Centre for Development Studies

Thiruvananthapuram

MA Applied Economics

ADMISSION EXAMINATION 2022

Application Number: MA

Seat Number:

Question Booklet Series **C**

Read the instructions carefully before answering the questions

- This booklet contains 100 objective questions having multiple choices in answers with only one correct answer. All questions are compulsory and allowed time is two hours
- Each correct answer carries three marks and for each wrong answer one mark will be deducted. Non-attempted questions carry zero mark.
- Write your Name, Application Number , Seat Number and Question Booklet Series code in the Answer Sheet in the space provided.
- The question booklets are in four series (A,B,C,D). The series code is displayed on the top of this page as well as on the top right corner of every page.
- Answer the questions by writing the alphabet (A,B,C, or D in capital letters), corresponding to your answer, on the Answer Sheet against the question number. If you mistakenly mark a wrong choice, you can strike it out using "multiplicative sign" (x), and then write the correct choice in the remaining space.
- Use a ballpoint pen (black or blue ink) to mark answers.
- Please do not make any stray marks on the Answer Sheet.
- Return the Answer Sheet to the invigilator at the end of the examination. Candidates can take the Question Booklet with them after the examination.
- Last page of this booklet can be used for doing rough work

✂ Break this seal 10.00 a.m.

1. Suppose in an economy there are two consumers, two goods and no production. The initial endowment of Consumer 1 is $X_1 = 0, Y_1 = 10$ and the utility function of the consumer is $U = X_1.Y_1$. The initial endowment of Consumer 2 is $X_2 = 20, Y_2 = 5$ and the utility function of the consumer is $U = Min\{X_2, Y_2\}$. If the consumers are allowed to trade among themselves and they take prices as given, then
    a. Equilibrium will not exist
    b. Equilibrium is $X_1 = 10, X_2 = 10, Y_1 = 5, Y_2 = 10$
    c. Equilibrium is $X_1 = 10, X_2 = 10, Y_1 = 10, Y_2 = 5$
    d. Both b and c will be equilibrium as there can be multiple equilibrium
2. The weakest (most general) assumption that rules out the possibility of thick indifference curves are:
    a. Preferences satisfy local non satiation
    b. Preferences are monotonic
    c. Preferences are lexicographic
    d. Preferences are rational
3. A gamble can be described as "fair" if the expected value of the gamble (including any costs of play) is
    a. Positive
    b. Zero
    c. Negative
    d. One
4. Suppose a lottery ticket costs Rs 1 and the probability that a holder will win nothing is 90%. What must the jackpot (reward you get for winning the lottery) be for this to be a fair bet, measured in rupees?
    a. 10
    b. 100
    c. 1000
    d. 10000
5. Elasticity of demand at each point of the demand curve is same, if the demand curve
    a. Is downward sloping
    b. Is parallel to price axis
    c. Is parallel to quantity axis
    d. Is a rectangular hyperbola
6. A consumer consumes 2 goods: x and y, and has a lexicographic preference over good y. The total income is 7 and the prices of the two goods are 1 and 1 respectively. Select the optimal bundle (x, y).
    a. (3.5,3.5)
    b. (0,7)
    c. (7,0)
    d. None of these
7. $U = XY$ and $U = lnX + \ln Y$ represent the same utility function. This statement is
    a. Always true

b. Always false
c. Depends on the level of utility
d. Depends on the income of the consumer

8. Both firms in a Cournot duopoly would benefit if
   a. the firms simultaneously reduced output below the Nash equilibrium level
   b. each firm simultaneously increased output above the Nash equilibrium level
   c. one firm reduced output below the Cournot Nash equilibrium level, while the other firm continued to produce its Cournot Nash equilibrium output
   d. Depends upon the first mover
9. The income elasticity of demand for jewellery is 1. Other things equal, a 10 percent increase in consumer income will:
   a. decrease the quantity of jewellery purchased by 20 percent
   b. increase the quantity of jewellery purchased by 10 percent
   c. decrease the quantity of jewellery purchased by 10 percent
   d. increase the quantity of jewellery purchased by 20 percent
10. In a competitive market if there are no entry costs, then in the long-run equilibrium with free entry, firms operating in the market will earn supernormal profits. This statement is
   a. True
   b. False
   c. True, but it depends on the number of firms
   d. True, but it depends on the time
11. Let the unit cost of production be 10 in the absence of fixed costs and two firms in the market who produce homogeneous goods. Find the best alternative from the followings if the demand function is $Qd = 100 - P$, where P is the market price:
   a. Price will be 10 and profit will be positive if the firms compete in quantities
   b. Price will be 10 and profit will be zero if the firms compete in quantities
   c. Price will be 10 and profit will be zero if the firms compete in prices
   d. none of these
12. If the production function exhibits decreasing returns to scale, then the average cost function will be:
   a. Upward sloping
   b. Downward sloping
   c. Constant
   d. none of these
13. If the monopolist is exhibiting first degree price discrimination, then the welfare/total surplus is the maximum
   a. Sometimes true
   b. Always true
   c. Never true
   d. Information is limited to answer the question
14. Let the Cost function be $C = cq + F$, where c is the constant positive unit cost, q the output and F is positive constant fixed cost. Then the Average variable cost curve is
   a. U-shaped

b. Horizontal to the output axis
c. Downward sloping
d. None of these

15. In Perfect Competition, marginal revenue curve for a single firm is
    a. Horizontal
    b. Upward sloping
    c. Downward Sloping
    d. a or b
16. When a firm chooses to shut down, it is
    a. Making a poor decision because it should always produce where marginal cost equals marginal revenue
    b. Making a poor decision because it should always produce where average costs exceed average revenue
    c. Making a good decision as long as the price it is getting is less than its average total costs
    d. Making a good decision as long as the price it is getting is less than its average variable costs
17. When an additional output leads to higher increase in revenues than in costs, a monopolist will
    a. increase its price and decrease its output
    b. reduce its price and increase its output
    c. increase its price and increase its output
    d. reduce its price and decrease its output
18. The lowest price charged by a first-degree price discriminating monopolist is determined by
    a. MR=MC
    b. P=MC
    c. the price at which elasticity of demand=1
    d. Information is limited to answer the question
19. If the market demand curve for a commodity has a negative slope, then the market structure must necessarily be
    a. Oligopoly
    b. Monopolistic Competition
    c. Information is limited to answer the question
    d. Neither oligopoly nor monopolistic competition
20. Suppose that two identical firms produce widgets and that they are the only firms in the market. Their costs are given by $C_1 = 60Q_1$ and $C_2 = 60Q_2$, where Q_1 is the output of Firm 1 and Q_2 the output of Firm 2. Price is determined by the following demand curve: $P = 360 - Q$
    where $Q = Q_1 + Q_2$. Find the Cournot-Nash equilibrium. Calculate the profit of each firm at this equilibrium.
    a. 10000
    b. 3200

c. 6400
d. 1000

21. As a group, oligopolists would always be better off by
    a. increasing production
    b. operating by self interest
    c. decreasing prices
    d. limiting production
22. If firm's AC curve is falling then MC curve must be
    a. Above AC
    b. Below AC
    c. Indeterminate
    d. Rising
23. All of the following are characteristics of the pure monopolist except
    a. there are no close substitutes for its product
    b. monopoly price is greater than its marginal cost of production
    c. there is relatively easy entry into the market
    d. there is only one seller in the market
24. When my income was $100,000, I paid $10,000 in taxes. When my income became $200,000, I paid $40,000 in taxes. My marginal tax rate is
    a. 10%
    b. 20%
    c. 30%
    d. 40%
25. I observe a market following the rule of marginal cost pricing. I deduce that the type of market is
    a. Perfect competition
    b. Perfect competition or first-degree price discrimination
    c. Perfect competition or Bertrand competition
    d. Bertrand competition
26. In inflation targeting policy, RBI targets
    a. Core inflation
    b. CPI inflation
    c. WPI inflation
    d. None of the above
27. The official data base that is used for estimating poverty in India is
    a. Income expenditure survey of NSSO
    b. Consumer Expenditure Survey of NSSO
    c. Census of India
    d. Employment and Unemployment Survey of NSSO
28. Non-performing Assets (NPA) in the banking sector context refers to _____.
    a. A loan on which repayment of principal and interest are delayed
    b. Non-functioning bank branch
    c. Unclaimed deposits in the banking system
    d. None of the above
29. Fiscal Responsibility and Budgetary Management (FRBM) Act was introduced to

a. Limit the fiscal deficit of both union government and state governments.
b. To ensure the fiscal responsibility of the union government.
c. Manage the budgetary process of the union government.
d. None of the above.

30. Who releases the Wholesale Price Index figures?
    a. Ministry of Statistics and Program Implementation
    b. Ministry of Corporate Affairs
    c. Ministry of Commerce and Industry
    d. Ministry of Finance
31. According to the Union Budget 2021, the government aims to reduce the fiscal deficit below what percent of GDP by 2025-2026?
    a. 4.5
    b. 4
    c. 3.5
    d. 5
32. Inflation rate is measured in India by
    a. Rate of growth of the combined Consumer Price Index (2010=100) between two time points
    b. Tracking changes in the general price level
    c. Rate of growth of implicit GDP deflator between two time points
    d. Rate of growth of the prices of Food and Beverages between two time points
33. Major trading partner of India in 2021-22 is:
    a. China
    b. United States of America
    c. United Arab Emirates
    d. European Union
34. Intangible assets are assets that lack physical substance. The following is an example of intangible asset
    a. Trade marks
    b. Patents
    c. Computer Software
    d. All of the above
35. The following is the largest form of digital payment in India in terms of value
    a. NEFT
    b. RTGS
    c. UPI
    d. Debit Card payments at POS machines
36. The difference between the expected value of a statistic and the value of the parameter being estimated is called a
    a. Sampling Error
    b. Non-Sampling Error
    c. Standard Error
    d. Bias
37. $s^2 = \frac{\sum(x-\bar{x})^2}{n}$ is called
    a. Unbiased Sample Variance

b. Population Variance
c. Biased Sample Variance
d. All the above

38. If we plot the points of a less than type or more than type frequency distribution, the shape of graph is called
    a. Scatter Diagram
    b. Parabola
    c. Ogive
    d. Histogram
39. Which one of the following is a relative measure of dispersion
    a. Standard Deviation
    b. Range
    c. Coefficient of variation
    d. Regression coefficient
40. The measure of skewness $Sk = \frac{Q_3 - 2Q_2 + Q_1}{Q_3 - Q_1}$ is called
    a. Kelly's coefficient of skewness
    b. Pearson's measure of skewness
    c. Bowley's measure of skewness
    d. Pearson's second measure of skewness
41. If x and $y$are two independent random variables with standard deviation s_x and s_y respectively, then the correlation between x and $x + y$ is
    a. 0
    b. 1
    c. $\frac{s_x}{\sqrt{(s_x^2 + s_y^2)}}$
    d. $\frac{s_x^2}{s_x^2 + s_y^2}$
42. If k toffees are distributed at random among $n$children, the probability that a child will receive exactly $r$toffees will be
    a. $\frac{{}^kC_r(n-1)^{n-r}}{n^k}$
    b. $\frac{{}^kC_r(k-1)^{k-r}}{k^n}$
    c. $\frac{{}^kC_r(n-1)^r}{n^k}$
    d. $\frac{{}^kC_r(n-1)^{n-r}}{k^n}$
43. A fair coin is tossed repeatedly unless a head obtained. The probability that the coin has to be tossed at least four times is
    a. $\frac{1}{2}$
    b. $\frac{1}{4}$
    c. $\frac{1}{6}$
    d. $\frac{1}{8}$

44. The mean and variance of the exponential distribution with probability density function $f(x) = \frac{1}{2}e^{-\frac{x}{2}} \quad ; x \geq 0$are

    a. $\left(\frac{1}{2}, 2\right)$
    b. $\left(2, \frac{1}{4}\right)$
    c. $\left(\frac{1}{2}, \frac{1}{4}\right)$
    d. $(2, 4)$

45. Let X_1 and X_2 are two random variables. Let $\sigma_1 = \sigma_2 = \sigma$ and $n_1 \neq n_2$, then $SE(\bar{X}_2 - \bar{X}_1)$ is equal to

    a. $\sqrt{\frac{\sigma_1}{n_1} + \frac{\sigma_2}{n_2}}$
    b. $\sqrt{\frac{\sigma_2^2}{n_1} - \frac{\sigma_1^2}{n_2}}$
    c. $\sigma\sqrt{\frac{1}{n_1} + \frac{1}{n_2}}$
    d. $\frac{\sigma^2}{n_1 + n_2}$

46. If the trend line with 2019 as the origin is $Y = 24.6 + 1.24X$, the trend line with 2015 as the origin is

    a. $6.15 + 0.31X$
    b. $24.6 + 4.96X$
    c. $19.64 + 1.24X$
    d. $29.56 + 1.24X$

47. For the unimodal distribution, $\frac{|\tilde{X} - \bar{X}|}{\sigma} \leq a$, $\tilde{X}$ is sample median and $\bar{X}$ is the sample mean. The value of 'a' equals to

    a. $\sqrt{\frac{3}{5}}$
    b. $\sqrt{\frac{5}{3}}$
    c. $\sqrt{3}$
    d. $\sqrt{5}$

48. Let x and y are two correlated variables with same variance, σ^2.The regression coefficient of x on $(x + y)$ will be

    a. $\sqrt{\frac{1 + r_{xy}}{2}}$
    b. $1 + r_{xy}$
    c. $\frac{1}{2}$
    d. $\frac{1}{4}$

49. The random variable X has probability density function $(x) = \begin{cases} \frac{1}{4}; -1 < x < 3 \\ 0; elsewhere \end{cases}$. The variance of X equals to

    a. $\frac{2}{3}$
    b. 1

c. $\frac{4}{3}$
d. 2

50. If the Durbin-Watson d −test statistics is found to be equal to 0, the first-order autocorrelation is
    a. Perfectly negative
    b. No correlation
    c. Perfectly positive
    d. Imperfectly negative
51. If X follows a Bernoulli distribution with parameter p such that $0 \leq p \leq 1$. The moment generating function $M_X(t)$ is
    a. $p^x q^{n-x}$
    b. $q + pe^t$
    c. $3n^2p^2q^2 + npq(1 - 6pq)$
    d. $\binom{n}{x} p^x q^{n-x}$
52. For a random sample $(x_1, x_2, \ldots, x_n)$ from a population of $N(\mu, \sigma^2)$, the maximum likelihood estimator of σ^2 is
    a. $\frac{1}{n-1}\sum_i (x_i - \mu)^2$
    b. $\frac{1}{n-1}\sum_i (x_i - \bar{x})^2$
    c. $\frac{1}{n}\sum_i (x_i - \mu)^2$
    d. $\frac{1}{n}\sum_i (x_i - \bar{x})^2$
53. Let X and Y are two independent random variable with $X \sim N(2,25)$ and $Y \sim N(4,36)$. The random variable $3X - 4Y + 5$ follows the distribution
    a. $N(30, -351)$
    b. $N(30,801)$
    c. $N(-5, -351)$
    d. $N(-5,801)$
54. A random sample of size 10 drawn from a normal population has mean 48 with population mean 50 and population SD 2. Another random sample of size 15 drawn from another normal population with population SD 3, has mean 46. The value of the test statistic to test whether the two population mean can be equal or not is
    a. 1.96
    b. $\frac{2}{\sqrt{13}}$
    c. 2
    d. 0.95
55. Let Xbe a continuous random variable with density function

$$f(x) = \frac{1}{\sqrt{2\pi}} e^{-x^2/2}$$

for $-\infty < x < \infty$. Calculate $E(X|X > 0)$

a. 0
b. 1
c. $1/\sqrt{2\pi}$
d. $\sqrt{\frac{2}{\pi}}$

56. A circle touching the X axis at (4,0) and it passes through the point (2, -2). Which of the statement is true? The circle also passes through

A. (-4,0)
B. (4,-4)
C. (0,4)
D. (-4,4)

a. Only (A) is true
b. Only (D) is true
c. Both (B) and (C) are true
d. Only (B) is true

57. Let $A = \begin{pmatrix} 2 & 43 & 9 \\ 0 & 86 & 3 \\ 0 & 03 & 7 \\ 0 & 00 & 5 \end{pmatrix}$, then find the value of $|A|$

a. 840
b. 48
c. 420
d. 240

58. The coefficients of three consecutive terms in the expansion of $(x + y)^n$ are 120, 210 and 252. Then the value of n is

a. 8
b. 12
c. 10
d. 11

59. Consider $A = \begin{pmatrix} 3 & 4 \\ 4 & 5 \end{pmatrix}$. The matrix A is

a. Positive definite
b. Negative definite
c. Positive semi definite
d. Indefinite

60. Let A be a 4×4 matrix with real entries and $x \neq 0$. Then, the vectors x, Ax, A^2x, A^3x, A^4x are

a. Linearly independent
b. Linearly dependent
c. Linearly independent iff A is symmetric
d. Linearly independent if A is Skew-symmetric

61. If $y = (1 + x)(1 + x^2)(1 + x^4) \ldots (1 + x^{2n})$ then the value of $\frac{dy}{dx}$ at x=0 is

a. 0
b. -1
c. 1
d. None of the above

62. $\int e^x \left(\frac{1-x}{1+x^2}\right)^2 dx$ is equal to

a. $\frac{e^x}{(1+x^2)^2} + C$

b. $\frac{e^x}{1+x^2} + C$

c. $\frac{e^x}{1+x^2} + \frac{e^x}{(1+x^2)^2} + C$

d. $\frac{e^x}{1+x^2} - \frac{2e^x}{(1+x^2)^2} + C$

63. In an arithmetic progression 5^{th} term is 30 and 12^{th} term is 65. What is the sum of first 20 terms

a. 1200

b. 1150

c. 1050

d. 2300

64. In how many ways can 10 examination papers be arranged so that the best and worst papers never come together?

a. $9 \times 10!$

b. $9 \times 8!$

c. $8 \times 9!$

d. $10 \times 8!$

65. Let the root of the equation $ax^2 + bx + c = 0$ are α and β. The value of $\frac{1}{\alpha^3} + \frac{1}{\beta^3}$ will be

a. $\frac{3abc-a^3}{c^3}$

b. $\frac{3abc^3-b^3}{c^3}$

c. $\frac{abc^3-b^3}{a^3c^3}$

d. $\frac{abc^3-3b^3}{c^3}$

66. Let $f(x) = f(x) = \begin{cases} \frac{x}{1+e^x} if x \neq 0 \\ 0 \quad if x = 0 \end{cases}$. At $x = 0$ the function is

a. Both continuous and differentiable

b. Not continuous

c. Continuous but not differentiable

d. None of the above

67. If $A + b = 90^o$, then $\frac{\cos 2B - \cos 2A}{\sin 2A}$ is

a. $\tan 2A - \tan 2B$

b. $\tan A - \tan B$

c. $\tan 2B - \tan 2A$

d. $\cot B - \tan A$

68. The first order differential equation is given as $x\frac{dy}{dx} + y^2 = 4$. The solution of the differential equation is-

a. $(2-y)^2 = c^2x^8(2+y)^2$

b. $(2+y)^2 = c^2x^8(2-y)^2$

c. $(2+y) = c^2x^8(2-y)$
d. $y = cx^8$

69. The value of $\lim_{x\to 0} x \sin\frac{1}{x}$ is
a. 1
b. ∞
c. 0
d. Does not exist

70. The value of $(1 \times 1!) + (2 \times 2!) + \cdots + (n \times n!)$ is
a. $n \times (n-1) \times (n-1)!$
b. $(n+1) \times (n-1) \times (n-1)!$
c. $(n+1)! - n!$
d. $(n+1)! - 1!$

71. The value of $\left(1+\frac{1}{x}\right)\left(1+\frac{1}{x+1}\right)\left(1+\frac{1}{x+2}\right)\left(1+\frac{1}{x+3}\right)\left(1+\frac{1}{x+4}\right)$ is
a. $\left(1+\frac{1}{x(x+1)(x+2)(x+3)(x+4)}\right)$
b. $x+4$
c. $\frac{1}{x}$
d. $\frac{x+5}{x}$

72. If ${}^6P_r = 360$ and ${}^6C_r = 15$. What is the value of r
a. 5
b. 4
c. 6
d. 3

73. The maximum and the minimum value of the function $f(x) = x^3 + \frac{1}{x^3}$ are
a. Maximum = 4 and Minimum = 2
b. Maximum = 2 and minimum = -2
c. Maximum = -2 and minimum = 2
d. Maximum and Minimum don't exist

74. The value of $\sqrt{\pi\sqrt{\pi\sqrt{\pi \ldots \infty}}}$ is
a. π
b. π^2
c. $\sqrt{\pi}$
d. $\pi^{\pi/2}$

75. $\lim_{x\to 0} \frac{|x|}{x}$ is
a. 0
b. 1
c. -1
d. Doesn't exist

76. Consider a closed economy with two kinds of households – poor (P) and rich (R). A constant fraction $0 < h < 1$ of income belongs to the rich households and the rest to the poor. c_R and c_P are constant propensities to consume out of disposable income of

rich and poor households respectively such that $0 < c_R < c_P < 1$. G and T are government expenditure and tax revenue respective and are both constants. The government taxes both kinds of households, with h and $1 - h$ being shares of rich and poor households out of T. Simple Keynesian demand multiplier for this economy is

a. $\frac{1}{1-c_P}$
b. $\frac{1}{1-c_R}$
c. $\frac{1}{1-c_R h-c_P(1-h)}$
d. $\frac{1}{1-c_P h-c_R(1-h)}$

77. Suppose government of the economy described in the previous question wants to run a balanced budget by taxing the rich households alone. The balanced budget multiplier in that case would be
    a. 0
    b. Greater than 0 but less than 1
    c. 1
    d. Greater than 1
78. Next suppose that there is a change of government in the economy of the previous two questions. The new government also wants to run a balanced budget but by taxing only the poor households. The balanced budget multiplier in this case would be
    a. 0
    b. Greater than 0 but less than 1
    c. 1
    d. Greater than 1
79. Difference between gross domestic product and gross national product is
    a. Net factor income from abroad
    b. Net indirect taxes
    c. Depreciation of capital stock
    d. None of the above
80. Consider an economy consisting of a baker and a farmer. The farmer uses farm equipment worth Rs 5000 to produce wheat worth Rs 1000 on a plot of land worth Rs 10000. The baker buys the farmer's entire wheat output in order to produce breads worth Rs 1200 using an oven worth Rs 8000. Gross value added of this economy is
    a. Rs 2200
    b. Rs 3500
    c. Rs 1200
    d. Rs 13500
81. Consider a closed economy in which neither consumption nor investment depend on interest rate. Government expenditure is constant. Expansionary monetary policy in this economy has the following effect
    a. Increases output and decreases interest rate
    b. Decreases output and increases interest rate
    c. Leaves output unchanged but increases interest rate
    d. Leaves output unchanged but decreases interest rate

82. Consider an economy in which the central bank conducts monetary policy by choosing interest rate. Expansionary fiscal policy in this economy has the following effect
    a. Increases both output and interest rate
    b. Output remains unchanged but interest rate decreases
    c. Output increases but interest rate remains unchanged
    d. Both output and interest rate remain unchanged
83. In a liquidity trap,
    a. expansionary monetary policy increases income
    b. contractionary monetary policy increases income
    c. expansionary fiscal policy has no effect on income
    d. none of the above
84. According to the Solow model, per capita income grows in the long run because of
    a. Savings
    b. Technological progress
    c. Perfectly competitive markets
    d. Education
85. Suppose output of an economy is $Y = AK^{\frac{1}{3}}L^{\frac{2}{3}}$ where A, K, and L are technology, capital and labour respectively. Growth rates of output per capita and capital per capita are 10 % and 15 % respectively. Growth rate of total factor productivity is
    a. 5%
    b. 25%
    c. -5%
    d. 0
86. Consider two closed economies, A and B, which are identical in every respect except for the fact that economy A has a higher savings to output ratio than economy B. In the long run, according to the Solow model,
    a. Economy A has a higher growth rate than economy B
    b. Economy B has a higher growth rate than economy A
    c. Economy A has higher levels of steady state output than economy B
    d. Economy A has lower levels of steady state output than economy B
87. According to the quantity theory of money, a 100 % increase in money supply
    a. Increases the price level by 100%
    b. Decreases the price level by 100%
    c. Has no effect on the price level
    d. None of the above
88. Consumption smoothing implies
    a. Propensities to consume out of permanent and transitory incomes are equal
    b. Propensity to consume out of permanent income is less than that out of transitory income
    c. Propensity to consume out of permanent income is greater than that out of transitory income
    d. Consumption and income are unrelated
89. Suppose that an agent wants to maximise the given expression $U(C_1) + U(C_2)$, where $U(.)$ denotes the instantaneous utility function and C_i denotes the amount of consumption in period i. Y_1 and Y_2 are the incomes in period 1 and in period 2 respectively. In such a scenario,

a. Interest rate has a negative relationship with current consumption
b. Interest rate has a positive relationship with current consumption
c. Interest rate is unrelated to current consumption
d. Interest rate has an ambiguous relationship with current consumption

90. Real interest rate is
a. Nominal interest rate minus the current rate of inflation
b. Nominal interest rate minus the expected rate of inflation
c. Nominal interest rate minus the current growth rate of output
d. Nominal interest rate minus the expected growth rate of output

91. Among the following, which one is considered as government purchases
a. Subsidy given to unemployed people.
b. Salary of teachers in government schools.
c. Monetary aid given to foreign country.
d. Both answer b) and answer c).

92. In a closed economy, if the investment demand and money demand are very less responsive to interest rate then
a. Both IS curve and LM curve will be steeper
b. IS curve will be steeper but LM curve will be flatter
c. IS curve will be flatter but LM curve will be steeper
d. Both IS curve and LM curve will be flatter

93. Which one of the following expressions is correct? Here asterisk (*) denotes multiplication.
a. Unemployment rate = {(Number of unemployed) / [Labour force participation rate * Adult population]} * 100
b. Unemployment rate = {(Number of unemployed) / (Number of employed)} * 100
c. Unemployment rate = {(Number of unemployed) / (Adult population)} * 100
d. Unemployment rate = {(Number of unemployed) / [Labour force participation rate * Adult population]} * 10000

94. According to Okun's law
a. Absolute value of the percentage point fall in the real GDP = percentage point rise in the unemployment rate
b. Absolute value of the percentage point fall in the nominal GDP = percentage point rise in the unemployment rate
c. Absolute value of the percentage point fall in the real GDP > percentage point rise in the unemployment rate
d. Absolute value of the percentage point fall in the real GDP < percentage point rise in the unemployment rate

95. Which one of the following statements is true?
a. Investment expenditure depends on the nominal interest rate and money demand depends on the real interest rate
b. Investment expenditure depends on the nominal interest rate and money demand depends on the nominal interest rate
c. Investment expenditure depends on the real interest rate and money demand depends on the real interest rate
d. Investment expenditure depends on the real interest rate and money demand depends on the nominal interest rate

96. Consider a usual simple Keynesian model with standard assumptions and the following specifications. The marginal propensity to consume is 0.5, the marginal

propensity to invest is 0.3 and the marginal propensity for government expenditure is 0.3. Which of the following statement is true for such an economy?

a. The economy can get stuck in an equilibrium with unemployment.
b. The economy cannot get stuck in any equilibrium with unemployment.
c. The rise in the government expenditure reduces equilibrium output.
d. None of the above.

97. Which one of the following empirical findings would put the Keynesian consumption function to trouble?

a. Both the short run as well as the long run average propensity to consume falls as income rises.
b. Both the short run as well as the long run average propensity to consume do not fall as income rises.
c. The short run average propensity to consume falls as income rises but the long run average propensity to consume doesn't.
d. The short run average propensity to consume doesn't fall as income rises but the long run average propensity to consume does.

98. As the production technology improves, what would you expect?

a. Investment will increase.
b. Investment will not change.
c. Investment will decrease.
d. Can't be said.

99. As RBI reduces CRR

a. Both monetary base and money supply will increase.
b. Monetary base will not change but money supply will increase.
c. Monetary base will increase but money supply will not increase.
d. Both monetary base and money supply will remain unchanged.

100. When central banks do open market operations,

a. Only monetary base changes
b. Only money supply changes
c. Both monetary base and money supply change
d. None of them change.

Place for rough work

Place for rough work