trade for developing countries does not hold under which of the following conditions?
- (A) Low income-elasticity of developing country exports.
- (B) Low price-elasticity of developing country exports.
- (C) Weak trade unions in developing countries.
- (D) Equal changes of factor rewards during business downswing in developing and developed countries.

34. Which one of the following is an 'accommodating' capital flow in the balance of payments of a country?
- (A) A firm repays a loan to a foreign country.
- (B) An individual buys a government bond of a foreign country.
- (C) An individual buys a real estate in a foreign country.
- (D) A country gets foreign aid from a foreign government.

35. Which of the following may not occur under international trade in imperfect market conditions?
- (A) Anti-dumping duty
- (B) Subsidy to monopoly exporter
- (C) Imposition of a strategic tariff
- (D) Imposition of a general customs duty

36. In partial equilibrium analysis of tariff which one of the following is not true when a tariff is imposed on an imported good?

    (A) Consumers' surplus declines

    (B) Producers' surplus increases

    (C) Government tariff revenue increases

    (D) Domestic production declines

37. The annual percentage growth rate of GDP (at constant prices) in India for 2014-15 is recorded as

    (A) 5.0

    (B) 7.4

    (C) 6.9

    (D) 5.1

38. According to the Human Development Report 2014, India's rank in terms of HDI value among 187 countries and territories is

    (A) 111

    (B) 130

    (C) 131

    (D) 135

39. As per the Revised Estimate for 2013-14, the fiscal deficit (Centre and States combined) in India is

    (A) 6.8%

    (B) 7.0%

    (C) 6.4%

    (D) 7.5%

40. The foreign exchange reserves (US $ Billion) of India at end-December 2014 stood at

    (A) 344.6

    (B) 320.6

    (C) 388.5

    (D) 143.3

41. As reported in Economic Survey 2014-15, India's share in cumulative global CO_2 emissions is

    (A) 1.8%

    (B) 2.8%

    (C) 3.8%

    (D) 4.8%

42. The term 'regression' has been coined by

    (A) Karl Pearson

    (B) Carl Friedrich Gauss

    (C) Francis Galton

    (D) Ragner Frisch

43. If two regression lines, estimated from a given set of data, are

$$Y = 4 + 0.9X$$
$$X = -2 + 0.4Y$$

then coefficient of correlation between X and Y will be

    (A) 0.6

    (B) 0.36

    (C) 0.06

    (D) cannot be said

44. If $a \leq x_i \leq b$ for all i = 1, 2, ..., n, then SD(x) cannot exceed

    (A) $b - a$

    (B) $b + a$

    (C) $\dfrac{b - a}{2}$

    (D) $\dfrac{b + a}{2}$

45. A variable X can take any value in between 1 and 10 with probability distributed uniformly in the range. The probability distribution of X is known as

    (A) Uniform

    (B) Normal

    (C) Rectangular

    (D) Binomial

46. If $P(A) = \frac{1}{4}$, $P(B) = \frac{2}{5}$ and $P(A \cup B) = \frac{1}{2}$, find $P(A^C \cup B^C)$, where A and B are two events connected with a random experiment E and, A^C and B^C are complements of A and B respectively.

    (A) 0.85

    (B) 0.58

    (C) 0.80

    (D) 0.50

[Please Turn Over]

47. One way ANOVA is done to test
  (A) equality of variances of several groups.
  (B) equality of means of several groups.
  (C) equality of means of all groups with zero.
  (D) equality of within-group and between-group variances.

48. Fiscal policy is ineffective in
  (A) the upward rising position of LM curve.
  (B) the horizonal portion of the LM curve.
  (C) the vertical portion of the LM curve.
  (D) both the horizonal and upward rising portion of LM curve.

49. The money multiplier in an economy increases with which of the following?
  (A) Increase in cash-reserve ratio
  (B) Increase in statutory liquidity ratio
  (C) Increase in banking habit of the population
  (D) Increase in the population of the country

50. The following item consists of two statements, one labelled as the 'Assertion (A) and the other as Reason (R)'. You are to examine these two statements carefully and select the answer using the code given below:

  Assertion (A): The doctrine of unbalanced growth is based on creation of imbalances in the economy in a conscious manner.

  Reason (R): Unequal development of various sectors often generates conditions for rapid development.

Codes:
  (A) Both *(A)* and *(R)* are individually true and *(R)* is the correct explanation of *(A)*.
  (B) Both *(A)* and *(R)* are individually 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.

ROUGH WORK

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