ENTRANCE TEST-2022

SCHOOL OF BUSINESS STUDIES
ECONOMICS

Total Questions	:	60
Time Allowed	:	70 Minutes

Question Booklet Series **C**

Roll No. :

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.

SEAL

1. Consider the expression $[(P_x/P_m)Q_x]$, wherein P_x is price index of nations exports, P_m is nations price index of imports, and Q_x is index of nations volume of exports. The above given expression then measures a nation's :

    (A) Net barter terms of trade

    (B) Income terms of trade

    (C) Single factoral terms of trade

    (D) Double factoral terms of trade

2. Most Favoured Nation (MFN) agreement between two nations to 'apply tariffs to each other at rates as low as those applied to any other nation' is a provision that emerged under :

    (A) Smoot-Hawley Act

    (B) Reciprocal Trade Arrangement Act

    (C) GATT

    (D) WTO

3. Consider the expression "GNP at market prices – depreciation – indirect taxes + subsidies". Which measure of national income does it represent ?

    (A) NNP at factor cost

    (B) NNP at market prices

    (C) GNP at factor cost

    (D) NNP

4. According to Okun's law a one percentage point increase in unemployment rate will in the short run be accompanied approximately by a decrease in actual total output relative to the economy's potential output by :

    (A) 1%

    (B) 1.5%

    (C) 2.0%

    (D) 2.5%

5. In constructing Measure of Economic Welfare called MEW, Prof. Nordhaus and Prof. Tobin added, among others, which item to GNP estimates ?

    (A) Expenditure on 'regrettable necessities'

    (B) Costs arising from negative externalities

    (C) Leisure cost

    (D) None of these

6. For any straight-line consumption function that cuts the vertical axis below the origin is one in which on all the points on straight line :

    (A) Average propensity to consume < Marginal propensity to consume

    (B) Average propensity to consume > Marginal propensity to consume

    (C) Average propensity to consume = Marginal propensity to consume

    (D) All of these combinations are possible

7. The instability in income and output via multiplier will be least if :

(A) Marginal propensity to consume = 1

(B) Marginal propensity to consume = 0

(C) Marginal propensity to save = Marginal propensity to consume

(D) Marginal propensity to consume > Marginal propensity to save

8. What would be the present value of Rs.1000 to be received from an investment after one year, given the market rate of interest of 10 percent.

(A) Rs. 900

(B) Rs. 905

(C) Rs. 909

(D) Rs. 920

9. Given the value of government expenditure multiplier equal to 5, what would be the value of the tax multiplier assuming that marginal propensity to consume remains same.

(A) + 5

(B) – 5

(C) + 4

(D) – 4

10. What will be the value of foreign trade multiplier, given marginal propensity to consume = 0.80, and Marginal propensity to import = 0.30 ?

(A) 2

(B) 1.5

(C) 2.5

(D) 3

11. You are given the following data for a particular economy: equilibrium income (Y) = 700; autonomous consumption (C_0) = 40; total consumption (C) = 400; lump sum tax (T) = 100. What would be the correct values of marginal propensity to save (MPS) and multiplier (K) ?

(A) MPS = 0.6 & K = 1.66

(B) MPS = 0.8 & K = 1.25

(C) MPS = 0.4 & K = 2.5

(D) MPS = 0.4 & K = 1.66

12. Given consumption function C = 100 + 0.8Y, import function M = 150 + 0.20Y, investment I = 100, and exports X = 350. What will be the level of equilibrium income ?

(A) 500

(B) 1000

(C) 1500

(D) None of these

13. Which one of the below given assumptions does not hold in case of classical quantity theory of money ?

(A) Velocity of money circulation is constant

(B) Money supply is exogenously determined

(C) Output is constant

(D) Price level is fixed

14. In a liquidity trap characterization, which condition does prevail ?

(A) Money demand is volatile

(B) Bond prices are expected to rise in future

(C) Interest rate is expected to fall in future

(D) Monetary policy is effective as a stabilization tool

15. Given desired currency- deposit ratio denoted as 'c' and 'r' the desired reserve-deposit ratio, which one of the below given expression represents the credit multiplier formula ?

(A) $\dfrac{1+c}{c+r}$

(B) $\dfrac{1-r}{c+r}$

(C) $\dfrac{1+c}{1+r}$

(D) $\dfrac{1}{c+r}$

16. Select the incorrect statement :

(A) Money supply directly affects level of income is Monetarist view

(B) Money supply affects level of income via interest rate is Keynesian view

(C) M_3 measure of money supply = M_1 + net time deposits of banks

(D) M_4 measure of money supply = M_1 + post office savings deposits

17. All the points lying to the left of IS curve show disequilibrium in the product market in which :

I. Saving > Investment

II. Saving < Investment

III. Income > (Consumption + Investment)

IV. Income < (Consumption + Investment)

Choose the correct answer from the options given below :

(A) I & IV

(B) II & IV

(C) I & III

(D) II & III

18. What would be the shapes of LM and IS curves, if interest elasticity of money demand and interest elasticity of investment are both low ?

(A) LM will be steeper & IS will be flatter

(B) Both LM and IS curves will be steeper

(C) LM will be flatter & IS steeper

(D) Both LM and IS curves will be flatter

19. Which of the below given conditions prevail in equilibrium position of ISLM model ?

I. AD is perfectly elastic

II. AD is perfectly inelastic

III. AS is perfectly elastic

IV. AS is relatively inelastic

Choose the correct answer from the options given below :

(A) I & III

(B) I & IV

(C) II & III

(D) II & IV

20. What factors determine the slope of the IS curve ?

I. Marginal propensity to save

II. Interest elasticity of money demand

III. Income elasticity of money demand

IV. Interest elasticity of investment

Choose the correct answer from the options given below :

(A) I & III

(B) II & III

(C) I & IV

(D) III & IV

21. Which one of the below given statements is not in line with the Keynesian aggregate supply function ?

(A) Marginal product of labour is variable

(B) Money wage rate is fixed

(C) Price level is fixed

(D) It is perfectly elastic

22. If the aggregate demand schedule is combined with classical aggregate supply schedule, what result will follow due to expansion of aggregate demand ?

(A) Output and price level will rise

(B) Output will rise but price level will remain same

(C) Price level will rise but output will remain same

(D) Output level will rise but price level will fall

23. Full employment of the economy is guaranteed in the classical model because :

(A) Wages are flexible

(B) Prices are flexible

(C) Information is perfect

(D) All of these

24. Which one of the below given statements is not true about balance of payments ?

(A) Movement of financial assets among the official holders of the two countries refers to official settlement transactions

(B) Current account balance is arrived at by adding investment income and unilateral transfers to the merchandise trade balance

(C) Any transaction that leads to the home country's receiving payments from foreigners is regarded as a credit item

(D) Unilateral transfers refer to gifts or grants extended to or received from abroad for which no payment is received or made

25. Which of the below given components constitute the common determinant of aggregate demand in the Classical and Keynesian systems ?

(A) Consumption

(B) Government spending

(C) Private investment

(D) Money supply

26. Adaptive expectations hypothesis relates to which line of thinking in economics ?

(A) Keynesianism

(B) New Classical School

(C) Monetarism

(D) New Keynesian Economics

27. Natural rate of unemployment or non-accelerating inflation rate of unemployment (NAIRU) is a concept associated with which of the below mentioned economists ?

(A) Milton Friedman

(B) J. M. Keynes

(C) Robert Lucas

(D) Thomas Surgent

28. According to the Keynesian schools of thought Philips curve in the long-run is :

(A) Perfectly elastic

(B) Perfectly inelastic

(C) Upward sloping

(D) Downward sloping

29. If the exchange rate between India and U.S.A. changes from Rs. 80 = \$1 to Rs. 82 = \$1. Which statement(s) among the following is (are) true ?

I. Exchange rate has depreciated for India

II. Exchange rate has risen for India

III. Exchange rate has appreciated for India

IV. Exchange rate has fallen for India

Choose your answer from the below given options :

(A) Only I & II are true

(B) Only I & IV are true

(C) Only III & IV are true

(D) Only III is true

30. Keynesian demand-pull inflation is ascribed to :

(A) Monetary factors

(B) Real factors

(C) Structural factors

(D) Increase in cost of production

31. Suppose with the increase in price of a good, the total expenditure made by a consumer decrease, the price elasticity of demand (e_p) is expected to be :

(A) $e_p < 1$

(B) $e_p = 1$

(C) $e_p > 1$

(D) Nothing can be said with certainty

32. Consider two goods X and Y as substitutes. If the price of good Y increases from Rs. 20 to Rs. 22 per hundred grams. As a result of this the consumers demand for good X increases from 80 hundred grams to 90 hundred grams. The cross elasticity of demand of X for Y (e_c) is expected to be :

(A) $e_c = 1.0$

(B) $e_c = 1.25$

(C) $e_c = 1.50$

(D) $e_c = 2.0$

33. Marshall explained the downward sloping demand curve with the help of :

(A) Substitution effect

(B) Income effect

(C) Both (A) & (B)

(D) Neither (A) nor (B)

34. Desire to possess a unique commodity having a prestige value refers to which of the below given effects ?

   (A) Demonstration effect

   (B) Rachet effect

   (C) Bandwagon effect

   (D) Snob effect

35. In case of two perfectly complementary goods, the indifference curve will be :

   (A) A straight line

   (B) Right angled with a bent convex to the origin

   (C) Downward sloping convex to the origin

   (D) Downward sloping concave to the origin

36. If commodity Y (shown on the Y-axis) is a neuter and commodity X (shown on the X-axis) a good, then the indifference curve is a _____ with direction of preferences towards _____.

   (A) Vertical straight line ; East

   (B) Vertical straightline ; West

   (C) Horizontal straight line ; North

   (D) Horizontal straight line ; South

37. The second order condition for the consumer equilibrium in case of two commodities X and Y is that marginal rate of substitution of X for Y must be :

   (A) Increasing

   (B) Falling

   (C) Same

   (D) Equal to their price ratios

38. Consider the below given statements with respect to a portion of downward sloping marginal utility curve falling below the X-axis.

   I.   Marginal utility is negative

   II. Marginal utility is positive

   III. It does not constitute a part of the demand curve

   IV. It constitutes a part of demand curve

   Choose the correct answer from the below given options :

   (A) I & IV

   (B) I & III

   (C) II & IV

   (D) All the statements are vague

39. The laws of variable proportions identify the 'point of inflection' as one where :

   (A) Average product curve intersects marginal product curve

   (B) Average product curve lies above marginal product curve

   (C) Marginal product is maximum

   (D) Average product is maximum

40. Consider the production function $Y = 12\sqrt{LK}$, where Y is output, L is labour and K is capital. What type of returns to scale does it exhibit ?

   (A) Increasing

   (B) Decreasing

   (C) Negative

   (D) Constant

41. On which short-run cost curve if we pick up any point and multiply the cost at that point with corresponding quantity of output produced, will yield the total fixed cost which remains constant throughout ?

(A) Marginal cost curve

(B) Average fixed cost curve

(C) Average variable cost curve

(D) Average total cost curve

42. The second order condition for profit maximization of a firm producing single product under general market conditions is :

(A) Marginal cost = Marginal revenue

(B) Marginal revenue > Marginal cost

(C) Marginal cost curve must cut the marginal revenue curve from below at equilibrium point

(D) Average cost curve must intersect marginal revenue curve at equilibrium point

43. The most appropriate condition for long-run equilibrium of a competitive firm is :

(A) Price = Marginal Cost

(B) Price = Average Cost

(C) Price = Marginal Cost = Average Cost

(D) Price = Marginal Cost = Minimum Average Cost

44. Consider the short-run cost function for a perfectly competitive firm given by $TC = 2 + 10Q + Q^2$. Suppose the price of the product prevailing in the market is Rs.16, what will be the level of profit maximizing output ?

(A) 5

(B) 4

(C) 3

(D) 2

45. With the increase in demand in a decreasing-cost industry under perfect competition :

(A) Long-run price of the good falls

(B) Long-run price of the good rises

(C) Long-run price of the good remains constant

(D) None of these

46. In case of a firm operating under perfect competition, you are given the following data : Total fixed cost = Rs. 50,000; Average variable cost = Rs. 50 per unit; Sale price Rs. 75 per unit. What would be the break-even level of output ?

(A) 1000 units

(B) 2000 units

(C) 3000 units

(D) 5000 units

47. For a firm under monopoly which one of the below given condition, among others, must be satisfied for maximization of profits in the long run ?

(A) Short-run average cost > Long -run average cost

(B) Short-run average cost < Long -run average cost

(C) Price ≤ Long-run average cost

(D) Price ≥ Long-run average cost

48. When buyers are divided into different groups and from each group a different price is charged which is the lowest demand price of that group, this is called :

(A) First degree price discrimination

(B) Second degree price discrimination

(C) Third degree price discrimination

(D) No price discrimination of any degree

49. According to the kinked demand curve theory of oligopoly, each oligopolist will face a kinked demand curve :

    I.   With the upper segment being relatively elastic

    II.   With the upper segment being relatively inelastic

    III. With the lower segment being relatively elastic

    IV. With the lower segment being relatively inelastic

Choose the correct answer from below given options :

(A) II & IV

(B) I & IV

(C) II & III

(D) I & III

50. Regarding Cournots duopoly equilibrium solution consider the below given statements :

    I.   Output is two-thirds of maximum possible output

    II.   Output is one-third of maximum possible output

    III. Price is two-thirds of the most profitable price

    IV. Price is one-third of the most profitable price

Choose the correct answer from below given options :

(A) I & III

(B) II & IV

(C) II & III

(D) I & IV

51. When there exist external diseconomies in consumption _____ will be higher than _____.

(A) Social marginal utility; Private marginal utility

(B) Private marginal utility; Social marginal utility

(C) Social marginal cost; Private marginal cost

(D) Private marginal cost; Social marginal cost

52. The market failure to achieve Pareto optimality in case of a public good is attributed to the fact that marginal cost of allowing an individual to consume it is :

(A) Negative

(B) High

(C) Infinite

(D) Zero

53. The theory of second best was propounded by :

(A) Lipsey and Lancaster

(B) A. Marshal and A.C. Pigou

(C) J.S. Bain

(D) Samuelson

54. Which one of the below given consequences is the result of asymmetric information ?

(A) Golden parachutes

(B) Moral hazard

(C) Market for lemons

(D) Principal-agent problem

55. Which of the below given statement(s) regarding Keynesian theory of interest is(are) false ?

I. It is indeterminate

II. It ignores the real factors

III. It ignores the monetary factors

IV. It does not treat money supply as exogenously determined

Choose the correct answer from following options :

(A) Only I is false

(B) Only II is false

(C) Both I & II are false

(D) III & IV are false

56. Ricardian theory of rent is based on :

(A) Law of diminishing returns

(B) Law of increasing returns

(C) Law of constant returns

(D) Law of negative returns

57. According to Marginal Productivity theory, the basis for derivation of demand curve for labour is provided by :

(A) Marginal physical productivity of labour

(B) Marginal revenue productivity of labour curve

(C) Average physical productivity of labour curve

(D) Average revenue productivity of labour curve

58. Under the conditions of perfect competition in the labour market and imperfect competition in the product market, marginal revenue product (wage rate) will be less than the value of marginal product of labour in the :

(A) Short-run

(B) Long-run

(C) Neither (A) nor (B)

(D) Both (A) and (B)

59. Which one of the below given assumptions with respect to labour in Ricardo's theory of comparative advantage is false ?

(A) Labour is homogenous

(B) Labour is fully employed

(C) Labour can move freely between the nations

(D) Labour can move freely among industries within nation

60. You are given the following data: Normal tariff rate on the final commodity (n) = 0.2. Ratio of the value of the imported input to the value of the final commodity (a) = 0.9. Nominal tariff rate on the imported input (b) = 0. What could be the effective rate of protection ?

(A) 50%

(B) 100%

(C) 150%

(D) 200%