D 102493 (Pages : 20) Name.......................................

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P.G. ENTRANCE EXAMINATION, APRIL 2024

ECONOMICS

Time : Two Hours Maximum : 400 Marks

Each correct answer shall carry 4 marks and
1 *mark shall be deducted for 4 wrong answers (1/4th)*

1. Why individuals do not produce all the things they consume ?

   (A) Consumer choice theory. (B) Comparative advantage.

   (C) Economic equilibrium. (D) Resource allocation model.

2. What is the primary difference between microeconomics and macroeconomics ?

   (A) Microeconomics focuses on specific topics within the economy, while macroeconomics looks at the economy as a whole.

   (B) Microeconomics examines individual decision-making units, while macroeconomics studies the overall performance of the economy.

   (C) Microeconomics studies the interactions between firms and consumers, while macroeconomics focuses on government policies.

   (D) Microeconomics deals with short-term economic fluctuations, while macroeconomics focuses on long-term economic growth.

3. What is a key characteristic of market economies ?

   (A) Centralized decision-making.

   (B) Government ownership of resources and businesses.

   (C) Private individuals or groups owning and operating means of production.

   (D) Direct determination of economic decisions by governments.

Turn over

4. What does a positive slope indicate in the context of economics ?

   (A) A decrease in one variable leads to a decrease in the other.

   (B) An increase in one variable leads to an increase in the other.

   (C) There is no relationship between the variables.

   (D) Both variables remain constant over time.

5. How is consumer surplus measured ?

   (A) By subtracting the amount consumers are willing to pay from the amount they actually paid.

   (B) By adding the amount consumers are willing to pay to the amount they actually paid.

   (C) By subtracting the amount consumers actually paid from the amount they were willing to pay.

   (D) By multiplying the quantity of goods purchased by the price paid by consumers.

6. What factors can shift the demand curve for labour ?

   (A) Changes in government policy only.

   (B) Changes in the production processes only.

   (C) Changes in workers' education.

   (D) All of these.

7. A given percentage rise in price (P) will be more than offset by a larger percentage fall in quantity so that total revenue (P × Q) falls if demand is ——————.

   (A) Elastic. (B) Inelastic.

   (C) Unitary. (D) None of these.

8. Which of the following best defines explicit costs ?

   (A) Costs that are not easily quantifiable.

   (B) Costs that are not paid by the business.

   (C) Costs that are actual payments made by the business.

   (D) Costs that are incurred as a result of using resources already owned by the business.

9. Why is a perfectly competitive firm known as a price taker ?

   (A) It can set the market price for its product.

   (B) It can raise its price without losing sales.

   (C) It must accept the prevailing equilibrium price.

   (D) It can manipulate market demand.

10. What is a natural monopoly ?

   (A) A monopoly that arises due to government regulations.

   (B) A monopoly formed by controlling a scarce physical resource.

   (C) A monopoly resulting from significant economies of scale.

   (D) A monopoly created by legal barriers to entry.

11. Which of the following scenarios is most likely to lead to an oligopoly ?

   (A) A government grants a patent for a unique invention to one firm.

   (B) A government grants patents for similar inventions to multiple firms.

   (C) A market has room for only one firm due to economies of scale.

   (D) A market has room for multiple firms due to low barriers to entry.

12. What happens in the long run if firms in a monopolistically competitive industry are earning economic profits ?

   (A) The industry attracts entry until profits reach zero.

   (B) The industry experiences an increase in economic profits.

   (C) The industry faces government regulation.

   (D) The industry experiences a decrease in consumer demand.

13. What type of externality is pollution considered ?

   (A) Positive externality. (B) Negative externality.

   (C) Internal externality. (D) External cost.

14. What are the two defining characteristics of a public good ?

    (A) Excludability and rivalry.

    (B) Excludability and non-rivalry.

    (C) Non-excludability and rivalry.

    (D) Non-excludability and non-rivalry.

15. How is a marginal product defined in the context of labour markets ?

    (A) The total output of the firm.

    (B) The additional output from increasing the workforce by one worker.

    (C) The output generated by one worker in a day.

    (D) The average output of all workers in the firm.

16. How is poverty typically measured ?

    (A) By comparing the average income of different groups.

    (B) By examining the distribution of wealth in society.

    (C) By determining the share of income received by the top percentile.

    (D) By identifying the number of people falling below a certain income threshold.

17. What challenges do firms face when trying to raise financial capital in their early stages ?

    (A) Demonstrating profitability to investors.

    (B) Convincing customers to invest in their products.

    (C) Meeting regulatory requirements for investment.

    (D) Establishing a network of financial investors.

18. What does the expected rate of return measure ?

    (A) The total profit generated by an investment.

    (B) The average return over a period of time.

    (C) The initial investment amount required.

    (D) The risk associated with an investment.

19. How does interest rate risk affect investments ?

    (A) It ensures stable returns over time.

    (B) It results in higher-than-expected returns.

    (C) It may cause a decrease in returns if market rates rise suddenly.

    (D) It has no impact on investment returns.

20. What defines an intermediary in financial markets ?

    (A) Someone who directly connects savers and borrowers.

    (B) An institution that operates between two parties, facilitating transactions.

    (C) A mediator who arranges meetings between investors and entrepreneurs.

    (D) An individual who manages investment portfolios for clients.

21. What is a characteristic of a certificate of deposit (CD) ?

    (A) It offers easy access to funds with no penalties for early withdrawal.

    (B) It typically offers a higher interest rate than regular savings accounts.

    (C) It allows unlimited withdrawals without penalties.

    (D) It pays lower interest rates compared to regular savings accounts.

22. What is the face value of a bond ?

    (A) The amount the investor pays to purchase the bond.

    (B) The total value of all future interest payments.

    (C) The amount the borrower agrees to pay the investor at maturity.

    (D) The current market value of the bond.

23. What is one way individual firms raise capital in financial markets ?

    (A) By purchasing mutual funds.

    (B) By issuing long-term loans to other companies.

    (C) By selling shares of stock and issuing bonds.

    (D) By investing in venture capital firms.

Turn over

24. What concept complements absolute advantage and emphasizes the opportunity cost of producing goods ?

(A) Comparative advantage. (B) Absolute scarcity.

(C) Opportunity cost. (D) Trade equilibrium.

25. Who argued that specializationand free trade benefit all trading partners, regardless of relative efficiency ?

(A) David Ricardo. (B) Benjamin Franklin.

(C) Adam Smith. (D) John Maynard Keynes.

26. Why is one of the WTO negotiations called the Doha Round ?

(A) Because it aims to reduce barriers to trade in Doha, Qatar.

(B) Because it focuses on agricultural subsides in Doha, Qatar.

(C) Because it was officially launched in Doha, the capital city of Qatar.

(D) Because it targets specific industries in Doha, Qatar.

27. What are Tariffs ?

(A) Subsidies provided to domestic industries.

(B) Taxes imposed on exported goods.

(C) Taxes placed on imported goods.

(D) Trade agreements negotiated by the WTO.

28. What is one reason why individuals benefit from living in economies with specialization and trade ?

(A) It allows them to control all aspects of production.

(B) It enables them to produce goods and services more efficiently.

(C) It reduces the need for interpersonal interactions.

(D) It limits their reliance on others for essential needs.

29. What is the primary reason a country can benefit from trade even if it has high levels of productivity in all goods ?

(A) Absolute advantage. (B) Competitive advantage.

(C) Specialization. (D) Comparative advantage.

30. What were the two organizations created in 1946 alongside the United Nations ?

(A) World Trade Organization and World Bank.

(B) International Monetary Fund and World Bank.

(C) International Trade Organization and International Monetary Fund.

(D) General Agreement on Tariffs and Trade and International Trade Organization.

31. What major step did the European Union take in the early 2000s regarding currency ?

(A) Introducing the German mark and the French franc.

(B) Phasing out the euro.

(C) Introducing the euro and phasing out national currencies.

(D) Retaining all former national forms of money.

32. If a nation's GDP decreased from Rs. 500 crores to Rs. 450 crores over a year, what is the growth rate ?

(A) – 10%. (B) – 12 %.

(C) 10 %. (D) 12 %.

33. Why is studying statistics useful for researchers ?

(A) It helps to organize data and identify typical patterns.

(B) It makes graphs look more appealing.

(C) It allows researchers to focus only on numerical data.

(D) It helps in collecting qualitative data.

34. What type of graph is commonly used to show how a variable changes overtime ?

(A) Bar graph. (B) Pie chart.

(C) Scatter plot. (D) Time series graph.

35. What do consumers experience when a price changes ?

(A) Only the substitution effect.

(B) Only the income effect.

(C) Both substitution and income effects simultaneously.

(D) Neither substitution nor income effects.

36. How does the income effect affect buying power ?

(A) It decreases buying power when the price of a good falls.

(B) It increases buying power when the price of a good rises.

(C) It increases buying power when the price of a good falls.

(D) It decreases buying power when the price of a good rises.

37. What happens to the budget constraint when the price of a good increases ?

(A) It shifts to the right. (B) It shifts to the left.

(C) It remains unchanged. (D) It becomes steeper.

38. When a good becomes more expensive, which effect motivates consumers to seek substitutes ?

(A) Income effect. (B) Substitution effect.

(C) Utility effect. (D) Demand effect.

39. When sketching diagrams to illustrate substitution and income effects, what represents the initial level of utility ?

(A) Initial budget constraint. (B) New indifference curve.

(C) Initial indifference curve. (D) New budget constraint.

40. What is the equivalent measure of total economic activity ?

(A) Total population.

(B) Total factor services supplied.

(C) Total government spending.

(D) Total earnings from household services.

41. What is the main concern regarding using nominal GDP as a measure of economic performance ?

(A) It over estimates the economy's performance.

(B) It under estimates the economy's performance.

(C) It does not account for inflation.

(D) It does not consider physical quantities of output that yield utility or happiness.

42. Why does using GDP avoid the need to argue about depreciation ?

(A) Because depreciation is not relevant for assessing economic performance.

(B) Because depreciation is easy to measure consistently across different countries.

(C) Because GDP accounts for depreciation automatically.

(D) Because depreciation is rather difficult to measure consistently.

43. What is the primary focus of national income accounts mentioned in the passage ?

(A) Assessing the economic performance of individual firms.

(B) Assessing the economic performance of the overall economy.

(C) Calculating corporate profits.

(D) Analyzing consumer spending patterns.

44. What does the inflationary gap measure ?

(A) The shortfall of aggregate demand over output when output is at potential output.

(B) The discrepancy between output and potential output.

(C) The excess of aggregate demand over output when output is at potential output.

(D) The level of potential output.

45. What relationship does the multiplier have with the marginal propensity to save (MPS) ?

    (A) The multiplier is equal to the MPS.

    (B) The multiplier is inversely proportional to the MPS.

    (C) The multiplier is directly proportional to the MPS.

    (D) The multiplier is unaffected by the MPS.

46. What happens to planned savings when households wish to consume more at each level of income ?

    (A) Saving rises.
    (B) Saving falls.
    (C) Saving remains unchanged.
    (D) Saving becomes unpredictable.

47. What is the equilibrium income if investment demand is 400 and the consumption function is $C = 0.8Y$?

    (A) 500.
    (B) 800.
    (C) 1000.
    (D) 1200.

48. How is the budget deficit defined ?

    (A) The excess of government spending over government receipts during a particular period.

    (B) To excess of government receipts over government spending during a particular period.

    (C) The difference between government spending and investment.

    (D) The total revenue collected by the government.

49. How does the government typically respond to abnormally high levels of aggregate demand ?

    (A) By reducing taxes or increasing spending.

    (B) By raising taxes or cutting spending.

    (C) By decreasing the money supply.

    (D) By implementing price controls.

50. How do governments utilize discretionary fiscal policies in stabilizing aggregate demand ?

(A) By relying solely on automatic fiscal stabilizers.

(B) By adjusting interest rates.

(C) By changing spending levels or tax rates intentionally.

(D) By implementing trade policies.

51. Why do policymakers typically avoid targeting zero inflation ?

(A) Zero inflation leads to a deflationary spiral, causing further contraction in the economy.

(B) Zero inflation is unattainable due to the natural fluctuations in the economy.

(C) Zero inflation encourages excessive borrowing and spending, leading to economic instability.

(D) Zero inflation leads to high real interest rates, stimulating aggregate demand.

52. Which statement accurately describes the role of central banks in monetary policy ?

(A) Central bank aim to set interest rates to achieve a desired path for nominal money.

(B) Central bank aim to set inflation rates to achieve a desired path for nominal money.

(C) Central bank focus on regulating fiscal policies to control inflation.

(D) Central bank target specific levels of unemployment to stabilize the economy.

53. In the classical model of macroeconomics, what happens when output deviates from full capacity ?

(A) Output remains unchanged as prices and wages are fixed.

(B) Output adjusts instantly to full capacity due to flexible prices and wages.

(C) Monetary and fiscal policies have no effect on output.

(D) Output decreases due to rigid prices and wages.

54. Which statement accurately describes the Keynesian view of aggregate demand and output ?

(A) Higher aggregate demand always results in a corresponding increase in output.

(B) The economy can indefinitely expand output due to infinite resources.

(C) Aggregate demand is irrelevant for determining output in Keynesian models.

(D) Aggregate demand interacts with aggregate supply to determine output.

55. Which statement regarding fiscal and monetary policy is true ?

(A) Fiscal and monetary policy affect aggregate demand through the same routes.

(B) Fiscal policy affects aggregate demand through the IS schedule, while monetary policy affects it through the LM schedule.

(C) Fiscal and monetary policy are interchangeable and have the same implications for the composition of aggregate demand.

(D) Fiscal policy is primarily concerned with changes in the money supply, while monetary policy focuses on tax rates and spending levels.

56. What does a change in interest rates typically indicate within a given monetary policy ?

(A) An adjustment to the money supply.

(B) A change in economic circumstances.

(C) A switch to a different preferred relationship between merest rates and other economic variables.

(D) A change in inflation targeting strategy.

57. Which of the following is NOT a reason why firms hold stocks of goods ?

(A) Speculation on future price changes.

(B) Reducing the need for costly adjustments in output.

(C) Accelerating the production process.

(D) Generating interest income from surplus stocks.

58. According to the permanent income hypothesis, how does temporary changes in income affect consumption ?

(A) Temporary increases in income lead to a proportional increase in consumption.

(B) Temporary increases in income have no effect on consumption.

(C) Temporary increases in income lead to increased savings.

(D) Temporary increases in income have a minimal effect on consumption.

59. What is a repo transaction ?

(A) The sale of an asset with an agreement to repurchase it later.

(B) The purchase of an asset with an agreement to resell it later.

(C) A short-term loan secured by a long-term asset.

(D) A long-term loan secured by a short-term asset.

60. How does uncertainty affect the benefit of holding money for precautionary reasons ?

(A) It decreases the benefit of holding money.

(B) It has no effect on the benefit of holding money.

(C) It increases the benefit of holding money.

(D) It changes the type of assets used for precautionary savings.

61. What problem does holding money help to solve ?

(A) Generating additional income through interest-earning assets.

(B) Avoiding brokerage and bank charges.

(C) Simplifying transactions by reducing time an effort.

(D) Maximizing savings through precise timing of asset sales.

62. How does the government finance spending on transfer payments ?

(A) By borrowing from foreign countries.

(B) By printing more money.

(C) By taxing those who can afford to pay.

(D) By reducing public services.

63. What is the role of greenhouse gases like carbon dioxide and methane ?

(A) They prevent solar radiation from reaching the Earth.

(B) They trap heat underneath, preventing the Earth from freezing.

(C) They cool down the Earth's atmosphere.

(D) They prevent the escape of heat, causing the Earth to overheat.

64. In experimental research, what is the purpose of randomly dividing participants into groups ?

(A) To ensure that each participant gets equal attention from the researcher.

(B) To ensure that the experimental group receives the new medication.

(C) To control for potential biases and ensure groups are comparable.

(D) To make the study design more complicated.

65. How should the scientific method be understood ?

(A) As a single, rigid method for conducting research.

(B) As a set of research principles and methods guiding investigations.

(C) As a historical artifact with no relevance to modern science.

(D) As a philosophical concept without practical implications.

66. What is a key feature of all hypotheses ?

(A) They must be lengthy and complex.

(B) They must be based on personal beliefs.

(C) They must make a prediction about the phenomenon being studied.

(D) They must rely solely on qualitative data.

67. How are hypotheses evaluated in light of gathered data :

(A) By comparing them to popular opinions.

(B) By conducting literature reviews.

(C) By determining if they are supported or refuted.

(D) By conducting surveys among peers.

68. Which research approach involves statistical analyses to obtain findings ?

(A) Qualitative research. (B) Experimental research.

(C) Observational research. (D) Quantitative research.

69. How is qualitative research often utilized in relation to quantitative research ?

(A) As a replacement for quantitative research.

(B) As a source of hypotheses for later quantitative.

(C) As a standalone method without connection to quantitative research.

(D) As a method solely for collecting numerical data.

70. Why do researchers typically study a sample instead of the entire population ?

(A) To save time and resources.

(B) To exclude certain groups from the study.

(C) To ensure biased results.

(D) To guarantee representativeness of the data.

71. Why is studying a representative sample important in research ?

(A) It guarantees biased results.

(B) It ensures that the sample is smaller than the population.

(C) It allows researchers to draw valid conclusions about the population.

(D) It makes the research process more difficult.

72. What is the first step in designing any research study ?

(A) Collecting data. (B) Analyzing data.

(C) Deciding what to study. (D) Writing research reports.

73. How do researchers often use previous research in their own studies ?

(A) By disregarding it completely.

(B) By attempting to replicate the results.

(C) By never referring to it in their own work.

(D) By keeping it as a secret source of inspiration.

74. What does the null hypothesis predict in a research study involving two groups of participants ?

(A) There will be no differences between the groups being studied.

(B) There will be significant differences between the groups being studied.

(C) There will be a relationship between the variables being studied.

(D) There will be no relationship between the variables being studied.

75. Which of the following defines a variable ?

(A) Something that cannot vary.

(B) Something that can take on different values.

(C) Something that remains unchanged.

(D) Something that is consistently measured.

76. Which of the following is an example of a constant ?

(A) Gender. (B) Temperature.

(C) Educational level. (D) Saving.

77. Why is the independent variable called "independent" ?

(A) Because it is unrelated to the study.

(B) Because it causes or influences the outcome being measured.

(C) Because it is dependent on the dependent variable.

(D) Because it is controlled by external factors.

78. What is the more specific definition of research ?

(A) An examination of the relationship between one or more variables.

(B) An examination of the relationship between independent and dependent variables.

(C) An examination of the relationship between dependent variables.

(D) An examination of the relationship between qualitative and quantitative variables.

79. How does the choice between categorical and continuous variables affect the statistical analysis ?

(A) It has no impact on the choice of statistical tests.

(B) It determines which statistical tests are appropriate for analysis.

(C) It increases the complexity of statistical analysis.

(D) It reduces the need for statistical analysis.

80. What effect does strong domestic demand amidst high commodity prices have on India's current account balance ?

(A) It has no impact on the current account balance.

(B) It decreases the current account deficit.

(C) It increases the current account deficit.

(D) It leads to a surplus in the current account balance.

81. According to IMF's World Economic Outlook, what is the forecasted global growth rate for 2023 ?

(A) 3.2 per cent. (B) 2.7 per cent.

(C) 4.0 per cent. (D) 1.5 per cent.

82. What is the primary reason for the slowdown in global economic growth during 2021-22.

(A) Decreased uncertainty due to geopolitical conflicts.

(B) Low inflation rates worldwide.

(C) Monetary tightening by central banks.

(D) Increased global trade growth.

83. What has supported the rebound in consumption ?

(A) A decrease in disposable income.

(B) A rise in the share of consumption in disposable income.

(C) A decrease in the availability of goods and services.

(D) A decrease in consumer confidence.

84. How did the Indian economy perform in FY22 despite the Omicron wave ?

(A) It contracted significantly.

(B) It stagnated without any growth.

(C) It started to recover.

(D) It experienced a sharp decline.

85. How is the prosperity of millions of Indian farmers linked to the growth of the food industry ?

(A) Through increased demand for agricultural products.

(B) Through decreased reliance on agriculture for income.

(C) Through technological advancements in farming.

(D) Through government subsidies for farmers.

86. What trend is observed in the contribution of agriculture to the total GDP from 1990-91 to 2006-07 in India ?

(A) It remained relatively stable.

(B) It increased significantly.

(C) It decreased significantly.

(D) It fluctuated unpredictably.

87. What term is used to describe the historical economic growth rate of India before its transformation ?

(A) The Indian Miracle.

(B) The Hindu Growth Rate.

(C) The Economic Renaissance.

(D) It fluctuated unpredictably.

88. What is emphasized as a crucial aspect alongside celebrating India's economic growth ?

(A) Environmental preservation.

(B) Addressing social challenges.

(C) Expanding military capabilities.

(D) Promoting international trade.

89. In which year Sustainable Development Goals introduced :

(A) 2000. (B) 2005.

(C) 2010. (D) 2015.

90. Which of the following is NOT a renewable resource ?

(A) Air. (B) Soil.

(C) Water. (D) Copper ore.

91. Common property often results in :

(A) A negative externality. (B) A social benefit.

(C) A private cost. (D) Exclusive rights of ownership.

92. The rate at which wage and price inflation are either stable or at acceptable levels is :

(A) Seasonal Unemployment. (B) Natural rate of unemployment.

(C) Full employment. (D) Cyclical unemployment.

93. National Urban Health Mission was launched in the year :

(A) 2003. (B) 2005.

(C) 2018. (D) 2013.

94. Major characteristics of a sound capital market are :

(A) Macroeconomic stability. (B) Solid institutional framework.

(C) Only (A) is correct (D) Both (A) and (B) are correct.

95. Golden revolution is related to :

(A) Promotion of aquaculture.

(B) Promotion of production of oil seeds.

(C) Promotion of horticulture.

(D) Promotion of silviculture.

96. Determinant of a Null Matrix is :

(A) + Ve. (B) – Ve.

(C) 0. (D) All the above.

97. Economic development is :

(A) Continuous process. (B) Static.

(C) Short run process. (D) Flexible.

98. Which of the following best explains Rodan's Theory of Balanced Growth ?

(A) It emphasizes the need for continuous technological advancements to achieve economic stability.

(B) It suggests that economic development can only be achieved through the growth of heavy industries.

(C) It highlights the importance of simultaneously developing both supply and demand factors in an economy to avoid market inefficiencies.

(D) It argues that economic growth should primarily focus on increasing agricultural productivity for sustained development.

99. Which of the following steps is NOT a part of the strategy for exploring data on a single quantitative variable ?

(A) Plot your data using a histogram or stem plot.

(B) Look for the overall pattern including shape, center, and spread.

(C) Calculate a numerical summary to describe center and spread.

(D) Ignore outliers and focus solely on the central tendency.

100. Which of the following statements about scatterplots is incorrect ?

(A) Scatterplots display the relationship between two quantitative variables measured on the same individuals.

(B) The explanatory variable is always plotted on the y-axis of a scatterplot.

(C) The form of a relationship in a scatterplot can be linear, curved, or clustered.

(D) The strength of a relationship in a scatterplot is determined by how close the points lie to a simple form such as a line.