0717

Subject Code : 07

ECONOMICS

Time : 2 Hours 30 Minutes   *Maximum Marks: 150*

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 seventy-five (75) multiple-choice type questions. All the questions are compulsory. Each question carries *two* marks.

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

   Example: Ⓐ Ⓑ ⬤ Ⓓ, where Ⓒ 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 III

1. Suppose $MC = a - \dfrac{q}{2}$

Then total cost is

(A) $aq - \dfrac{q^2}{4}$

(B) $a - \dfrac{q^3}{2} + b$

(C) $aq - \dfrac{q^2}{4} + b$

(D) $a - \dfrac{q^2}{2}$

2. Total utility curve is

(A) convex to X-axis.

(B) concave to X-axis.

(C) concave or convex depending on situations.

(D) concave to Y-axis.

3. Consider $u = w - \alpha w^2$

where $w \rightarrow$ wealth

Here

(A) Risk aversion rises with wealth.

(B) Risk aversion falls with wealth.

(C) Risk aversion does not change with wealth.

(D) Risk aversion cannot be measured.

4. In a cartel form of market

(i) producers always stick to the agreement.

(ii) producers may have a tendency to break away from the agreement.

(iii) producers' tendency to break the agreement can be checked by threat strategy.

(iv) producers maximise individual profit.

Choose the correct answer:

(A) Only (i) and (iv) are true.

(B) Only (ii) and (iii) are true.

(C) Only (ii) is true.

(D) Only (i) is true.

5. The total cost curve meets the total fixed cost curve at

(A) a point on the vertical axis.

(B) a point to the right of the vertical axis.

(C) a point to the left of the vertical axis.

(D) they can not cut each other.

6. The law of diminishing returns refers to an eventual fall in

(A) total production of all the factors of production.

(B) total earnings of the firm.

(C) marginal product of the variable factor.

(D) marginal product of the fixed factor.

7. With which of the following economists would you associate the model of managerial enterprise?

(A) W. Baumol

(B) R. Marris

(C) T. Scitovsky

(D) R. A. Gordan

8. Given the following statements:

(i) Contract curve contains those allocations for which Consumer's indifference curves are tangent.

(ii) Contract curve shows all allocations from which no mutually beneficial trade can be made.

(iii) Contract curve is the locus of a subset of efficient allocations.

(iv) Points on contract curve are pareto efficient.

Choose the correct answer:

(A) Only (i) and (iii) are correct.

(B) (i), (ii) and (iv) are correct.

(C) Only (i) and (ii) are correct.

(D) Only (iii) is correct.

9. In the Stackelberg model of duopoly the Cournot behaviour assumption is applied to

    (A) the Leader

    (B) the Follower

    (C) Both (A) and (B)

    (D) Neither (A) nor (B)

10. If a demand curve exhibits unit elasticity for all prices, the MR curve

    (A) is identical with it.

    (B) lies below the demand curve.

    (C) is identical with X-axis.

    (D) is identical with Y-axis.

11. A consumer's demand curve can be obtained from

    (A) Income consumption curve

    (B) Engel's curve

    (C) Lorenz curve

    (D) Price-consumption curve

12. Fisher effect shows, other things remaining same, that an increase in expected inflation in the home country leads to

    (A) a rise in home rate of interest.

    (B) a fall in home rate of interest.

    (C) a rise in foreign rate of interest.

    (D) a fall in foreign rate of interest.

13. Suppose in the given economy at the initial point of time $\left(\frac{s}{v}\right)$, where v is the capital-output ratio, was equal to $0 \cdot 1$. Then one of the statements is true.

    (A) It will go on rising over time.

    (B) It will go on rising over time until the point of time T is reached.

    (C) It will go on falling over time.

    (D) It will go on falling over time until the point of time T is reached.

14. Other factors remaining same, a higher expected inflation leads to a lower demand for money on account of

    (A) higher return on money.

    (B) unchanged return on money.

    (C) lower return on money.

    (D) lower return on alternate assets.

15. Given the rental rate of capital and wage rate, an increase in planned output leads the marginal benefit of capital schedule to

    (A) shift leftward.

    (B) shift rightward.

    (C) bend backward after a threshold planned output.

    (D) change trajectory beyond a threshold planned output.

16. In the Mundell — Fleming framework, under perfect capital mobility, monetary policy is

    (A) fully effective in output expansion.

    (B) partially effective in output expansion.

    (C) ineffective in output expansion.

    (D) effective in raising rate of interest.

17. In a complete Keynesian Model, aggregate demand for goods and services is insensitive to interest rate. It is a function of Y alone. The aggregate demand schedule in the (Y, p) plane is

    (A) horizontal

    (B) vertical

    (C) upward sloping

    (D) backward bending

18. A fall in the price of crude oil — an input — leads to an increase in aggregate output at any given price level because the short run aggregate supply curve will shift out following:

    (A) Improved efficiency

    (B) Lower production costs

    (C) Lesser use of the input

    (D) Lesser use of alternate inputs

19. A vertical long run aggregate supply curve implies that changes in the aggregate price level accompanied by equal proportional changes in all input prices have

  (A) no effect on real GDP.

  (B) marginal effect on real GDP.

  (C) full effect on real GDP with the economy at less than potential output.

  (D) declining effect on real GDP.

20. In Permanent Income Hypothesis, permanent changes in income affects consumption in a bigger way than does a temporary change in income on account of

  (A) smaller changes in consumer's present value of life time resources (PVLR).

  (B) larger changes in consumer's PVLR.

  (C) unchanged consumer's PVLR.

  (D) changes conditional upon changes in temporary income.

21. Industrial productivity is not measured by applying

  (A) Kendrick index

  (B) Solow index

  (C) Harry and Kay index

  (D) Translog index

22. The level of concentration in an industry relates to the notion of its

  (A) Structure

  (B) Performance

  (C) Conduct

  (D) All of the above

23. Working population includes those persons who fall in the age group of

  (A) 6–14 years

  (B) 15–59 years

  (C) 14–60 years

  (D) 14–65 years

24. The book 'The Ultimate Resource' was written by

  (A) R. Repetto

  (B) J. Myers

  (C) J. L. Simon

  (D) J. Robinson

25. One of the following is not considered to be Marx's contribution to the Theory of Economic development.

  Identify the incorrect contribution:

  (A) In terms of providing an economic interpretation of history.

  (B) In terms of explaining the 'circular flow' where same products are produced every year in the same manner.

  (C) In terms of specifying the motivating forces of capitalist development.

  (D) In terms of suggesting an alternative path of planned economic development.

26. Identify the correct statement about the relationship between total fertility rate and gross reproductive rate:

  (A) TFR = GRR is possible

  (B) TFR < GRR is possible

  (C) TFR > GRR is possible

  (D) All of the above are possible

27. The Human Development Report Office does not release one of the following indices:

  (A) Human Development Index (HDI)

  (B) Gender Development Index (GDI)

  (C) Gender Equality Index (GEI)

  (D) Multidimensional Poverty Index (MPI)

28. Items of social sector expenditure of the State Governments include

    I. Education and Sports

    II. Energy and Transport

    III. Medical and Public Health

    IV. Water supply and Sanitation

Find the correct answer from given codes:

Codes:

(A) I, II and III are correct

(B) I, III and IV are correct

(C) II, III and IV are correct

(D) I and III are correct

29. Which are the two gaps affecting growth process of an economic system in the two gap model of growth?

(A) Saving gap and investment gap

(B) Income gap and consumption gap

(C) Foreign exchange gap and domestic saving gap

(D) Export gap and import gap

30. In Harrod's model of economic growth, if warranted rate is below the natural rate of growth then it is possible to maintain steady growth at the warranted rate with

(A) continually increasing unemployment

(B) a constant rate of unemployment

(C) continually decreasing unemployment

(D) None of the above

31. The 'Golden Age' model was developed by

(A) Nicholas Kaldor

(B) Joan Robinson

(C) J. R. Hicks

(D) R. F. Harrod

32. If X be exports, M be imports and i be the industry, then Grubel and Lloyd intra-industry trade index is equal to

(A) $1 + \dfrac{(Xi + Mi)}{|Xi - Mi|}$

(B) $1 - \dfrac{|Xi - Mi|}{(Xi + Mi)}$

(C) $\dfrac{(Xi + Mi)}{|Xi - Mi|}$

(D) $\dfrac{|Xi - Mi|}{(Xi + Mi)}$

33. Which of the following is true with respect to the monetary approach of the balance of payments?

(A) A balance of payments deficit results from an excess demand of money in the nation.

(B) A balance of payments surplus results from an excess supply of money.

(C) It views the balance of payments as an essentially monetary phenomenon.

(D) Balance of payments disequilibrium are not automatically corrected in the long run.

34. *Assertion* (*A*) : Devaluation can correct imbalance in the Balance of Payments.

   Reason (*R*) : Devaluation raises the price of imported goods and reduces the foreign price of exports of the devaluating country.

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 the correct explanation of (*A*).

(C) (*A*) is true but (*R*) is false.

(D) (*A*) is false but (*R*) is true.

35. Which of the following are not the kinds of balances associated with BOP?

(A) Merchandise on trade balance

(B) Current account balance

(C) Overall an official settlements balance

(D) Revenue account balance

36. Match the items of the left column with the items of the right column and choose the correct one.

(a) Green Revolution   (i) Fish production

(b) White Revolution   (ii) Oilseed production

(c) Blue Revolution   (iii) Milk production

(d) Yellow Revolution   (iv) Wheat production

	(a)	(b)	(c)	(d)
(A)	(iv),	(iii),	(ii),	(i)
(B)	(iv),	(iii),	(i),	(ii)
(C)	(iii),	(iv),	(i),	(ii)
(D)	(i),	(ii),	(iv),	(iii)

37. Who is the pioneer of Green Revolution in India?

(A) M. L. Dantwala

(B) Nilkanta Rath

(C) Dadabhai Naoroji

(D) M. S. Swaminathan

38. Contract farming can be defined as agricultural production carried out according to an agreement between a buyer and farmers which establishes conditions for the

(A) production and marketing of a farm product.

(B) only purchase of farm seeds from the middleman.

(C) only sale of seeds by farmers.

(D) None of the above

39. National Rural Employment Guarantee Act was introduced in

(A) 2005

(B) 2004

(C) 2007

(D) 2008

40. The Indian capital market is the market for

(A) Capital goods

(B) Short term loanable funds

(C) Long term loanable funds

(D) None of the above

41. The primary monetary policy technique employed by the Reserve Bank of India is

(A) Open Market Operations

(B) Reserve Requirements

(C) Discount Policy

(D) Margin Requirements

42. For the regression model given below:

$$Y = \beta_0 + \beta_1 X + U$$

the estimated equation is

$$\hat{Y} = 20 + 2x$$
$$\text{S.E.} = 0 \cdot 04$$

To test $H_0 : \beta_1 = 2 \cdot 1$ against $H_1 : \beta_1 \neq 2 \cdot 1$ test statistic $| t |$ is equal to

(A) 4·609

(B) 4·34

(C) 2·5

(D) 0·33

43. Brain drain indicates mostly the

(A) drainage of intellectual capacity of brain.

(B) drainage of educated people from one institution to another in a state.

(C) migration of educated youth from India to other countries.

(D) immigration of uneducated youth into India.

44. For the regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + ... \beta_k X_k + e$$

The degrees of freedom of test statistic | t |, with 'n' observations is

(A) n – k

(B) n – k + 1

(C) n – k – 1

(D) n + k – 1

45. The shape of the Laffer curve is

(A) U – shaped

(B) J – shaped

(C) Inverted U shaped

(D) L – shaped

46. Which of the following is correct?

(A) If ed = ∞ then the entire burden of tax falls upon buyers.

(B) If ed = 0 then the entire burden of tax falls upon sellers.

(C) If ed = ∞ then the entire burden of tax falls upon sellers.

(D) If ed = 0 then the entire burden of tax will be equally divided between buyers and sellers.

47. *Assertion* (*A*) : Use of goods and services from which one can be excluded are pure private goods.

Reason (*R*) : Such goods and services are not provided free by the state.

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

Codes:

(A) (*A*) is true but (*R*) is false.

(B) (*A*) is false but (*R*) is true.

(C) Both (*A*) and (*R*) are true and (*R*) is the correct explanation of (*A*).

(D) Both (*A*) and (*R*) are true but (*R*) is not the correct explanation of (*A*).

48. The forms of restoring the resource balance between Central and State Governments are

(i) Tax sharing

(ii) Loans

(iii) Grants

Give the correct answer from the codes given below:

(A) (i) and (ii) only

(B) (ii) and (iii) only

(C) (i) and (iii) only

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

49. In the estimated model $ln\ q_i = 3 \cdot 25 - \cdot 6\ ln\ p_i + \cdot 02 y_i$ where p is the price and q is the quantity demanded of a commodity and y is disposable income, what is the meaning of the coefficient of $ln\ p_i$?

(A) If the price is increased by 1%, the quantity demanded will be lowered by 0·006, ceteris paribus.

(B) If the price is increased by 1%, the quantity demanded will be lowered by 60, ceteris paribus.

(C) If the price is increased by 1%, the quantity demanded will be reduced by 0·6, ceteris paribus.

(D) None of the above

50. Match the following:

(a) Goldfeld-Quandt test (i) Causality
(b) D-Statistic   (ii) Auto correlation
(c) Sims test   (iii) Cointegration
(d) Johansen's test   (iv) Heteroscedasticity

	(a)	(b)	(c)	(d)
(A)	(i),	(iii),	(ii),	(iv)
(B)	(iv),	(ii),	(i),	(iii)
(C)	(iii),	(i),	(ii),	(iv)
(D)	(iv),	(ii),	(iii),	(i)

51. *Assertion* (*A*) : There exists inverse relationship between interest rates and bond prices.

Reason (*R*) : A bond price represents the present discounted value of the payments agreed upon at the time when the bond was issued.

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

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

52. The linear programming problem is so called because

(A) both the objective function and constraints are linear in structure.
(B) objective function is linear whatever be the form of the constraints.
(C) the constraints are linear whatever be the structure of objective function.
(D) there is non-negativity constraints for the choice variables.

53. Fiscal reform measures in India included

(i) Increasing Tax-GDP Ratio
(ii) Expenditure Management
(iii) Increasing liquidity in the economy
(iv) Managing revenue deficit and fiscal deficit

Find the correct answer from the given codes.
Codes:

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

54. Match the following:

List I	*List II*
(a) Acceptance of H_o when it is false	(i) Simple random sampling
(b) Rejection of H_o when it is true	(ii) Type II error
(c) Population is homogeneous	(iii) Positively skewed distribution
(d) Mean > Mode	(iv) Type I error

Codes:

	(a)	(b)	(c)	(d)
(A)	(ii)	(iv)	(iii)	(i)
(B)	(i)	(ii)	(iii)	(iv)
(C)	(ii)	(iv)	(i)	(iii)
(D)	(iv)	(i)	(ii)	(iii)

55. Match the items of left column with that of right column:

(a) Dickey Fuller   (i) GLS
(b) Aitken   (ii) Fixed vs Random effect
(c) Granger   (iii) Stationarity
(d) Hausman   (iv) Causality

	(a)	(b)	(c)	(d)
(A)	(ii)	(iii)	(iv)	(i)
(B)	(iv)	(ii)	(iii)	(i)
(C)	(iii)	(i)	(iv)	(ii)
(D)	(iii)	(iv)	(ii)	(i)

56. Given finance refers to

(A) financial investments flowing towards sustainable development projects and initiatives that encourage sustainable economy.

(B) financial policy aimed at developing education base of an economy.

(C) financial directive issued by the Central Govt. of India.

(D) financial institution meant for implementing sustainable growth.

57. Natural growth of population is the out come of the following:

(i) Crude Birth Rate

(ii) Migration

(iii) Crude Death Rate

(iv) Marriages

Select the correct answer from the codes given below:

Codes:

(A) Only (i)

(B) Only (iii)

(C) (ii) and (iii)

(D) (i) and (iii)

58. Select the correct statement of Adding up Theorem:

(A) Total income derived from the output will be exhausted if all the factors are paid according to their marginal productivity.

(B) Total income derived from the output will be exhausted if all factors are paid at the same rate.

(C) Total income will be exhausted if all factor rewards are proportional to commodity prices.

(D) Total income will be exhausted if all factors are paid according to their average product.

59. In a stagnant economy, the government should

(A) spend more, tax less and/or pursue a contractionary monetary policy.

(B) spend less, tax less and/or pursue an expansionary monetary policy.

(C) spend more, tax less and/or pursue an expansionary monetary policy.

(D) tax more, spend less and/or pursue an expansionary monetary policy.

60. India has made significant progress on the MDG's and had already achieved the targets of

(A) universal primary school enrolment.

(B) reducing child and infant mortality.

(C) gender parity in primary school enrolment.

(D) None of the above

61. Men and Women's paid work, that is visible is accounted for by the

(A) Sector Skill Councils (SSCs).

(B) Time Use Survey.

(C) System of National Accounts (SNA).

(D) National Skill Development Corporation (NSDC).

62. What is a greenfield location?

(A) Investment by a firm in a new manufacturing unit in a new location.

(B) Institutional and government support to Green Revolution.

(C) An area consisting of unused or agricultural land developed to set up new industrial plants.

(D) Selling of additional shares to the public if the demand for shares exceed the expectation.

63. Environment has the following functions:

(A) It provides materials and minerals, waste sink services and housing facilities.

(B) It provides materials & minerals, waste sink services and amenity values.

(C) It provides land, air and water.

(D) It provides waste sink services and amenity values only.

64. The NSSO reports on 'Situation Assessment Survey of Agricultural Households in India' defines an agricultural household as

(A) a household receiving value of produce of more than Rs. 2000/- from agriculture.

(B) a household receiving value of produce of more than Rs. 3000/- from agriculture.

(C) a household receiving value of produce of more than 5000/- from agriculture.

(D) a household receiving value of produce of more than Rs. 3000/- from agriculture with at least one member self-employed in farming.

65. Which authority recommends the principles governing the grants-in-aid of the revenues of the states out of the Consolidated Fund of India?

(A) Inter-State Council

(B) Finance Commission

(C) Union Ministry of Finance

(D) Public Accounts Committee

66. Suppose the technology matrix in input-output system is $\begin{bmatrix} \cdot2 & \cdot4 \\ \cdot5 & \cdot6 \end{bmatrix}$

(i) The Hawkins - Simon condition is satisfied in this case.

(ii) The Hawkins - Simon condition is not satisfied.

(iii) The inverse of the technology matrix exists.

(iv) The inverse is non-existent.

Choose the correct option:

(A) Both (ii) and (iv) are correct

(B) Both (i) and (iii) are correct

(C) Only (i) is correct

(D) Only (iii) is correct

67. Prisoner's dilemma is a type of

(A) zero sum non-cooperative game.

(B) non-zero sum non-cooperative game.

(C) non-zero sum cooperative game.

(D) zero sum cooperative game.

68. The exchange rate between home and foreign currencies is same across foreign exchange markets through

(A) interest arbitrage

(B) exchange arbitrage

(C) hedging

(D) speculation

69. Hedging refers to

(A) the acceptance of a foreign exchange risk.

(B) covering of a foreign exchange risk.

(C) foreign exchange speculation.

(D) foreign exchange arbitrage.

70. The Bretton-Woods system finally collapsed at the global level in the year

(A) 1960

(B) 1971

(C) 1974

(D) 1970

71. Which one of the following characteristics is widely regarded as being an important aspect of sustainable development?

(A) Inter-generational equity

(B) Increasing consumption expenditure

(C) Intra-generational inequity

(D) Increased levels of saving

72. Suppose the 2 regression coefficients are b_{yx} and b_{xy}
Then

(i) $r^2 = b_{yx} \cdot b_{xy}$

(ii) $r = \pm \sqrt{b_{yx} \cdot b_{xy}}$

(iii) $r = b_{yx} \cdot b_{xy}$

(iv) $r = \sqrt{b^2_{yx} \cdot b^2_{xy}}$

(A) Both (i) and (ii) are correct

(B) Both (i) and (iii) are correct

(C) Only (ii) is correct

(D) Only (iii) is correct

73. If more capital and labour are applied to a fixed piece of land, the system of cultivation of farming is known as

(A) Extensive cultivation

(B) Cooperative farming

(C) Intensive cultivation

(D) Double cropping

74. Which one of the following is not a 'renewable' energy source?

(A) Bio-diesel

(B) Coal

(C) Wave

(D) Wind

75. The growth of light industries is hampered by the fact that

(A) these are run by small entrepreneurs with inadequate financial resources.

(B) these do not enjoy economics of scale.

(C) perpetuate the dependence on imports of capital goods.

(D) All of the above

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