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

Signature of Invigilators

1. _____
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0717

Question Booklet Series

X

PAPER-II

Question Booklet No.

(Identical with OMR Answer Sheet Number)

Subject Code : 07

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 get 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) Verify whether the Question Booklet No. is identical with OMR Answer Sheet No.; if not, the full set to be replaced.
 - (iv) After this verification is over, the Question Booklet Series and Question Booklet Number should be entered on the OMR Sheet.
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 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 Black Ball point pen.**
11. **Use of any calculator or mobile phone etc. is strictly prohibited.**
12. **There are no negative marks for incorrect answers.**

[Please Turn Over]

ECONOMICS

PAPER II

1. A circumstance where it may pay a monopolist to cut the price of his product is where

- (A) MC is falling.
- (B) MR is greater than MC.
- (C) his advertisement costs are increasing.
- (D) average cost is about to fall.

2. Consider $q = f(x_1, x_2)$ as the production function of two inputs x_1 and x_2

Choose the correct option.

- (A) Scale elasticity is the sum of output elasticities of the two inputs of production.
- (B) Scale elasticity is the sum of input elasticities of the two factors of production.
- (C) Scale elasticity is not equal to the sum of output elasticities of the two inputs of production.
- (D) The notion of scale elasticity can not be defined.

3. Relation between elasticity of demand, average revenue and marginal revenue is shown by the following formula:

(A) $e = \frac{AR}{MR}$

(B) $e = \frac{MR}{AR - MR}$

(C) $e = \frac{TR}{AR - MR}$

(D) $e = \frac{AR}{AR - MR}$

4. Which of the following has more elastic demand?

- (A) A commodity without substitutes
- (B) A commodity with substitutes
- (C) A commodity on which a small fraction of income is spent
- (D) A commodity the use of which cannot be postponed

5. A kinked demand curve has

- (A) a lower elasticity above the point of kink and a higher elasticity below it.
- (B) a higher elasticity above the point of kink and a lower elasticity below it.
- (C) a uniform elasticity both above and below the point of kink.
- (D) None of the above

6. In case of the problem of output maximisation subject to cost constraint, the Lagrange multiplier is interpreted as

- (i) Reciprocal of marginal cost
- (ii) Marginal cost
- (iii) Marginal utility of money
- (iv) Marginal productivity of one unit of money
- (A) Both (i) and (iv) are correct.
- (B) Only (ii) is correct.
- (C) Only (iii) is correct.
- (D) Both (i) and (iii) are correct.

7. Income elasticity of demand for a commodity equals the

- (A) negative of the sum of own and cross price elasticity of demand.
- (B) sum of own and cross price elasticity of demand.
- (C) difference of own and cross price elasticity of demand.
- (D) product of own and cross price elasticity of demand.

8. Choose the correct answer.

- (A) Quasi rent = Total revenue earned – total variable cost
- (B) Quasi rent = Total revenue earned – total opportunity cost
- (C) Quasi rent = Transfer earnings – total opportunity cost
- (D) Quasi rent = Total revenue earned – total fixed cost

9. If the average cost function is $C = 40 - 6x + x^2$, the minimum average cost is

- (A) 29
- (B) 30
- (C) 31
- (D) 32

10. Match the following:

- | | |
|----------------------|---|
| (1) Opportunity cost | (i) Air Pollution |
| (2) Social cost | (ii) Normal profit |
| (3) Implicit cost | (iii) Wage payments |
| (4) Explicit cost | (iv) Value of labour in an alternative employment |

- | | | | | |
|-----|-----|----|-----|-----|
| | 1 | 2 | 3 | 4 |
| (A) | iv | ii | i | iii |
| (B) | iv | i | ii | iii |
| (C) | iii | i | ii | iv |
| (D) | i | ii | iii | iv |

11. When unemployment rate is lower than before, frictional unemployment now will account for

- (A) smaller share of total unemployment.
- (B) larger share of total unemployment.
- (C) unchanged share of total unemployment.
- (D) smaller share of hired worker.

12. When Tobin's q is greater than unity, it is profitable to invest in additional capital because

- (A) the market value of capital exceeds the cost of acquiring it.
- (B) the price of the acquiring new capital is very high.
- (C) the market value of capital is lower than the cost of acquiring it.
- (D) both the market value of capital and the cost of acquiring it falls.

13. Monetary base is the sum of bank's reserves and

- (A) checkable deposits with banks.
- (B) non-checkable deposits.
- (C) currency in circulation.
- (D) bank lending to corporates and households.

14. In Growth Accounting, rising total factor productivity growth is on account of

- (A) higher capital productivity.
- (B) higher labour productivity.
- (C) higher human capital productivity.
- (D) technological progress.

15. A negative supply shock reduces output at any given price level with

- (A) unchanged production cost but with a leftward movement of Short-run Aggregate Supply (SRAS) curve on account of demand factors.
- (B) falling product cost along with the change in the slope of the SRAS curve.
- (C) rising production cost and a leftward movement of SRAS curve.
- (D) falling demand and unchanged SRAS curve.

16. Okun's law describes the relationship between

- (A) real GDP and unemployment.
- (B) prices and unemployment.
- (C) government expenditure and unemployment.
- (D) net exports and unemployment.

17. Choose the correct answer:

The demand function $q_1 = f(p_1, p_2, M)$ is

- (A) homogeneous of degree zero because of Jevon's law.
- (B) homogeneous of degree zero.
- (C) homogeneous of degree one.
- (D) homogeneous of degree zero because of Euler's theorem.

18. The Fisher's version of quantity theory of money is given by $MV = PT$, where M is money supply, V represents velocity of money circulation, P is price level, and T is

- (A) land
- (B) term deposits
- (C) transactions
- (D) output

19. In the long run, following an increase in money supply, the interest rate

- (A) rises from the original rate of interest.
- (B) falls from the original rate of interest.
- (C) remains same as the original rate.
- (D) rises depending on the extent of increase in output.

20. Money multiplier is the ratio of

- (A) bank reserves to currency in circulation.
- (B) excess reserves to money supply.
- (C) excess reserves to currency in circulation.
- (D) money supply to the monetary base.

21. Who developed the concept of Physical Quality of Life Index (PQLI) in the mid-1970s?

- (A) Morris David Morris
- (B) Amartya Sen
- (C) Nanak Kakwani
- (D) Adam Wagstaff

22. The capacity and demand creating aspect of investment in growth theory was explained by

- (A) R. F. Harrod
- (B) E. D. Domar
- (C) R. M. Solow
- (D) P. A. Samuelson

23. Solow neutral technical progress is characterised by

- (A) capital augmenting.
- (B) labour augmenting.
- (C) both labour and capital augmenting.
- (D) productivity increasing.

24. The incremental capital output ratio reflects

- (A) average output.
- (B) productivity of capital.
- (C) marginal output.
- (D) None of the above

25. The notion of 'backwash effect' was propounded by

- (A) Hans Singer
- (B) Dos Santos
- (C) Karl Marx
- (D) Gunnar Myrdal

26. Which one of the following is not a criterion for choosing an investment project in developing economies?

- (A) Social marginal product criterion
- (B) Maximum capital output ratio criterion
- (C) Marginal growth contribution criterion
- (D) Social welfare function criterion

27. Arrange the following in chronological order.

- (i) The Indirect Tax Enquiry Committee (Jha Committee)
- (ii) Tax Reform Committee (Chelliah Committee)
- (iii) Taxation Enquiry Commission (Matthai Commission)
- (iv) The Direct Tax Enquiry Committee (Wanchoo Committee)

Select the correct answer from the codes given below:

Codes:

- (A) (iii) (ii) (iv) (i)
- (B) (i) (iii) (iv) (ii)
- (C) (ii) (iii) (i) (iv)
- (D) (iii) (iv) (i) (ii)

28. The case for progressive tax rates exists in terms of

- (A) voluntary exchange approach
- (B) benefit received
- (C) ability to pay
- (D) cost of service

29. *Assertion (A)* : A lumpsum tax imposed on a monopolist can not be shifted to the consumers.

Reason (R) : The lumpsum tax becomes a part of his fixed cost and it does not affect the marginal cost of production.

Consider the above statements and select the correct answer from the codes given below:

Codes:

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

30. Fiscal deficit minus interest payments is called

- (A) Net fiscal deficit
- (B) Monetised deficit
- (C) Primary deficit
- (D) Budgetary deficit

31. Indicate the sequence of the following in terms of the implementation

- (i) Income Tax
- (ii) Expenditure Tax
- (iii) Goods and Services Tax
- (iv) Value Added Tax

Select the correct answer from the codes given below:

Codes:

- (A) (i), (ii), (iii) and (iv)
- (B) (ii), (i), (iii) and (iv)
- (C) (i), (ii), (iv) and (iii)
- (D) (ii), (i), (iv) and (iii)

32. Gains from trade arises on account of

- (A) investment and exchange.
- (B) specialisation only.
- (C) exchange only.
- (D) specialisation and exchange.

33. Which one of the following is not a debit entry in the balance of payments account?

- (A) Import of goods
- (B) Gifts from foreigners
- (C) Import of services
- (D) Purchase of assets from foreigners

34. WTO deals with, among others,

- (i) Market access in Agriculture and Non-agriculture
 - (ii) General Agreement of Trade in Services
 - (iii) Bilateral Investment Treaty
 - (iv) Trade-related Intellectual Property Rights
- Say which combination is correct?

- (A) (i), (ii) and (iii)
- (B) (ii), (iii) and (iv)
- (C) (i), (ii) and (iv)
- (D) (i), (ii), (iii) and (iv)

35. Which of the following is not an assumption of the Heckscher-Ohlin thesis?

- (A) Perfect competition exists in both the product and factor market.
- (B) Perfect mobility of factors.
- (C) Trade is not cost less.
- (D) Factor supplies in each country are fixed and fully employed.

36. Marshall Lerner condition is derived based on the assumption of

- (A) infinite elasticity of demand for imports and exports.
- (B) infinite elasticity of supply of imports and demand for exports.
- (C) infinite elasticity of supply of imports and exports.
- (D) infinite elasticity of demand for imports and supply of exports.

37. Select the correct statement out of the following:

- (A) Multilateral trade negotiations are a process of reducing tariff and non tariff barriers to trade among member countries.
- (B) Multilateral trade negotiations are a process of increasing tariffs to trade among member countries.
- (C) Multilateral trade negotiations are a process of increasing tariffs but decreasing non tariff barriers.
- (D) Multilateral trade negotiations are a process of increasing non tariff barriers to trade.

38. Reverse Repo rate is the rate at which

- (A) Commercial banks borrow money from RBI.
- (B) RBI borrows money from commercial banks.
- (C) Public sector banks borrow money from private sector banks.
- (D) Commercial banks borrow from foreign banks.

39. The amount of funds that the banks have to keep with the RBI is

- (A) Cash Reserve Ratio (CRR)
- (B) Statutory Liquidity Ratio (SLR)
- (C) High powered money
- (D) Ordinary money

40. The probable environmental impact on migration in India has been due to unfavourable climate change such as

- (A) low agricultural productivity as a result of increased salinity of soil.
- (B) drought and water scarcity.
- (C) desertification and melting glaciers.
- (D) All of the above

41. In India, public debt refers to a part of the total borrowings by the Union Government which includes such items as

- (A) market loans.
- (B) special bearer bonds and outstanding external debt.
- (C) treasury bills and securities issued by RBI.
- (D) All of the above

42. In India, census provides data on migrants based on

- (A) Place of Birth (POB)
- (B) Place of Last Residence (POLR)
- (C) Duration of residence in the place of enumeration
- (D) All of the above

43. In India, the unemployment rate measures

- (A) the number of people actively looking for a job as a percentage of the work force.
- (B) the number of people actively looking for a job as a percentage of the labour force.
- (C) the number of people actively looking for jobs among the non-workers.
- (D) the number of people actively looking for jobs as percentage of total population.

44. For testing of mean if σ is known, which of the following tests is normally applied

- (A) Z test
- (B) F test
- (C) χ^2 test
- (D) None of the above

45. Given the following data:

Number of observations = 100

Coefficient of variation = 20%

Arithmetic Mean = 450

The variance will be

(A) 8100

(B) 810

(C) 81

(D) 4500

46. The median of a distribution is 33.6, the mode is 42.5 and the mean is 28. It is most likely that the distribution is

(A) Positively skewed

(B) Asymptotic

(C) Negatively skewed

(D) Symmetrical

47. State which of the following statements is not correct?

(A) Laspeyre's Price Index = $\frac{\sum P_1 q_0}{\sum P_0 q_0} \times 100$ and

Paasche's Price Index = $\frac{\sum P_1 q_1}{\sum P_0 q_1} \times 100$

(B) Dornish Bowley Price Index
 $= \frac{1}{2} \left[\frac{\sum P_1 q_0}{\sum P_0 q_0} + \frac{\sum P_1 q_1}{\sum P_0 q_1} \right] \times 100$

(C) Fisher's Price Index = $\frac{\sum P_0 q_1}{\sum P_0 q_0} \times 100$

(D) All of the above

48. Which of the following can be represented by a qualitative data?

(A) Height of students in a class

(B) Having and not having of car by the families in a city

(C) GDP across the countries

(D) Number of times a park is visited by the tourists in a year

49. Which one of the following statements is incorrect?

(A) Absolute value of correlation between two variables is always independent of origin and scale.

(B) Standard deviation is always affected by the changes in scale but not by origin.

(C) Correlation coefficient sometimes depends on origin but not on scale.

(D) For data with same mean, the greater the spread, the greater the standard deviation.

50. If two dice are thrown simultaneously probability of total outcome of 4 will be

(A) $\frac{3}{12}$

(B) $\frac{5}{36}$

(C) $\frac{2}{36}$

(D) $\frac{1}{12}$

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ROUGH WORK

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ROUGH WORK

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ROUGH WORK

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ROUGH WORK