

Sr. No.169.....

ENTRANCE TEST-2023

SCHOOL OF BUSINESS AND MANAGEMENT STUDIES

ECONOMICS

Total Questions : 60
Time Allowed : 70 Minutes

Question Booklet Series

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Roll No. :

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Instructions for Candidates :

1. Write your Entrance Test Roll Number in the space provided at the top of this page of Question Booklet and fill up the necessary information in the spaces provided on the OMR Answer Sheet.
2. OMR Answer Sheet has an Original Copy and a Candidate's Copy glued beneath it at the top. While making entries in the Original Copy, candidate should ensure that the two copies are aligned properly so that the entries made in the Original Copy against each item are exactly copied in the Candidate's Copy.
3. All entries in the OMR Answer Sheet, including answers to questions, are to be recorded in the Original Copy only.
4. Choose the correct / most appropriate response for each question among the options A, B, C and D and darken the circle of the appropriate response completely. The incomplete darkened circle is not correctly read by the OMR Scanner and no complaint to this effect shall be entertained.
5. Use only blue/black ball point pen to darken the circle of correct/most appropriate response. In no case gel/ink pen or pencil should be used.
6. Do not darken more than one circle of options for any question. A question with more than one darkened response shall be considered wrong.
7. There will be '**Negative Marking**' for wrong answers. Each wrong answer will lead to the deduction of 0.25 marks from the total score of the candidate.
8. Only those candidates who would obtain positive score in Entrance Test Examination shall be eligible for admission.
9. Do not make any stray mark on the OMR sheet.
10. Calculators and mobiles shall not be permitted inside the examination hall.
11. Rough work, if any, should be done on the blank sheets provided with the question booklet.
12. OMR Answer Sheet must be handled carefully and it should not be folded or mutilated in which case it will not be evaluated.
13. Ensure that your OMR Answer Sheet has been signed by the Invigilator and the candidate himself/herself.
14. At the end of the examination, hand over the OMR Answer Sheet to the invigilator who will first tear off the original OMR sheet in presence of the Candidate and hand over the Candidate's Copy to the candidate.

1. The *slope* of the production possibility frontier is usually:

- (A) Negative and decreasing
- (B) Negative and increasing
- (C) Positive and increasing
- (D) Positive and decreasing

2. Assume two commodities X and Y. If commodity X accounts for 75% of the budget and has an income elasticity equal to 0.6, then the income elasticity of commodity Y will be:

- (A) 1.6
- (B) 1.8
- (C) 2.0
- (D) 2.2

3. Suppose that a consumer spends 50% of his income on good X, the income elasticity of demand for good X is 2, and the elasticity of substitution between X and all other goods is also 2. The price elasticity of demand for good X will be:

- (A) 1.0
- (B) 1.8
- (C) 2.0
- (D) 2.8

4. Demand for a firm's product has been estimated to be: $Q_d = 600 - 100P$. If the price of the product per unit is Rs. 2, what would be the price elasticity of demand at this price?

- (A) 2.0
- (B) 2.5
- (C) 1.0
- (D) 0.5

Which statement is true for a normal good? Choose your answer from the codes given at the end of this question.

- I. The income and the substitution effects work in the same direction.
- II. Income and the substitution effects work in the opposite direction.
- III. Negative relationship between price and quantity demanded.
- IV. Positive relationship between price and quantity demanded.

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- (A) I & IV
- (B) II & III
- (C) I & III
- (D) II & IV

6. The Water-Diamond paradox implies that the things with the greatest:

- (A) Value in use frequently have little value or no value in exchange.
- (B) Value in exchange frequently have little value or no value in use.
- (C) Either A or B
- (D) Both A and B

7. If the substitution effect outweighs the income effect, the labour supply curve:

- (A) Slopes downwards
- (B) Bends backward
- (C) Slopes upwards
- (D) Bends backward and then slopes downward

8. The equilibrium quantity in a market could remain unchanged if there were a/an _____ in demand offset by a/an _____ in the supply.
- (A) Increase, decrease
(B) Increase, increase
(C) Decrease, decrease
(D) None of the above
9. Which one of the following is true about the relationship between marginal product (MP) and average product (AP)?
- (A) When, $MP > AP$, AP decreases
(B) When $AP = MP$, AP reaches its maximum
(C) AP reaches its maximum point earlier than MP reaches its own
(D) MP is at its maximum at the point of its intersection with AP
10. Which one of the following is true about the relationship between short-run Marginal Cost (MC) and short-run Average Cost (AC)?
- (A) When MC is above AC, AC is decreasing.
(B) When MC is below AC, AC is increasing.
(C) MC intersects AC at the minimum point of AC.
(D) After the point of intersection AC exceeds MC.
11. Consider the short-run production function of the form: $Q = 6L^2 - 0.4L^3$ where Q is output and L is the quantity of labour. What would be the value of L that maximizes Q?
- (A) 10
(B) 12
(C) 15
(D) 20
12. Consider the production function of the form: $Q = 10XY - 2X^2 - Y^2$, where Q is output, X and Y the inputs. This production function shows:
- (A) Decreasing returns to scale
(B) Constant returns to scale
(C) Increasing returns to scale
(D) None of these
13. Consider the marginal cost function of the form: $MC = 200 - 18Q + 0.75Q^2$, where MC is the marginal cost, and Q is the output. What will be the level of output at which MC is minimum?
- (A) 10
(B) 14
(C) 16
(D) 12
14. The break-even quantity of output (Q_b) produced and sold by a perfectly competitive firm is determined by total fixed costs (TFC), price of output (P), and the variable cost per unit of output (AVC). Choose the correct equation that represents Q_b :
- (A) $Q_b = TFC \div (P - AVC)$
(B) $Q_b = AVC \div (P - TFC)$
(C) $Q_b = P \div (TFC - AVC)$
(D) None of these
15. The upward-sloping long-run supply curve of an industry is associated with:
- (A) Decreasing cost industry
(B) Constant cost industry
(C) Increasing cost industry
(D) None of these

16. For a firm in the long run when equilibrium price = short-run marginal cost = short-run average cost = long-run average cost, then:
- Profits are zero
 - Profits are positive
 - Profits are negative (loss)
 - Firm is operating at below most efficient scale
17. In the Kinked demand theory of oligopoly each oligopolist believes that if he _____ the prices, his competitors will _____ the prices.
- Lower, increase
 - Lower, lower
 - Increase, increase
 - None of the above
18. In Cournot's duopoly model, there are two firms operating with:
- Homogenous product
 - Zero cost
 - Linear demand curve
 - All of the above
19. Which of the below-mentioned conditions are true in the case of a monopolist?
- Demand curve is downward sloping
 - Marginal revenue curve lies below the average revenue curve
 - Demand curve is perfectly elastic
 - Marginal revenue curve lies above the average revenue curve
- Choose the correct option given below:**
- I & II
 - II & III
 - I & IV
 - III & IV
20. The profit maximization condition(s) required for a discriminating monopolist in a two sub-market system is (are):
- Aggregate Marginal Revenue = Marginal Cost of the total output
 - Marginal Revenue in market A = Marginal Revenue in market B = Marginal Cost
 - Both (A) & (B)
 - Neither (A) nor (B)
21. The type of price leadership under which an old, experienced, largest or most respected firm assumes the role of a custodian who protects the interests of all is referred to as:
- Price leadership by the dominant firm
 - Barometric price leadership
 - Exploitative price leadership
 - Price leadership by a low-cost firm
22. Choose the correct answer with regard to public goods characteristics :
- They are non-rival
 - They are non-excludible
 - Both (A) & (B)
 - Neither (A) nor (B)
23. The proposition that "*no system of aggregating individual preferences into social decisions will always yield consistent, nonarbitrary results*" relates to:
- Impossibility theorem
 - Coase Theorem
 - Tiebout Hypothesis
 - Moral Hazard

24. Choose the INCORRECT statement from below:
- (A) Moral hazard can occur when a buyer/seller enters into an exchange with another party who has more information
 - (B) Free rider problem is intrinsic to public goods
 - (C) Rent-seeking is a problem intrinsic to the public choice
 - (D) For public goods, market demand is the horizontal sum of individual demand curves
25. The fact that while the owners of the firm want to maximize the total profits of the firm, the managers want to maximize their own personal interests, refers to:
- (A) Problem of Moral Hazard
 - (B) Problem of Adverse Selection
 - (C) Principal-Agent Problem
 - (D) None of these
26. Which condition is NOT an underlying assumption in a perfectly competitive labour market?
- (A) The number of both buyers and sellers is very large
 - (B) There are barriers to exit and entry for both buyers and sellers
 - (C) Both buyers and sellers possess perfect information
 - (D) The labour is homogenous and the buyers are identical (from the sellers viewpoint)
27. The concept of Quasi-Rent relates to:
- (A) Capital equipment
 - (B) Land
 - (C) Labour
 - (D) All of these
28. The innovations theory of profit was introduced by:
- (A) Alfred Marshall
 - (B) G.J. Stigler
 - (C) David Ricardo
 - (D) Joseph Schumpeter
29. In J.M. Keynes's rate of interest theory, the supply of money function is:
- (A) Perfectly inelastic
 - (B) Perfectly elastic
 - (C) Upward sloping
 - (D) Downward sloping
30. The account that measures a country's trade in currently produced goods and services along with unilateral transfers between countries is called:
- (A) Capital account
 - (B) Current account
 - (C) Financial account
 - (D) Trade account
31. The theory of comparative advantage states that:
- (A) Specialization and free trade will benefit only the more efficient producers
 - (B) More efficient producers will have an advantage over others and will not seek to trade
 - (C) Specialization and free trade will benefit all trading partners
 - (D) A producer must have an absolute advantage in order to have comparative advantage
32. A country enjoys a comparative advantage in the production of a good if it can produce that good at:
- (A) Lower cost in terms of other goods.
 - (B) Higher cost in terms of other goods
 - (C) Lower cost but not in terms of other goods
 - (D) The same cost as in other countries

33. Which choice below is true?
- (A) A tariff is a tax on exports
 - (B) A quota is usually a limit on the quantity of exports
 - (C) Dumping occurs when a firm or industry sells products above the cost of production on the world market
 - (D) Protection is the practice of shielding a sector of the economy from foreign competition
34. When the prices of a country's imports increase, then:
- (A) The price of domestic goods may decrease in response
 - (B) The price of domestic goods may increase in response
 - (C) The price of domestic goods will not change
 - (D) The country's aggregate supply curve will shift to the right
35. You are given the below information:
 GDP at market price = 20,000; Depreciation = 400;
 Net Indirect Taxes (i.e., Indirect Taxes less Subsidies) = 300; Net Factor Payments to the rest of the world = 200. What would be the value of the Net National Product at factor cost or National Income?
- (A) 19700
 - (B) 19500
 - (C) 19100
 - (D) None of these
36. Disposal personal income plus personal taxes equals:
- (A) National income
 - (B) Personal income
 - (C) GNP
 - (D) GDP
37. Which among the following is NOT a component of GDP according to the income approach?
- (A) Compensation to employees
 - (B) Interest
 - (C) Profits
 - (D) Net exports
38. Usually, the largest component of GDP is:
- (A) Personal consumption expenditure
 - (B) Government consumption expenditure
 - (C) Gross private domestic investment
 - (D) Gross government investment
39. You are given the equation: $S = -100 + 0.40Y$; $I = 300$. Choose the correct value of the equilibrium level of national income from the values given below:
- (A) 820
 - (B) 920
 - (C) 1020
 - (D) 1000
40. Using the information in Q.No.39 above, what would be the level of consumption?
- (A) 700
 - (B) 600
 - (C) 500
 - (D) 400
41. The difference between the government expenditure multiplier and the transfer payments multiplier is always equal to:
- (A) -1
 - (B) 1
 - (C) 2
 - (D) -2

42. Given the consumption function $C = 100 + 0.75Y_d$, the value of the government expenditure multiplier is:
- 4
 - 3
 - 2
 - 1
43. Given the marginal propensity to import = 0.5 and the marginal propensity to save = 0.5. What is the value of the foreign trade multiplier?
- ∞
 - 0
 - 1
 - None of these
44. Given the values of marginal propensities to import and save as stated in Q.No. 43, choose the correct sequence relating to the strength of the government expenditure multiplier (GEM), transfer payment multiplier (TPM), tax multiplier (TAM), and foreign trade multiplier (FTM).
- $GEM > TPM > FTM > TAM$
 - $GEM > TPM = FTM > TAM$
 - $GEM < TPM > FTM < TAM$
 - None of the above
45. According to Keynes's consumption theory, which one of the below-given factors is believed to have uncertain effects on consumption?
- General price level
 - Fiscal policy
 - Change in expectations
 - Rate of interest
46. If the marginal propensity to import is 0.2 and income rises from Rs. 800 to Rs. 1000, then the change in imports in Rs. is
- 40
 - 35
 - 30
 - 20
47. The Classical school of economics considers:
- Money is non-neutral
 - Money acts as a store of value
 - Money acts as a medium of exchange
 - All of these
48. M1 + Time Deposits with the Banks corresponds to which measure of money supply?
- M2
 - M3
 - M4
 - None of these
49. A common component between high-powered money and money supply is:
- Currency held by the public
 - Demand deposits held by the public
 - Cash reserves held by the banks with RBI
 - Cash reserves held by the banks with themselves
50. The money supply will decrease, if:
- Supply of high-powered money increases
 - Currency-deposit ratio of the public decreases
 - Reserve-deposit ratio of the banks falls
 - None of these

51. The short-run rate at which RBI lends overnight funds to the banks against securities refers to:
- Bank rate
 - Repo rate
 - Reverse repo rate
 - Open market operations
52. If the interest elasticity of investment is relatively high, then:
- LM schedule will be relatively flat
 - LM schedule will be relatively steep
 - IS schedule will be relatively flat
 - IS schedule will be relatively steep
53. If the tax rate declines, then:
- IS schedule will shift to the right
 - IS schedule will shift to the left
 - IS schedule will become flatter
 - IS schedule will become steeper
54. The Keynesian ISLM model in a liquidity trap situation shows a configuration in which:
- Slopes of the IS and LM curves approach infinity
 - Slopes of the IS and LM curves approach zero
 - Slope of the IS curve is quite steep and the LM curve is quite flat
 - Slope of the LM curve is quite steep and the IS curve is quite flat
55. In a Keynesian-type ISLM model, which statement is NOT true?
- Price level is variable
 - Money supply is exogenous
 - Rate of interest is endogenous
 - Level of income is endogenous
56. Which among the below-given conditions is NOT a feature of the classical aggregate supply curve?
- Perfectly inelastic and positioned at full employment equilibrium
 - Money wage rate is perfectly flexible downward
 - Based on the assumption that money wage is fixed
 - Upward sloping and positioned at below full employment equilibrium
- Choose the correct option given below:**
- I & II
 - III & IV
 - I & III
 - II & IV
57. In regard to the expectation augmented Phillips curve, the designated variables follow as: π = actual inflation, π^e = expected inflation, u = actual unemployment rate, u^e = natural rate of unemployment. Given this information, choose the correct code given at the end of the question.
- If $u < u^e$ then $\pi > \pi^e$
 - If $u > u^e$ then $\pi < \pi^e$
 - If $u < u^e$ then $\pi < \pi^e$
 - If $u > u^e$ then $\pi > \pi^e$
- CODES**
- I & II
 - III & IV
 - I & IV
 - None of these

58. Which statement is true regarding the Phillips curve?
- (A) Downward sloping in the short-run
 - (B) Vertical straight line in the long-run
 - (C) Shows trade-off between inflation and unemployment in the short-run
 - (D) All of the above
59. Other things remaining constant, the exchange rate would depreciate due to:
- (A) Increases in domestic income
 - (B) Increase in demand for domestic goods
 - (C) Increase in domestic real interest rate
 - (D) Decrease in the foreign real interest rate
60. A rapid and decisive reduction in growth of money supply aimed at reducing rate of inflation is known as:
- (A) Seignorage
 - (B) Sacrifice ratio
 - (C) Cold turkey
 - (D) Taylor rule