

Sr. No.001

ENTRANCE TEST-2024

SCHOOL OF BUSINESS STUDIES

ECONOMICS

Question Booklet Series

A

Total Questions : 60

Time Allowed : 70 Minutes

Roll No. : 2 2 0 0 0 1

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. Which one of the below-given variables results in the movement along the demand curve ?
 (A) Change in income
 (B) Change in tastes
 (C) Change in tax imposed on the commodity
 (D) Change in expectations
2. The change in which one of the below-given variables results in shifting of the supply curve ?
 (A) Input prices
 (B) Prices of related goods
 (C) Number of buyers
 (D) Consumer expectations
- X3. Suppose that consumers are ready to buy any quantity of a commodity for Rs. 400 but are unwilling to purchase any quantity above this price, what will be the shape of the demand curve ?
 (A) Perfectly inelastic
 (B) Inelastic
 (C) Unitary elastic
 (D) Perfectly elastic
- X4. Consider the demand function $Q = 100 - 4P$, and the given $P = \text{Rs. } 20$. The price elasticity of demand will be equal to :
 (A) 4
 (B) 3
 (C) 2
 (D) 1
5. Consider the demand function of a commodity $Q = 30 - 2P$, wherein Q is the quantity demanded and P is the price of the commodity. If the market price for the commodity is Rs. 5, what will be the consumer's surplus ?
 (A) 75
 (B) 100
 (C) 125
 (D) 150
6. Which factor(s) is(are) responsible for diminishing marginal rate of substitution ?
 (A) Perfect substitutability between the goods
 (B) Non-satiability
 (C) Perfect complementarity between the goods
 (D) All of these
7. A consumer spends all her income on food and clothing. At the current price of food (P_f) = Rs. 10 and price of clothing (P_c) = Rs. 5, he maximises his utility by purchasing 20 units of food and 50 units of clothing. What will be the consumer's income ?
 (A) Rs. 400
 (B) Rs. 425
 (C) Rs. 450
 (D) Rs. 475
8. If the quantity demanded of a good varies inversely with the price when the income effect for the good is negative but is weaker than the substitution effect, the good is :
 (A) Normal good
 (B) Inferior good
 (C) Giffen good
 (D) None of these
9. Engel curve of a neuter is :
 (A) Vertical
 (B) Backward bending
 (C) Upward sloping
 (D) Horizontal
10. According to the law of variable proportions, which stage represents the range of rational production decisions ?
 (A) Stage - I
 (B) Stage - II
 (C) Stage - III
 (D) Stages - IV

11. In case the two factors are perfect substitutes, the isoquants are :
 (A) Right angled
 (B) Convex to the origin
 (C) Downward sloping straight lines
 (D) Concave to the origin
12. In case of a production function exhibiting constant returns to scale with elasticity of substitution equal to zero, the shape of the isoquants will be :
 (A) Convex to the origin
 (B) Concave to the origin
 (C) Downward sloping straight lines
 (D) L-shaped
13. The economic profits of a firm are equal to :
 (A) Total Revenue - Economic Costs
 (B) Total Revenue - (Explicit Costs + Implicit Costs)
 (C) Either (A) or (B)
 (D) Neither (A) nor (B)
14. Pure competition is said to exist when :
 (A) Monopoly is absent
 (B) Perfect mobility of the resources exists
 (C) Perfect knowledge exists
 (D) All of the above conditions exist
15. The condition(s) for short-run equilibrium of firm under perfect competition is (are) :
 (A) Marginal Cost = Marginal Revenue = Price
 (B) Marginal Cost curve must be rising at the point of equilibrium
 (C) Neither (A) nor (B)
 (D) Both (A) & (B)
16. If input prices fall as more inputs are demanded by an expanding industry under perfect competition, the long-run supply curve for the commodity will be :
 (A) Positively sloped
 (B) Negatively sloped
 (C) Having constant slope
 (D) Having a zero slope
17. Choose the INCORRECT statement from the options given below :
 (A) Short-run supply curve of the competitive firm is that part of the marginal cost curve which lies below the average variable cost
 (B) Long-run equilibrium of a firm under perfect competition is established at the minimum point of the long-run average cost curve
 (C) If a perfectly competitive firm is not able to cover even its variable costs fully, it will shut down even in the short-run to avoid unnecessary losses
 (D) Under perfect competition an individual firm is a price taker
18. Given $MC =$ marginal cost and $e =$ elasticity of demand, the price (P) of the product produced by a firm operating under monopoly is given by :
 (A) $P = MC \frac{e}{e-1}$
 (B) $P = MC \frac{e}{1-e}$
 (C) $P = \frac{e-1}{MC}$
 (D) $P = \frac{1-e}{MC}$
19. A monopoly equilibrium can occur under which cost condition ?
 (A) Increasing marginal cost
 (B) Decreasing marginal cost
 (C) Constant marginal cost
 (D) All of these
20. Choose the INCORRECT statement with respect to Chamberlin's duopoly model :
 (A) It is based on the assumption of zero cost of production of the two Producers
 (B) It is assumed that the market demand curve for the product is linear
 (C) The two producers are mutually independent
 (D) It ignores the entry of new firms and is thus a closed model

21. For a firm to practice third degree price discrimination, which condition(s) must be met ?
- (A) The firm must have some monopoly power
 - (B) The firm must be able to keep two markets separate
 - (C) The price elasticity of the demand must be different in the two markets
 - (D) All of these
22. Consider the statement "An efficient mix of public goods is produced when local land/housing prices and taxes come to reflect consumer preferences just as they do in the market for private goods". This statement is related to :
- (A) Tiebout hypothesis
 - (B) Coase theorem
 - (C) Contingent pricing
 - (D) Liability rules
23. The direct regulation for optimal pollution control can be exercised by the governments through :
- (A) Sale of pollution rights
 - (B) Congestion pricing
 - (C) Either (A) or (B)
 - (D) Both (A) & (B)
24. Market failure arises due to :
- (A) Imperfect competition
 - (B) Externalities
 - (C) Public goods
 - (D) All of these
25. Uncompensated costs imposed on others by the expansion of output by some firms implies :
- (A) External dis-economies of production
 - (B) External dis-economies of consumption
 - (C) External economies of production
 - (D) External economies of consumption
26. According to Schumpeter's theory of profits, innovations are those which :
- (A) Change the production functions
 - (B) Increase the demand for the product
 - (C) Both (A) & (B)
 - (D) None of these
27. "Rent is that portion of the produce of earth which is paid to the landlord for the use of the original and indestructible powers of the soil", is a definition by :
- (A) Marshall
 - (B) Torrens
 - (C) Malthus
 - (D) None of these
28. According to Keynesian theory of interest individuals hold cash in order "to bridge the interval between the receipt of income and its expenditure". This motive of holding the cash refers to :
- (A) Speculative demand for money
 - (B) Transactions demand for money
 - (C) Precautionary demand for money
 - (D) Demand for inactive balances
29. Which economist was first responsible for incorporating the supply side in the analysis of marginal productivity theory of wages ?
- (A) Alfred Marshall
 - (B) J.B. Clark
 - (C) Jevons
 - (D) Wicksteed
30. Which theory of international trade is also known as factor-endowment theory ?
- (A) Stolper-Samuelson theory
 - (B) Heckscher-Ohlin theory
 - (C) Comparative cost advantage theory
 - (D) Absolute cost advantage theory

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31. The ratio of the price index of a country's exports to the price index of its imports is known as :
- Commodity terms of trade
 - Net barter terms of trade
 - Neither (A) nor (B)
 - Both (A) & (B)
32. The temporary sale of a commodity at a lower price abroad in order to drive foreign producers out of business is known as :
- Persistent dumping
 - Sporadic dumping
 - Predatory dumping
 - Trigger-price mechanism
33. The rate of tariff that maximises the benefit resulting from improvement in nation's terms of trade against the negative effect resulting from reduction in the volume of trade is called :
- Optimum tariff
 - Revenue effect of tariff
 - Consumption effect of tariff
 - Trade effect of tariff
34. The classical macroeconomic theory was brought into disrepute during :
- 1920s
 - 1930s
 - 1940s
 - 1970s
35. Consider the expression "wages + profits + interest + rent - net indirect taxes". Which measure of national income does it represent ?
- Gross National Product at market price
 - Gross Domestic Product at market price
 - Net Domestic Product at market price
 - Net Domestic Product at factor cost
36. Paradox of thrift is primarily in relation to :
- Savings
 - Consumption
 - Investment
 - Production
37. GNP Deflator is equivalent to :
- $\frac{\text{Nominal GNP of a year}}{\text{Real GNP of a year}} \times 100$
 - $\frac{\text{Real GNP of a year}}{\text{Nominal GNP of a year}} \times 100$
 - $\frac{(\text{Nominal GNP of a year}) (\text{Real GNP of a year})}{100}$
 - None of these
38. You are given the following data: expected life of machinery = 1 year, expected yield from machinery = Rs. 1100, rate of discount = 0.10. What would be the supply price of machine ?
- 500
 - 1000
 - 1500
 - None of these
39. Consider the saving function $S = -10 + 0.2Y$, and autonomous investment = Rs. 50 Cr. What will be the level of consumption ?
- 150 Cr
 - 200 Cr
 - 240 Cr
 - None of these
40. Which of the below statements is invalid with reference to Keynes consumption function ?
- It explains declining tendency of marginal efficiency of capital
 - It helps to validate Say's law of markets
 - It helps to explain turning points of a business cycle
 - It helps to derive the theory of multiplier

[Turn over

41. Consider the consumption function $C = 50 + 0.6 Y_d$. What will be the value of Keynesian autonomous spending multiplier?
- (A) 1
(B) 1.5
(C) 2.5
(D) 3
42. Consider the consumption function $C = 60 + 0.9 Y_d$, import function $M = 10 + 0.05 Y$. What will be the value of foreign trade multiplier?
- (A) 5.55
(B) 6.66
(C) 7.77
(D) 8.88
43. The difference between government expenditure multiplier and the transfer payments multiplier is always equal to:
- (A) 1.0
(B) 1.5
(C) 2.0
(D) 2.5
44. Which one of the following statements is NOT true?
- (A) Imports is a positive function of domestic income
(B) Imports are negatively related to appreciation of domestic currency
(C) Exports is positive function of foreign income
(D) Exports are positively related to depreciation of domestic currency
45. What factor(s) determine money supply in the economy?
- (A) High powered money
(B) Cash-reserve ratio of banks
(C) Currency-deposit ratio of the public
(D) All of these
46. If the ratio of currency reserves to deposits in the banks were 100 percent, the money multiplier would be:
- (A) 0
(B) 1
(C) 10
(D) 100
47. Which of the below given actions by the central bank will have contractionary effect on the economy?
- (A) Buying of securities in the open market
(B) Reduction of the cash reserve ratio
(C) Hike in the repo rate
(D) All of these
48. Given desired currency deposit ratio equal to 0.5, and desired reserve deposit ratio equal to 0.10. Choose the value of the bank credit multiplier from below given values:
- (A) 0.5
(B) 1.0
(C) 1.5
(D) None of these
49. Choose the CORRECT statement:
- (A) Higher the value of marginal propensity to consume, flatter will be the IS curve
(B) Lower the interest elasticity of investment, flatter will be the IS curve
(C) The IS curve will shift to the left when the taxes decline
(D) The IS curve will shift to the left due to an increase in the investment expenditure
50. If the interest elasticity of money demand is zero, what shape the LM curve will assume?
- (A) Relatively elastic
(B) Perfectly elastic
(C) Relatively inelastic
(D) Perfectly inelastic

On all the points below the LM curve there is a disequilibrium in the money market of the nature in which:

- I. Interest rate is lower than the equilibrium rate of interest
- II. Excess demand for money
- III. Interest rate is higher than the equilibrium rate of interest
- IV. Excess supply of money

Choose your answer from the below given options.

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

The aggregate supply curve in its perfectly elastic range is based on the assumptions:

- I. Money wage is fixed
- II. Money wage is flexible
- III. Marginal product of labor is constant
- IV. Marginal product of labor is variable

Choose your answer from the below given options.

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

3. The aggregate demand curve slopes downwards because of:

- (A) Real balance effect
- (B) Rate of interest effect
- (C) Foreign trade effect
- (D) All of these

4. Changes in which of the following factors is NOT responsible for shift in the long run aggregate supply curve?

- (A) Money wages
- (B) Labor force
- (C) Stock of capital
- (D) Technology

55. The short-run aggregate supply curve shifts due to:

- (A) Change in wage rate
- (B) Change in input prices
- (C) Change in technology
- (D) All of these

56. The common factor that produces a shift in the short-run and the long-run aggregate supply curves is:

- (A) Technology change
- (B) Changes in wage rate
- (C) Changes in business taxes
- (D) Changes in input prices

57. In the long-run both Keynesians and Monetarists are of the opinion that Philips curve is:

- (A) Vertical
- (B) Horizontal
- (C) Upward sloping
- (D) Downward sloping

58. The phenomenon of stagflation implies:

- (A) Low inflation associated with low unemployment
- (B) Low inflation associated with high unemployment
- (C) High inflation associated with high unemployment
- (D) High inflation associated with low unemployment

59. Which one of the given factors is NOT a cause of cost-push inflation?

- (A) Oil price rise
- (B) Consumption demand by households
- (C) Farm price rise
- (D) Import price rise

60. In the interbank market the price that a bank is willing to pay for a unit of foreign currency refers to:

- (A) Offer rate
- (B) Exchange rate
- (C) Currency swap
- (D) Bid rate