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FOR KUET EXAM PREPARATION

KUET 2021 Question Paper · M.A. Economics

EXAM	YEAR	TYPE	SUBJECT
KUET	2021	Question Paper	M.A. Economics

Sr. No. .....

ENTRANCE TEST-2021

SCHOOL OF BUSINESS AND MANAGEMENT STUDIES

ECONOMICS

Question Booklet Series **A**

Total Questions : 60
Time Allowed : 70 Minutes

Roll No. : | | | | | | |

Instructions for Candidates :

1. Write your Entrance Test Roll Number in the space provided at the top of this page of Question Booklet and fill up the necessary information in the spaces provided on the OMR Answer Sheet.
2. OMR Answer Sheet has an Original Copy and a Candidate's Copy glued beneath it at the top. While making entries in the Original Copy, candidate should ensure that the two copies are aligned properly so that the entries made in the Original Copy against each item are exactly copied in the Candidate's Copy.
3. All entries in the OMR Answer Sheet, including answers to questions, are to be recorded in the Original Copy only.
4. Choose the correct / most appropriate response for each question among the options A, B, C and D and darken the circle of the appropriate response completely. The incomplete darkened circle is not correctly read by the OMR Scanner and no complaint to this effect shall be entertained.
5. Use only blue/black ball point pen to darken the circle of correct/most appropriate response. In no case gel/ink pen or pencil should be used.
6. Do not darken more than one circle of options for any question. A question with more than one darkened response shall be considered wrong.
7. There will be **'Negative Marking'** for wrong answers. Each wrong answer will lead to the deduction of 0.25 marks from the total score of the candidate.
8. Only those candidates who would obtain positive score in Entrance Test Examination shall be eligible for admission.
9. Do not make any stray mark on the OMR sheet.
10. Calculators and mobiles shall not be permitted inside the examination hall.
11. Rough work, if any, should be done on the blank sheets provided with the question booklet.
12. OMR Answer Sheet must be handled carefully and it should not be folded or mutilated in which case it will not be evaluated.
13. Ensure that your OMR Answer Sheet has been signed by the Invigilator and the candidate himself/ herself.
14. At the end of the examination, hand over the OMR Answer Sheet to the invigilator who will first tear off the original OMR sheet in presence of the Candidate and hand over the Candidate's Copy to the candidate.

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1. Which of the following is an example of market clearing or equilibrium price ?

   I. Auction

   II. Bilateral bargaining

   III. Fixed price list

   Choose you answer from following options :

   (A) Only I is correct

   (B) Only I and II are correct

   (C) Only II and III are correct

   (D) All of them are correct

2. Given the demand function, $D_x = a - ßP_x$, where D is quantity demanded and P is the price of commodity X, which of the following statements is/are true ?

   I. a indicates zero price

   II. $ß = \frac{\Delta Dx}{\Delta Px}$

   III. the demand function is non-linear

   IV. ß remains constant for all changes in prices

   Choose you answer from following options :

   (A) Only I, II and III are correct

   (B) Only II and III are correct

   (C) Only I, II and IV are correct

   (D) All of them are correct.

3. Given the utility function $U = X_1X_2$, its own price elasticity is equal to :

   (A) 1

   (B) –1

   (C) 0

   (D) –2

4. A 5% increase in the price causes no change in the total revenue that a firm earns ceteris Paribas, this implies that :

   (A) Demand is price inelastic

   (B) Demand is perfectly price elastic

   (C) Demand has unitary price elasticity

   (D) Nothing can be said about the demand curve

5. Marginal rate of substitution for a normal good reflects which of following feature ?

   (A) Transitivity

   (B) Consistency

   (C) Convexity

   (D) Rationality

6. If no additional satisfaction is yielded when there is an increase in the quantity of one commodity without a corresponding increase in the quantity of other, the goods in an indifference curve refers to :

   (A) Bads

   (B) Neuters

   (C) Complementary goods

   (D) Inferior goods

7. Consider the following utility function $U(X, Y) = X + Y$; if price of good X is greater than price of good Y, then consumer equilibrium is at a :

(A) Point where consumer spends all of his income on good X

(B) Point where consumer spends all of his income on good Y

(C) Point where consumer spends his income equally on good X and good Y

(D) Point where consumer spends all of his income on good X and good Y given by their price ratios.

8. For a Cobb- Douglas utility function $U(X_1, X_2) = X_1X_2$ for a given income level and price of X_1 *and* X_2, which of the following is true ?

(A) The consumer does not exhaust all his income

(B) The consumer spends all of his income on commodity X_1

(C) The consumer spends all of his income on commodity X_2

(D) The consumer spends half of his income on commodity X_2

9. In production theory, during a given time period fixed inputs mean those inputs :

I. That can be varied

II. That cannot be varied

III. That can be varied only with excessive cost

IV. That includes plant and machinery

Choose you answer from following options :

(A) Only I and IV are correct

(B) Only II is correct

(C) Only II and IV are correct

(D) Only II, III and IV are correct

10. Which of the following is/are false about isoquants ?

I. smaller curvature mean the inputs can be substituted

II. two different levels of output of the same commodity can be produced with the identical input combination

III. isoquants are positively sloped in the economic region

IV. ridge lines separate the relevant economic portion from irrelevant portion of the isoquant

Choose you answer from following options :

(A) Only I and II false

(B) Only I, II and III false

(C) Only II and III false

(D) Only I and III false

11. If a = ¾ and ß = ¼ for the Cobb-Douglas production function $Y = AL^{a}K^{ß}$, then the returns to scale are :

(A) Constant

(B) Increasing

(C) Decreasing

(D) First increasing and then decreasing

12. Which of the following statement is true ?

(A) If marginal cost is rising then average cost must be also rising

(B) If marginal cost is falling then average cost must be also falling

(C) Both (A) and (B)

(D) Neither (A) nor (B)

13. Consider the following statements for a firm in equilibrium under perfect competition :

I. The slope of marginal cost curve must be rising after cutting marginal revenue curve from below

II. Marginal cost curve under perfect competition is a horizantal straight line parallel to X-axis

III. Average revenue at point of equilibrium is equal to marginal revenue

IV. Profits and loses of the firm are depicted through AR and MR curves

Which among the following statement is/are not true? Choose from codes given below

Choose you answer from following options :

(A) Only I and II

(B) Only II and III

(C) Only III and IV

(D) Only II and IV

14. A firm under perfect competition will shut down its business in case where :

(A) Price > Average variable cost

(B) Price < Average variable cost

(C) Price < Short run marginal cost

(D) Price < Marginal average cost

15. Short run supply curve of a firm under perfect competition lies :

(A) Below average variable cost curve

(B) Above average variable cost curve

(C) Below average fixed cost curve

(D) Above average fixed cost curve

16. Which among the following assumptions seperates perfect competition from that of pure competition ?

(A) Perfect mobility of factors and no transportation charges

(B) Perfect knowledge and homogenous goods

(C) Perfect mobility of factors and perfect knowledge

(D) Perfect knowledge and zero transporation charges

17. Suppose a monopolist is operating under zero costs of production, equlibrium for a monopolist in this case will lie at :

(A) Elastic point of demand curve

(B) Unit elastic point of demand curve

(C) Inelastic point of demand curve

(D) The above information given is incomplete

18. If the total cost function for a monopolist is TC= 10+5Q, and the price elasticity of demand for his product is –2. What will be the price charged by him for his product ?

(A) 8

(B) 10

(C) 12.5

(D) 14.5

19. Downward sloping demand curve facing a firm under monopolistic competition is due to :

(A) Advertisement

(B) Selling costs

(C) Product differentiation

(D) Large number of buyers and sellers

20. Consider the following statements regarding Cournot's Duopoly model :

I. Each firm will take its rival's output constant

II. Each firm will take its value's price constant

III. Each firm will produce 1/3 of total output

IV. Each firm will produce 1/2 of total output.

Choose correct answer from below given codes :

(A) Only I and II are correct

(B) Only I and III are correct

(C) Only II and IV are correct

(D) Only I and IV are correct

21. Which of the following is not a cause of market failure ?

(A) Monopoly

(B) Externalities

(C) Perfect signalling

(D) Exsistence of public goods

22. Which among the following is not a defined approach for internalizing an externality ?

(A) Imposition of taxes and subsidies

(B) Assigning Property Rights

(C) Direct government regulations

(D) Monopoly

23. The theorem/problem which states that people cannot be excluded from consuming public goods or enjoying benefits from them is known as :

(A) Coase theorerm

(B) Free rider problem

(C) Externality

(D) Economic efficiency

24. The theory of social choice was propounded by which among the following ?

(A) Michael Spence

(B) Ronald Coase

(C) Prof. Arrow

(D) Bergson and Samuelson

25. The backward bending of labour supply curve occurs at a point where :

(A) Income effect outweighs substitution effect

(B) Substitution effect outweighs Income effect

(C) Substitution effect equals Income effect

(D) Both (B) and (C)

26. Quasi rent is a _____ phenomena and is equal to _____.

(A) Short run and TR – TVC

(B) Short run and AR - TR

(C) Long run and TFC – TFC

(D) Both (A) and (C)

27. The Abstinence theory of interest was propounded by :

(A) N. Senior

(B) Cantillon

(C) J.S. Mill

(D) Turgot

28. Among the following which School of Economics stated that interest is determined by demand and supply for money ?

(A) Classical School

(B) Keynesian School

(C) Monetarist School

(D) New-classical School

29. Consider the following consumption function $C_t = C_a + bY_d$, where C_t, C_a, b, Y_d represents present consumption, autonomous consumption, marginal propensity to consume and current disposable income respectively. Then which of the following statement is true ?

(A) MPC < APC and APC increases with increase in income

(B) MPC > APC and APC increases with increase in income

(C) MPC < APC and APC decreases with increase in income

(D) MPC > APC and APC decreases with decrease in income.

30. Consider the following saving function $S_t = S_a + (1 - b)Y_d$, where S_t, S_a, Y_d and 1 – c represents current savings, autonomous savings, personal disposable income and marginal propensity to save respectively and $Y_d = Y - T$, where Y is current income and T is lump sum tax. Suppose that government increases lump sum taxes by 10%, then which of the following holds ?

(A) Marginal propensity to save will increase by 10%.

(B) Marginal propensity to save will decrease by 10%.

(C) Marginal propensity to save will remain same.

(D) Marginal propensity to save will decrease by less than 10%.

31. Paradox of thrift states that :
    (A) Increased spending in the short run leads to an eventual fall in savings
    (B) Increasing savings in the short run leads to an eventual fall in savings
    (C) Increased investment in the short run leads to an eventual fall in savings
    (D) None of the above

32. If GDP deflator is raised by 30% then which of the following statement is correct ?
    (A) Nominal GDP increases by 30%
    (B) Real GDP increases by 30%
    (C) Both nominal and real GDP will increase by 30%
    (D) Nominal GDP will increase by 30% and real GDP will decrease by 30%

33. Commodity terms of Trade is defined as the ratio of :
    (A) Price index of exports to price index of imports
    (B) Price index of imports to price index of exports
    (C) Volume index of exports to volume index of imports
    (D) None of the above

34. In the quantity theory of money, which of the following is assumed ?
    (A) Falling velocity of circulation of money and constant real output
    (B) Rising real output and constant velocity of circulation of money
    (C) Constant real output and constant velocity of circulation of money
    (D) Falling real output and rising velocity of money

35. The purchase of short term bills from the general public by the central bank will :
    (A) Decrease the supply of money
    (B) Increase the supply of money
    (C) Increase interest rate
    (D) Decrease bank reserves.

36. Presently which of the following year is used as a base year for compilation of national income statistics by the Central Statistical Organization (CSO) in India ?
    (A) 2011-12
    (B) 2012-13
    (C) 2013-14
    (D) 2018-19

37. The most common form of price discrimination in international trade is :
    (A) Tariff barriers
    (B) Non-tariff barriers
    (C) Preferential trade agreements
    (D) Both (A) and (B)

38. For an open economy equilibrium, which of the following is true ?
    (A) $S = I$
    (B) $S = I + NX$
    (C) $S = I - NX$
    (D) $S > I + NX$

39. If the consumption function is given by $C = 100 + 0.6(Y - T)$ and Autonomous investment is 200, government spending is 50 and lump sum tax is 100, then equilibrium income is :
    (A) 750
    (B) 725
    (C) 800
    (D) 790

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40. Compared to the closed economy Keynesian model, the open economy model in which imports are function of income has an investment multiplier that is :

(A) Smaller than closed economy

(B) Greater than closed economy

(C) Equal to closed economy

(D) Both are equal to one

41. M3 measure of money supply compiled by Reserve Bank of India (RBI) does not include :

(A) Net RBI credit to Government

(B) Net RBI credit to commercial sector

(C) Net foreign exchange assets of RBI

(D) Total Gold reserves with RBI

42. Which of the following variables is a stock variable ?

(A) Gross domestic product

(B) Money supply

(C) Exports

(D) Imports

43. If in a country A, it takes one unit of labor to produce 6 units of wheat and 4 units of cloth while as in country B, it takes one unit of labor to produce 1 unit of wheat and 2 units of cloth respectively, then :

(A) Country A has comparative advantage in cloth and wheat

(B) Country B has comparative advantage in wheat and cloth.

(C) Country A has comparative advantage in wheat and Country B in Cloth

(D) Country A has comparative advantage in cloth and country B in wheat.

44. Compared to month of Jan 2021, if the prices of food & fuel increase by 2% and the prices of all other goods and services increase by 3% in June 2021, then which of the following holds true ?

(A) Headline inflation in the economy is 3%

(B) Core inflation in the economy is 2%

(C) Headline inflation in the economy is 5%

(D) Core inflation in the economy is 5%

45. Which one of the following is false with respect to the effects of inflation ?

(A) Inflation decreases the shoe-leather costs of people

(B) Inflation increases the menu costs for firms

(C) Inflation leads to tax distortions

(D) Inflation makes debtors better off as compared to creditors

46. If during 2020, India's total exports to the rest of world are $200, Imports from the rest of world are $150, remittances to the other countries are $50, remittances from the other countries are $60, capital inflows are $40 and capital outflows are $100, then which of the following holds true ?

(A) Balance of trade account is $60

(B) Balance of Capital account is $50

(C) Current account balance is $10

(D) Overall Balance of BOP account is zero

47. The Philips curve establishes the following with respect to the role of money :

(A) Money is Neutral in short run and Philips curve is upward sloping

(B) Money is Non-Neutral in short run and Philips curve is vertical

(C) Money is Neutral in long-run and Philips curve is downward sloping

(D) Money is Non-Neutral in short run and Philips curve is downward sloping

48. Consider the equation of LM schedule given as, $M_0^s = M^d = c_0 + c_1 Y - c_2 r$, where the c_1 is the income elasticity of money demand, c_2 is interest elasticity of money demand, Y and r denote income level and interest rate and M_0^s and M^d constitute the supply of money and demand for money respectively. If in one situation, $c_2 = 0$ and in another situation $c_2 = \infty$, then which of the following holds true with respect to LM Curve ?

(A) LM curve is perfectly elastic to interest rate changes under both the cases

(B) LM curve is perfectly inelastic to interest rate changes under both the cases

(C) LM curve is perfectly elastic if $c_2 = 0$ and perfectly inelastic if $c_2 = \infty$

(D) LM curve is perfectly elastic if $c_2 = \infty$ and perfectly inelastic if $c_2 = 0$

49. If the economic agents decided to save less for any income change such that their marginal propensity to consume rises. This change in behavior on part of people would make :

(A) IS curve steep

(B) LM curve steep

(C) LM curve flat

(D) IS curve flat

50. Any point above LM curve and below IS curve would indicate :

(A) Money supply > Money demand and Aggregate demand > Aggregate output

(B) Money supply < Money demand and Aggregate Demand > Aggregate output

(C) Money supply > Money demand and Aggregate Demand < Aggregate output

(D) Money supply < Money demand and Aggregate Demand < Aggregate output

51. If the economy is expected to face recession in 2022 and the firms are likely to bankrupt. There would be a loss of confidence in bonds and hence a rightward shift in liquidity preference. In that case which of the following is true ?

(A) LM curve will shift upwards

(B) IS curve would shift to downwards

(C) LM curve would shift to downwards

(D) IS curve would shift to upwards

52. Effect of change in lump sum tax and proportional tax rate on IS curve would be :

(A) Both will change only the slope of IS curve

(B) Both will change only the position of IS curve

(C) Proportional tax will change both slope and position while lump sum will change only position of IS curve.

(D) Lump sum taxes will change both slope and position while proportional tax will change only position of IS curve

53. Which of the following does not shift Aggregate demand curve ?

(A) Change in supply of money

(B) Change in the interest elasticity of demand for money

(C) Change in autonomous investment

(D) Change in lump sum tax.

54. The point of intersection in aggregate demand – aggregate supply model framework correspond to :

(A) Simultaneous Equilibrium in money and goods market

(B) Simultaneous equilibrium in money and labour market.

(C) Simultaneous equilibrium in goods and labour market

(D) Simultaneous equilibrium in all the three

55. In case of aggregate demand curve, an increase in the general level of prices will lead to :

(A) Upward movement along AD curve and upward shift of LM curve

(B) Upward movement along AD curve and downward shift of LM curve

(C) Upward movement along AD curve and downward shift of IS curve

(D) Upward movement along AD curve and upward shift of IS curve

56. Consider the following with respect to the money supply process :

1. Value of money multiplier is less than the deposit multiplier

2. Value of money multiplier is inversely related to cash reserve ratio

3. Value of money multiplier is directly related to currency deposit ratio

4. Value of money multiplier is directly related to excess reserve ratio

Choose you answer from following options :

(A) Only 1 & 2 are correct

(B) Only 2 & 3 are correct

(C) Only 1 & 3 are correct

(D) Only 2 & 4 are correct

57. With the introduction of e-money like credit cards, smart cards and e-wallets (Bhim, UPI, Paytm, googlepay; airtel money; amazon pay etc.), velocity of circulation of money in the economy would :

(A) Increase

(B) Decrease

(C) Remain Unchanged

(D) Only decrease slightly

58. Which of the following is true with regard to speculative demand for money ?

(A) It is relatively inelastic at both higher and lower interest rate

(B) It is relatively elastic at both lower and higher interest rate

(C) It is relatively inelastic at higher interest rate and elastic at lower interest rate

(D) It is relatively inelastic at lower interest rate and elastic at higher interest rate

59. The Mercantilists were not in favor of :

(A) Restricting imports

(B) Stimulating exports

(C) Free trade

(D) Accumulation of gold by their nations

60. Dead weight of a tariff means :

(A) Loss in consumer welfare gained by domestic producer in the form of producer surplus

(B) Loss in consumer welfare gained by government in the form of revenue

(C) Both (A) and (B)

(D) Neither (A) nor (B)

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