

**Sample Question for M.A./ M.Sc. PG Entrance**

**Subject: Economics**

**1. An increase in tax rate causes**

- (A) IS curve to shift rightward
- (B) IS curve to shift leftward
- (C) LM Curve to shift rightward
- (D) LM curve to shift leftward.

**Ans-B**

**2. At liquidity trap situation**

- (A) Interest rate is high and monetary policy is ineffective
- (B) Interest rate is low and monetary policy is effective
- (C) Interest rate is high and monetary policy is effective
- (D) Interest rate is low and monetary policy is ineffective.

**Ans-D**

**3. Price discrimination is possible, if**

- (A) Elasticity of demand is same in the sub markets
- (B) Elasticity of demand is different in the sub markets
- (C) Both of the above
- (D) None of 1 and 2

**Ans-B**

**4. The most common attitude towards risk is**

- (A) Risk neutral
- (B) Risk averter
- (C) Risk Lover
- (D) Risk Seeker

**Ans-B**

**5. For Giffen good**

- (A) Income effect  $>$  Substitution effect
- (B) Income effect  $<$  Substitution effect
- (C) Income Effect = Substitution effect
- (D) Income effect is 0

**Ans-A**

**6) Labour supply curve bends backward because**

- (A) Income effect  $>$  Substitution effect
- (B) Income effect  $<$  Substitution effect
- (C) Income Effect = Substitution effect
- (D) Income effect is 0

**Ans-B**

**7. A firm in the short will continue to operate as long as**

- (A) Price = MC
- (B) Price  $>$  AVC
- (C) Price  $>$  TC
- (D) Price = AC = MC = MR

**Ans-B**

**8. The producer will substitute capital for labour till he reaches that point of isoquant at which,**

- (A) The price of the good he produces equals wage rate.
- (B) Marginal rate of technical substitution equals interest rate.
- (C) Marginal rate of technical substitution equals marginal revenue.
- (D) Marginal rate of technical substitution equals the ratio of marginal productivity of labour and capital.

**Ans-D**

**9. In Harrod's model of economic growth, if warranted rate is below the natural rate of growth then it is possible to maintain steady state 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

**Ans-A**

**10. Which of the following is not a feature of the A.W. Phillip's inflation-unemployment trade-off ? [www.netugc.com](http://www.netugc.com)**

- (A) A non-linear inverse relationship between unemployment rate and the rate of exchange in wage rate.
- (B) There is a loop in the anticlockwise around the Phillip's curve.
- (C) The wage-inflation unemployment relationship is predictable.
- (D) Philip's curve shifts when expected rate of inflation shifts

**Ans-A**

**11. Suppose there is full employment and vertical aggregate supply schedule. An increase in the nominal money supply.**

- (A) Increases price
- (B) Increases output
- (C) Both A and B
- (D) None of the above

**Ans -A**

**12. According to the monetarists, money supply constitutes**

- (A) Currency + demand deposits
- (B) Currency + demand deposits + time deposits
- (C) Currency + demand deposits + time deposits + equity shares
- (D) Currency + all kinds of bank deposits + deposits with other institutions + borrowing

**Ans-B**

**13. Crowding out effect arises due to**

- (A) Increase in money supply reduces rate of interest
- (B) Increase in Govt spending stimulates rate of interest and hence drives out private investment
- (C) Deficiency of effective demand
- (D) Excessive money supply.

**Ans-B**

**14) A demand curve, which is parallel to the horizontal axis, showing quantity, has the price elasticity equal to**

- (A) Zero
- (B) Infinity
- (C) Less than one
- (D) One

**Ans-B**

**15. What does Hedging mean?**

- (A) The acceptance of a foreign exchange risk.
- (B) The covering of a foreign exchange risk.
- (C) Foreign exchange speculation.
- (D) Foreign exchange arbitrage.

**Ans-B**

**16. According to which of the following hypotheses, consumption is irreversible?**

- (A) Absolute Income Hypothesis
- (B) Relative Income Hypothesis
- (C) Permanent Income Hypothesis

(D) Life Cycle Hypothesis

**Ans-B**

**17. High powered money comprises**

(A) Currency held by the public + Cash reserves of banks

(B) Currency held by the public + Demand and time deposits + Cash reserves of banks

(C) Currency held by the public + Cash reserves of banks + Other deposits of RBI

(D) Currency held by the public + other deposits of RBI

**Ans-C**

**18.If  $MP_L/MP_K$  does not change with any proportionate change in labour and capital then the production function is**

(A) Linear

(B) Non-linear

(C) Homogeneous

(D) Homothetic

**Ans-D**

**19. Cohin Clark has argued that for most countries of the world, the safe upper limit of taxation is**

(A) 40 percent of national income

(B) 30 percent of national income

(C) 25 percent of national income

(D) 20 percent of national income

**Ans-C**

**20.  $\chi^2$  (chi-square) test is used to test**

(A) analysis of variance

(B) association between the qualitative variables

(C) difference between means of two distributions drawn from the same population.

(D) difference between the means of two distributions drawn from different population.

**Ans-B**

**21. The problem of auto-correlation arises**

(A) Cross sectional data

(B) Time Series data

(C) Panel data

(D) Random data

**Ans-B**

**22. For substitutes, cross elasticity of demand is**

(A) Positive

(B) Negative

(C) Zero

(D) Always less than one

**Ans-A**

**23. An economic region of production consists of**

(A) The positively sloped portions of all isoquants

(B) The negatively sloped portions of all isoquants

(C) The middle of all isoquants

(D) The highest points of all isoquants

**Ans- B**

**24. Elasticity of substitution is**

(A) The substitution of cheaper inputs for dearer inputs.

(B) The rate at which the inputs (labour and capital) are substituted.

(C) A measure of the responsiveness of input ratio to a change in input-price ratio.

(D) A measure of the responsiveness of input prices and the substitution of the cheaper inputs.

**Ans-C**

**25. In pareto optimum situation-**

- (A) Social improvement is possible through redistribution
- (B) Social improvement is further impossible
- (C) Compensation is possible
- (D) None of the above

**Ans-B**

**26. The share of the tax borne by the seller will be larger**

- (A) if the demand for the product is less elastic.
- (B) if the demand for the product is inelastic.
- (C) if the demand for the product has greater elasticity.
- (D) if the elasticity of supply of the product is larger.

**Ans-C**

**27. Higher the CRR**

- (A) Lower the credit creation
- (B) Higher the credit creation
- (C) Higher the money supply
- (D) None of the above

**Ans-A**

**28. The fundamental cause for the collapse of the Brettonwoods System was**

- (A) the liquidity problem
- (B) the adjustment problem
- (C) the confidence problem
- (D) all of the above

**Ans-D**

**29. Under Cournot Model of Duopoly, each duopolist will produce**

- (A) half the output
- (B) one-fourth of the output
- (C) one-sixth of the output
- (D) one-third of the total output

**Ans-D**

**30. The concept of vicious circle of poverty is associated with**

- (A) J.M. Keynes
- (B) Ragner Nurkse
- (C) Karl Marx
- (D) J.S. Mill

**Ans-B**

**31. Under open market Operation, if there is inflation in the economy, the central bank of the country**

- (A) Sells Government securities
- (B) Buys Government securities
- (C) Raises the CRR
- (D) Raises the SLR

**Ans-A**

**32. Public goods are non-rival, because**

- (A) No -one can be excluded from their consumption
- (B) Consumption by one does not reduce the amount available to others
- (C) Both A &B
- (D)None of A &B



**Ans- B**

**33. If Marginal efficiency of capital is high, Investment is**

- (A) High
- (B) Low
- (C) Constant
- (D) Neutral

**Ans-A**

**34. According to Pigou, Unemployment can be removed by**

- (A) Creating more employment opportunities
- (B) Lowering Rate of interest
- (C) Lowering the Wage rate
- (D) Both b and c

**Ans- C**

**35. In case of poisson distribution,**

- (A) Mean > Variance
- (B) Mean < Variance
- (C) Mean = Variance
- (D) Mean = Variance = Mode

**Ans-B**

**36. The autonomous transactions are known as**

- (A) Above the line transactions
- (B) Below the line transaction
- (C) At the line transaction
- (D) None of the above.

**Ans-A**

**37. GNP differs from GDP, because of**

- (A) Depreciation
- (B) NFIA
- (C) Net Indirect tax
- (D) subsidy

**Ans-B**

**38. In the Keynesian range**

- (A) Monetary policy is more effective
- (B) Fiscal policy is more effective
- (C) Both are effective
- (D) None are effective

**Ans-B**

**39. The classical Aggregate supply curve is**

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

**Ans-A**

**40) Cross elasticity of demand between two substitute good is**

- (A) Positive
- (B) Negative
- (C) Unity
- (D) Zero.

**Ans-A**

**41. Production Possibility curve is concave to the origin**

- (A) Increasing marginal opportunity cost
- (B) Decreasing marginal opportunity cost
- (C) Constant marginal opportunity cost
- (D) Zero marginal opportunity cost

**Ans-A**

**42. If offer curve of a country shifts rightward, its**

- (A) ToT improves
- (B) ToT deteriorates
- (C) ToT remains constant
- (D) None of the above

**Ans-B**

**43. According to Keynes, Interest elastic part of demand for money is**

- (A) Speculative demand for money
- (B) Transaction demand for money
- (C) Precautionary demand for money
- (D) Casual demand for money

**Ans- A**

**44. The demand for input depends on**

- (A) Marginal Productivity
- (B) Average Productivity
- (C) Marginal revenue
- (D) Average revenue.

**Ans-A**

**45. The WTO replaced**

- (A) IMF
- (B) Bretton Woods system
- (C) GATT
- (D) ILO

**Ans-C**

**46. Elasticity of demand on a mid point of a linear demand curve is**

- (A)  $ed > 1$
- (B)  $ed < 1$
- (C)  $ed = 1$
- (D)  $ed = 0$

**Ans-C**

**47. The Great leap forward Programme is associated with**

- (A) USA
- (B) UK
- (C) China
- (D) India

**Ans-C**

**48) As per the H-O theorem, differences in comparative cost of production arises due to**

- (A) Differences in factor intensity
- (B) differences in factor endowments
- (C) Both A & B
- (D) None

**Ans -B**

**49) Sampling error increases**

- (A) As sample size decreases
- (B) As sample size increases
- (C) As sample size remains constant
- (D) None of the above

**Ans-A**

**50. The classical theory of employment depends on**

- (A) Law of demand
- (B) Law of Supply
- (C) Says Law of Market
- (D) Keynes psychological law of consumption

**Ans-C**