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CALICUT UNIVERSITY CENTRALIZED ENTRANCE TEST (CU–CET) APRIL 2025

M.A. ECONOMICS

Time : Two Hours Maximum : 400 Marks

Each question carries 4 *marks.*

1 *mark will be deducted for each wrong answer.*

Part A (Multiple Choice Questions)

1. Which of the following best defines scarcity in the context of economics ?

   (A) The unequal distribution of resources among different societal groups.

   (B) The inability of individuals to prioritize their wants and needs.

   (C) The situation where human wants exceed the available resources.

   (D) The state where resources are abundant and easily accessible to everyone.

2. What is one of the benefits of specialization in the division of labor :

   (A) It limits the number of job opportunities available to workers.

   (B) It decreases the quality of goods and services produced.

   (C) It allows workers to focus on tasks where they have a comparative advantage.

   (D) It leads to an increase in the average cost of production per unit.

3. In a market economy, what determines a person's income ?

   (A) Their level of education.

   (B) Their social status.

   (C) Government regulations.

   (D) Their ability to convert resources into valued output.

4. How is a negative slope represented graphically ?

   (A) The line moves upwards from left to right.

   (B) The line moves downwards from left to right.

   (C) The line remains flat.

   (D) The line zigzags irregularly.

5. What term describes the loss in social surplus that occurs when the economy produces at an inefficient quantity due to a price ceiling or price floor ?

(A) Consumer surplus. (B) Producer surplus.

(C) Total surplus. (D) Deadweight loss.

6. What is consumer surplus ?

(A) The additional cost consumers incur when purchasing a good or service.

(B) The profit gained by consumers from reselling a good or service.

(C) The extra benefit consumers receive from buying a good or service.

(D) The amount consumers pay for a good or service.

7. In the labor market, which side represents households ?

(A) The demand side. (B) The supply side.

(C) Both sides. (D) Neither side.

8. A given percentage rise in price (P) will cause a smaller percentage fall in quantity (Q) so that total revenue (P × Q) rises if demand is ————.

(A) Elastic. (B) Inelastic.

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

9. What does the marginal cost represent ?

(A) The additional output a firm obtains by employing more labor in production.

(B) The additional revenue a firm gains from selling another unit of output.

(C) The change in total cost divided by the change in output.

(D) The sum of all costs incurred by the firm.

10. In the long run, what do economies of scale refer to ?

(A) Average cost decreases as the level of output increases.

(B) Average cost remains constant as output increases.

(C) Average cost increases as output increases.

(D) All inputs become fixed.

11. In a perfectly competitive market, what determines the market price ?

    (A) Individual firm's production decisions.

    (B) Overall quantity supplied by individual firms.

    (C) Individual firm's demand curve.

    (D) Supply and demand in the entire market.

12. Which type of monopoly occurs when a company controls a scarce physical resource ?

    (A) Legal monopoly. (B) Technological monopoly.

    (C) Natural monopoly. (D) Resource monopoly.

13. How does a monopolist determine the quantity of output to produce ?

    (A) By setting the market price for its product.

    (B) By ensuring total revenue exceeds total cost.

    (C) By producing at the minimum of the average cost curve.

    (D) By equating marginal revenue to marginal cost.

14. Which of the following best describes monopolistic competition ?

    (A) A market structure with only one firm selling a unique product.

    (B) A market structure with a few firms selling identical products.

    (C) A market structure with many firms selling products that are distinctive in some way.

    (D) A market structure where firms collaborate to set prices and output levels.

15. What role do economies of scale and market demand play in creating an oligopoly ?

    (A) They encourage competition.

    (B) They lead to monopolistic competition.

    (C) They create barriers to entry.

    (D) They reduce average costs for all firms.

16. What is the term for the effect of a market exchange on a third party who is neither the buyer nor the seller ?

    (A) Monopoly. (B) Monopsony.

    (C) Externalities. (D) Price discrimination.

17. Which of the following best describes the concept of non-excludability in relation to public goods ?

    (A) It is easy to exclude someone from using the good.

    (B) It is impossible to exclude someone from using the good.

    (C) The use of the good by one person excludes others from using it.

    (D) The use of the good by one person does not exclude others from using it.

18. What factor influences the marginal product of workers in a particular labor market ?

    (A) Government regulations.

    (B) Worker background and experience.

    (C) The firm's advertising budget.

    (D) Capital and technology available for production.

19. What does income inequality compare ?

    (A) The average income of different demographic groups.

    (B) The purchasing power of different income levels.

    (C) The share of total income received by various groups in society.

    (D) The quality of life between high and low-income individuals.

20. What is a common source of initial funding for many small businesses ?

    (A) Government grants for startup companies.

    (B) Loans from large financial institutions.

    (C) Investment from venture capital firms.

    (D) Personal funds of the business owner.

21. What is one way to express the expected rate of return ?

    (A) In absolute dollar amounts.

    (B) In terms of potential losses.

    (C) As a percentage rate.

    (D) As a fixed interest rate.

22. What does the actual rate of return include ?

(A) Only the initial investment amount.

(B) Only capital gains.

(C) Both capital gains and interest paid on the investment.

(D) Only the expected rate of return

23. How does a bank function as a financial intermediary ?

(A) By directly connecting savers and borrowers.

(B) By pooling funds from savers and lending them to borrowers.

(C) By arranging blind dates between investors and entrepreneurs.

(D) By providing investment advice to clients.

24. What does the bond yield measure ?

(A) The amount of interest earned by the investor upon maturity.

(B) The rate of return a bond is expected to pay over time.

(C) The face value of the bond at the time of purchase.

(D) The market value of the bond at the time of sale.

25. What role do financial investors play in financial markets ?

(A) They provide long-term loans to individual firms.

(B) They purchase goods and services produced by companies.

(C) They sell and resell stocks and bonds to other investors.

(D) They issue bonds to raise capital for small businesses.

26. Why is absolute advantage sometimes attributed to a country's natural endowment ?

(A) Because it has more resources or more productive resources.

(B) Because it has invested heavily in technology and infrastructure.

(C) Because it has implemented protectionist trade policies.

(D) Because it has a larger population than other countries.

27. Why do low-income countries benefit more from trade than high-income countries ?

(A) High-income countries have less need for international trade.

(B) High-income countries have more competitive firms in their domestic markets.

(C) Low-income countries have limited possibilities for trade within their regions.

(D) Low-income countries have greater access to internal trade within their economies.

28. What is the primary goal of the World Trade Organization (WTO) ?

(A) To increase tariffs on imported goods.

(B) To protect domestic industries from foreign competition.

(C) To negotiate agreements to lower barriers to trade.

(D) To promote dumping of goods in foreign markets.

29. Why do workers become more productive with learning and practice in specialized production ?

(A) Due to the decrease in competition among workers.

(B) Because specialization allows them to focus on a specific task.

(C) Because they are able to diversify their skills and knowledge.

(D) Due to the increase in trade barriers within their communities.

30. Which term refers to the additional output that a country can offer for sale as a result of specialization and trade ?

(A) Comparative advantage. (B) Gains from trade.

(C) Absolute advantage. (D) Productivity surplus.

31. What was the original purpose of the International Trade Organization that was planned after World War II ?

(A) To assist the poorest people in the world.

(B) To address issues raised by international financial transactions.

(C) To manage international trade.

(D) To negotiate reductions in tariffs and barriers to trade.

32. When was the World Trade Organization (WTO) officially established ?

(A) 1945. (B) 1946.

(C) 1947. (D) 1995.

33. What is the name of the regional trading agreement known for its evolution from a free trade association to a full economic union ?

(A) European Union (EU).

(B) North American Free Trade Agreement (NAFTA).

(C) Caribbean Basin Initiative (CBI).

(D) Free Trade Agreement with Israel.

34. What is the primary goal of economic integration ?

(A) To promote competition between nations

(B) To establish common external trade policies.

(C) To coordinate monetary and fiscal policies.

(D) To tie economies together more closely to prevent conflicts.

35. What does a slope of zero indicate in terms of the relationship between two variables ?

(A) Positive relationship (B) Negative relationship.

(C) No relationship. (D) Indeterminate relationship.

36. If a business's sales increased from Rs. 10,000 to Rs. 12,000 over a year, what is the growth rate ?

(A) 20 %. (B) 16.67 %.

(C) 2 %. (D) 25 %.

37. In a time series graph, what does the horizontal axis typically represent ?

(A) Geographic locations. (B) Different variables.

(C) Time. (D) Frequency of occurrence.

38. What happens when the price of a good decreases according to the income effect ?

(A) Buying power decreases. (B) Buying power increases.

(C) Quantity demanded decreases. (D) Quantity demanded increases.

39. When the price of a good decreases, what happens to the budget constraint ?

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

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

40. What analytical tool provides insight into utility-maximizing decisions without the need for numerical values on utility ?

(A) Budget constraints. (B) Indifference curves.

(C) Supply and demand curves. (D) Production possibilities frontier.

41. Which step is involved in sketching diagrams to illustrate substitution and income effects ?

(A) Plotting the new budget constraint.

(B) Analyzing the change in consumption from initial to new bundle.

(C) Drawing the new indifference curve parallel to the initial curve.

(D) Identifying the initial level of income.

42. In the economy, which units make up the economic sectors initially discussed ?

(A) Households and governments. (B) Firms and governments.

(C) Households and firms. (D) Households, firms, and other countries.

43. How does real GDP differ from nominal GDP ?

(A) Real GDP accounts for depreciation, while nominal GDP does not.

(B) Real GDP is adjusted for inflation, while nominal GDP is not.

(C) Real GDP measures GDP at the prices prevailing when output was produced.

(D) Real GDP measures GDP in different years at the prices prevailing at a particular base year.

44. What factor primarily determines the size of the multiplier ?

(A) The level of autonomous demand.

(B) The level of investment demand.

(C) The marginal propensity to consume (MPC).

(D) The level of government spending.

45. What happens to equilibrium income when households save a lower fraction of a higher income ?

(A) Equilibrium income falls.

(B) Equilibrium income rises.

(C) Equilibrium income remains constant.

(D) Equilibrium income becomes unpredictable.

46. In an economy where the MPC is 0.6 and planned investment is Rs. 100, what is the equilibrium output ?

(A) Rs. 100. (B) Rs. 160.

(C) Rs. 200. (D) Rs. 160.

47. What does the national debt refer to ?

(A) The total revenue collected by the government.

(B) The stock of government debt outstanding.

(C) The difference between government spending and investment.

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

48. What does the fiscal stance indicate ?

(A) The deficit level compared to government revenue.

(B) The government's stance on international trade agreements.

(C) The intended effect of fiscal policy on demand and output.

(D) The level of government debt.

49. In what circumstances would the government employ expansionary discretionary fiscal policy ?

(A) When other components of aggregate demand are abnormally low.

(B) When other components of aggregate demand are abnormally high.

(C) When there is excess government revenue.

(D) When there is a budget surplus.

50. Why did many central banks abandon monetary targeting and adopt inflation targeting ?

(A) Monetary targeting proved to be more effective in stabilizing inflation rates.

(B) Inflation targeting allows central banks to predict money demand more accurately.

(C) Financial innovation and banking competition made money demand increasingly unpredictable.

(D) Inflation targeting allows central banks to set interest rates independently of inflation.

51. What is the role of aggregate supply in determining output ?

(A) Aggregate supply alone determines output in Keynesian models.

(B) Aggregate supply reflects the interaction of the markets for goods and money.

(C) Aggregate supply is irrelevant for determining output in classical models.

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

52. How do changes in fiscal policy affect the IS-LM model ?

(A) Changes in fiscal policy shift the IS schedule.

(B) Changes in fiscal policy shift the LM schedule.

(C) Changes in fiscal policy do not affect the IS-LM model.

(D) Changes in fiscal policy shift both the IS and LM schedules.

53. Which of the following accurately describes fiscal policy ?

(A) Government decisions about the money supply and interest rates.

(B) Government decisions about tax rates and spending levels.

(C) Government decisions about imports and exports.

(D) Government decisions about inflation and unemployment rates.

54. What effect does fiscal stimulus have on aggregate demand according to the Keynesian model ?

(A) It has no effect on aggregate demand.

(B) It decreases aggregate demand.

(C) It increases aggregate demand.

(D) It stabilizes aggregate demand.

55. In the heyday of monetarism, what did central banks adjust interest rates to prevent ?

(A) Changes in the inflation rate.

(B) Deviations from the target path of monetary growth.

(C) Fluctuations in the exchange rate.

(D) Increases in government spending.

56. What aspect of monetary policy do economists prefer to focus on ?

(A) The inflation rate. (B) The money supply.

(C) The exchange rate. (D) The interest rate.

57. Why might a firm choose to hold finished goods off the market temporarily ?

(A) To maximize production efficiency.

(B) To take advantage of anticipated increases in demand.

(C) To reduce storage costs.

(D) To avoid excessive inventory levels.

58. Why do firms desire stocks of raw materials, partly finished goods, and finished goods awaiting sale ?

(A) To speculate on price changes and earn profits.

(B) To reduce production time and increase efficiency.

(C) To avoid costly adjustments in output due to sudden changes in demand.

(D) All of the above.

59. What must happen for a significant rise in current income to lead to a large rise in current consumption according to the permanent income hypothesis ?

(A) People must believe that current income will be sustained as higher future incomes.

(B) People must spend all of their current disposable income.

(C) People must rely solely on their permanent income for consumption.

(D) People must increase their savings in response to higher incomes.

60. What does the permanent income hypothesis suggest about consumption ?

(A) Consumption depends solely on current disposable income.

(B) Consumption depends on short-term fluctuations in income.

(C) Consumption reflects long-run or permanent income.

(D) Consumption is unrelated to income levels.

61. What is a reverse 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.

62. What does the precautionary motive for holding money involve ?

(A) Holding money for investment purposes.

(B) Holding money to meet unforeseen contingencies.

(C) Holding money to speculate on future price changes.

(D) Holding money to maximize returns on savings.

63. What distinguishes banks from other financial institutions like pension funds and insurance companies ?

(A) Banks use their liabilities as a medium of exchange.

(B) Banks offer higher interest rates on deposits.

(C) Banks invest primarily in stocks and bonds.

(D) Banks provide insurance against financial losses.

64. In a barter economy, what is a major challenge for trading ?

(A) Lack of available goods and services.

(B) Absence of sellers and buyers.

(C) Double coincidence of wants.

(D) Excessive government regulation.

65. What is the effect of government intervention on income distribution, according to the passage ?

(A) It favors the rich by reducing their tax burden.

(B) It primarily benefits the middle class.

(C) It takes money from the rich and gives it to the poor.

(D) It increases income inequality.

66. What is the primary concern of government spending on transfer payments ?

(A) Stimulating economic growth.

(B) Promoting international trade.

(C) Equity and income redistribution.

(D) Funding infrastructure projects.

67. 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.

68. What is the role of the control group in experimental research ?

(A) To receive the experimental treatment.

(B) To receive a placebo treatment.

(C) To ensure that the experimental group adheres to the study protocol.

(D) To provide a baseline for comparison with the experimental group.

69. What is the primary benefit of the scientific method ?

(A) It ensures that all research studies are conducted in the same way.

(B) It guarantees the discovery of groundbreaking results.

(C) It provides clear guidelines for gathering, evaluating, and reporting information.

(D) It eliminates the need for peer review in scientific publishing.

70. How are hypotheses typically phrased in their simplest forms ?

(A) As narrative descriptions. (B) As mathematical equations.

(C) As "if-then" statements. (D) As philosophical arguments.

71. What distinguishes quantitative research from qualitative research ?

(A) The use of formal measurement and statistics.

(B) The reliance on interviews and observations.

(C) The absence of hypotheses.

(D) The focus on case studies.

72. What is a characteristic feature of qualitative research ?

(A) Formal measurement.

(B) Statistical analysis.

(C) In-depth examination of one person or case.

(D) Systematic measurement.

73. What is the definition of a population in research ?

(A) The entire group of individuals being studied.

(B) A subset of individuals selected for a research study.

(C) The group of individuals who participate in surveys.

(D) The group of individuals who provide data for analysis

74. What is the purpose of ensuring that a sample is representative o.f the population ?

(A) To limit the scope of the research study.

(B) To draw valid inferences about the population.

(C) To exclude certain demographics from the study.

(D) To make the research study more complex.

75. What is the primary reason for ensuring that a sample is representative of the population ?

(A) To limit the scope of the research study.

(B) To make the research process more complex.

(C) To draw valid inferences about the population.

(D) To exclude certain groups from the study.

76. How are researchers influenced in their choice of research topic ?

(A) By their colleagues' preferences.

(B) By the availability of funding.

(C) By factors such as their scientific field and expertise.

(D) By societal trends.

77. In a study examining selected variables without group comparison, what does the null hypothesis predict ?

(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.

78. Which of the following is an example of a variable ?

(A) The speed of light.

(B) The number of planets in the solar system.

(C) Race.

(D) The boiling point of water.

79. What is the independent variable in a research study ?

(A) The outcome of interest.

(B) The factor manipulated or controlled by the researcher.

(C) The group receiving the experimental treatment.

(D) The factor that remains constant throughout the study.

80. In precise terms, how can research be defined ?

(A) An examination of the relationship between variables.

(B) An examination of the effects of independent variables on dependent variables.

(C) An examination of the effects of dependent variables on independent variables.

(D) An examination of the effects of qualitative variables on quantitative variables.

81. What is a key difference between categorical and continuous variables ?

(A) Categorical variables are measured with more precision than continuous variables.

(B) Continuous variables are measured with more precision than categorical variables.

(C) Categorical variables are easier to analyze statistically than continuous variables.

(D) Continuous variables are easier to analyze statistically than categorical variables.

82. What is expected to dampen trade growth ?

(A) Decreased uncertainty in global markets.

(B) Slower economic output growth.

(C) Increased global cooperation.

(D) Rising commodity prices.

83. According to IMF estimates, where does India stand among significant economies in terms of growth in 2022 ?

(A) Among the slowest-growing economies.

(B) Among the top two fast-growing economies.

(C) Among the stagnant economies.

(D) Among the declining economies.

84. What range do most agencies worldwide forecast for the growth of the Indian economy in FY23 ?

(A) 5.0-6.0 per cent.

(B) 6.5-7.0 per cent.

(C) 7.5-8.0 per cent.

(D) 8.0-9.0 per cent.

85. What trend was observed in the growth of exports in FY23 ?

(A) Exponential growth.

(B) Plateauing growth.

(C) Declining growth.

(D) Fluctuating growth.

86. How did the Indian economy perform in FY22 compared to its pre-pandemic level in FY20 ?

(A) It remained below the pre-pandemic level.

(B) It stagnated without any growth.

(C) It surpassed the pre-pandemic level.

(D) It experienced a slight improvement but remained below pre-pandemic levels.

87. Which sector experienced the most significant increase in its share of GDP from 1990-91 to 2006-07 in India ?

(A) Agriculture. (B) Industrial.

(C) Services. (D) Financial.

88. Despite becoming the youngest and fastest-growing free market democracy, what major challenge does India still face ?

(A) Political instability. (B) Environmental degradation.

(C) Economic inequality. (D) Technological stagnation.

89. What is identified as a significant challenge concerning economic development in India ?

(A) Technological stagnation. (B) Environmental degradation.

(C) Regional disparity. (D) Political instability.

90. Which historical region of India is mentioned as having undergone a significant decline in economic prosperity ?

(A) Southern India. (B) Western India.

(C) Eastern India. (D) Northern India.

91. What is emphasized as important for sustainable economic growth ?

(A) Technological innovation. (B) Prudent fiscal management.

(C) Social welfare programs. (D) International trade agreements.

92. What are the World Bank and the International Monetary Fund advocating for regarding fiscal deficit ?

(A) Expansion of fiscal deficit. (B) Compression in fiscal deficit.

(C) Elimination of fiscal deficit. (D) Stability in fiscal deficit.

93. Which of the following best describes the purpose of regression analysis ?

(A) To measure the association between two categorical variables.

(B) To summarize the overall pattern of a scatterplot using a line.

(C) To predict the value of a response variable based on the value of an explanatory variable.

(D) To determine the strength of correlation between two quantitative variables.

94. What information do marginal distributions provide in a two-way table ?

(A) They describe the relationship between the row and column variables.

(B) They summarize the conditional distributions for each column.

(C) They give the percents of the total for each row and column.

(D) They offer insights into the association between two quantitative variables.

95. The concept of invisible hand as introduced by :

(A) Alfred Marshall.

(B) A.C.Pigou.

(C) David Ricardo.

(D) Adam Smith.

96. Which of the following is a major environmental issue ?

(A) Cybersecurity threats.

(B) Economic recession.

(C) Global climate change.

(D) International trade agreements.

97. What percentage of India's population does the state of Kerala account for ?

(A) Less than 1 %.

(B) Approximately 3 %.

(C) Around 10 %.

(D) More than 5 %.

98. What was one notable aspect of Kerala's economic development ?

(A) It focused solely on industrial growth.

(B) It followed a capitalist model.

(C) It was considered a 'model' despite its small population.

(D) It primarily relied on agricultural practices.

99. Which of the following is a union tax ?

(A) Corporation tax.

(B) Taxes on agricultural income.

(C) Capitation taxes.

(D) Land revenues.

100. Which of the following is Not an indicator of an economically developed nation ?

(A) High levels of literacy.

(B) Low death rate.

(C) High per capita income.

(D) A high proportion of labour in the primary sector.