

Roll No:

Application No:

Name:

Exam Date: **05-Oct-2020**Exam Time: **15:00-18:00**Examination: **1. Course Code - M.A./M.Sc./M.C.A.****2. Field of Study - ECONOMICS (WITH SPECIALIZATION IN WORD ECONOMY) (EILM)****SECTION 1 - SECTION 1****Question No.1 (Question Id - 3)**

Suppose the demand for burgers is given by $Q_d = 286 - 20p$ and the supply is $Q_s = 88 + 40p$. If the government imposes a per unit tax of 1.05, what is the :

- A. new equilibrium price and
B. tax revenue ?

- (A) A 2.6 B 247.7
(B) A 3.3 B 220
(C) **A 4 B 216.3 (Correct Answer)**
(D) None of the above

Question No.2 (Question Id - 27)

The below question has been dropped and full marks are awarded.

Suppose a country has abundant labour and scarce capital, and good X requires capital-intensive production and good Y requires labour-intensive production. Then free trade will lead to :

- (A) Decrease in wage in the country
(B) Decrease in the price of capital in the country
(C) Decrease in the price of good X in the country
(D) Increase in the price of good Y in the country

Question No.3 (Question Id - 9)

Suppose that a monopolist faces two markets with the demand curves given by $D_1(p_1) = 100 - p_1$; $D_2(p_2) = 100 - 2p_2$. Let the marginal cost be constant and equal to 20. If the monopolist must charge the same price in each market, what price should it charge ?

- (A) $p^* = \left(43 \frac{1}{3} \right)$ (Correct Answer)
(B) $p^* = 50$
(C) $p^* = 60$
(D) None of the above

Question No.4 (Question Id - 34)

On labour market equilibrium, Keynes made the following assumptions :

- (A) **Downward rigidity of nominal wages (Correct Answer)**
(B) Perfectly flexible nominal wages
(C) Downward rigidity of real wages
(D) Perfectly flexible real wages

Question No.5 (Question Id - 44)

For what values of k does this system have infinite solutions :

$$x + 2z = 0$$

$$x + 3y + 10z = 0$$

$$6y + k^2z = 0$$

- (A) **k = 4 or k = - 4 (Correct Answer)**
(B) k = - 4 or k = 0

(C) $k = 16$ or $k = -16$

(D) $k = 4$ or $k = 0$

Question No.6 (Question Id - 32)

Compared to the free trade equilibrium, when an import tariff is imposed on good X in a small country, then which of the following increase :

- A. Domestic output of good X
- B. Domestic demand of good X
- C. Domestic price of good X
- D. Domestic tariff revenue

Then the following is **correct** :

- (A) A and C only
- (B) B and D only
- (C) **A, C and D only (Correct Answer)**
- (D) A, B, C and D

Question No.7 (Question Id - 45)

Does the sequence $\sum_{n=0}^{\infty} \frac{n^7}{6^n}$ converge or diverge ?

- (A) **Always converges (Correct Answer)**
- (B) Always diverges
- (C) Converges for some values of n and diverges for others
- (D) Not enough information to answer the question

Question No.8 (Question Id - 22)

A variable X has a uniform distribution on $[0, 1]$ and variable Y is defined as $2X + 5$. Then the probability density function of Y is :

- (A) $1/7$
- (B) $1/5$
- (C) **$1/2$ (Correct Answer)**
- (D) 1

Question No.9 (Question Id - 4)

Suppose demand for labour is given by $L = -50w + 450$ and supply is $L = 100w$, where L is the number of labour and w is the wage rate per hour. Suppose the government wishes to raise the equilibrium wage to 4 by offering a subsidy to employers for each person hired.

- A. What will be the new equilibrium level of employment ?
- B. How much total subsidy will be paid ?

- (A) A 500 B 1000
- (B) **A 400 B 1200 (Correct Answer)**
- (C) A 300 B 4
- (D) None of the above

Question No.10 (Question Id - 16)

Informal lender extends credit to the poor more than formal lenders because :

- (A) **Relative to commercial banks, informal lenders can more easily circumvent informational asymmetries. (Correct Answer)**
- (B) Relative to commercial banks, informal lenders are less risk averse and charge lower interest rates.
- (C) Informal lenders do not face transaction costs and therefore they can lend at more affordable rates of interest.
- (D) None of the above

Question No.11 (Question Id - 46)

Which of the following functions have inverses on $(-\infty, \infty)$?

A. $y = 5x - 2$

B. $y = 1 - x^2$

C. $y = x^3 - 2$

- (A) A only
(B) A and B only
(C) **A and C only (Correct Answer)**
(D) A, B and C only

Question No.12 (Question Id - 1)

Suppose that 10 people live in a street and that each of them is willing to pay 2 for an extra streetlight. Let the cost of providing x streetlights be $c(x) = x^2$. What is the Pareto-efficient number of streetlights ?

- (A) 1
(B) **10 (Correct Answer)**
(C) 5
(D) None of the above

Question No.13 (Question Id - 8)

Which of the following will cause total revenue earned by cell phone producers to rise ?

- (A) Demand is reduced because consumers learn of new hazards of cell phone use
(B) **The demand is price elastic and the price falls (Correct Answer)**
(C) The price falls and the demand is inelastic
(D) None of the above

Question No.14 (Question Id - 14)

Which of the following statements related to the concept of disguised unemployment is **false** ?

- (A) The marginal revenue product of labour is less than the wage
(B) The marginal revenue product of labour is zero with a positive wage
(C) More people are engaged in an activity than the numbers required for it
(D) **None of the above (Correct Answer)**

Question No.15 (Question Id - 10)

For the demand function given by $q = \frac{30}{p^2}$, where q is quantity and p is the price. Find the consumer surplus at $p = 2$.

- (A) **15 (Correct Answer)**
(B) 10
(C) 30
(D) None of the above

Question No.16 (Question Id - 33)

Consider a simple Keynesian model where equilibrium output is determined by aggregate demand. Assume investment to be autonomously determined and a constant (s) proportion of income is saved. A rise in ' s ' in this model will lead to :

- (A) An increase in equilibrium output
(B) **A decrease in equilibrium output (Correct Answer)**
(C) No change in equilibrium output
(D) Can't say

Question No.17 (Question Id - 17)

The probability density function of a random variable X is given by $f(x) = \alpha(1 - x)^{\alpha - 1}$ where x is in the range $[0, 1]$ and $\alpha > 0$. Then the median of X is :

- (A)

$$2^{-1/\alpha}$$

- (B) **1 - 2^{-1/α} (Correct Answer)**
(C) 1/2
(D) 1/2^α

Question No.18 (Question Id - 31)

If two countries have identical concave production possibilities curve then :

- (A) There would be no basis for gainful trade
(B) **Trade would depend on differences in demand conditions (Correct Answer)**
(C) Trade would depend on economies of large scale production
(D) Trade would depend on the use of different currencies

Question No.19 (Question Id - 13)

The conjecture that inequality first increases with development, then decreases with further development, has been :

- (A) Strongly supported by most studies
(B) **Supported by cross sectional studies, not time-series studies (Correct Answer)**
(C) Supported by time series studies, not cross sectional studies
(D) Generally not supported by empirical studies

Question No.20 (Question Id - 29)

The table below provides the total production possible in the two countries given their total endowment of labour.

Country	Yards of Cloth	Tons of Rice
Bangladesh	1000	500
India	5000	1500

If the world equilibrium price of Rice is 3 yards of Cloth, then

- (A) Both countries would like to specialize in Cloth
(B) Both countries would like to specialize in Rice
(C) **Both countries would benefit from trade with each other (Correct Answer)**
(D) Neither country would benefit from trade with each other

Question No.21 (Question Id - 35)

In the standard IS-LM model, we replace the assumption of exogenous money supply with an endogenous money supply as an increasing function of interest rate. Now the LM curve will :

- (A) **be flatter (Correct Answer)**
(B) be steeper
(C) be negatively sloped
(D) remain unchanged

Question No.22 (Question Id - 30)

The table below gives the marginal product of labour in production of the two commodities in the two countries. There are no other resources used for production

Country	Marginal Product in Cloth	Marginal Product in Rice
Bangladesh	4	2
India	5	5

Then for mutually beneficial trade between the two countries Bangladesh would be willing to :

- (A) Export Rice and import Cloth
(B) **Export Cloth and import Rice (Correct Answer)**
(C) Export both Rice and Cloth at 1 : 1 terms of trade

(D) Import both Rice and Cloth at 1 : 1 terms of trade

Question No.23 (Question Id - 12)

According to the Ranis-Fei-Lewis model, in order for the turning point to be reached :

- (A) Wage in agriculture sector must rise in response to a food shortage
(B) Wage in agriculture sector must remain at subsistence
(C) Wage in industrial sector must decrease
(D) **None of the above (Correct Answer)**

Question No.24 (Question Id - 51)

$\lim_{n \rightarrow \infty} \frac{\ln(1+x)}{x}$ is equal to :

- (A) **0 (Correct Answer)**
(B) ∞
(C) 1
(D) Not defined

Question No.25 (Question Id - 26)

An unbiased coin is tossed 400 times, then the probability that the number of heads will be between 150 and 250 is at least :

- (A) 1/25
(B) 12/25
(C) **24/25 (Correct Answer)**
(D) 1

Question No.26 (Question Id - 25)

A population consists of the number of defective mobiles in various shipments coming to India. The number of defectives is 2 in the first shipment, 4 in the second, 6 in the third, and 8 in the fourth. What will be the mean and standard deviation of this population ?

- (A) **5, $\sqrt{5}$ (Correct Answer)**
(B) 5, $\sqrt{15}$
(C) 3, $\sqrt{3}$
(D) 6, $\sqrt{6}$

Question No.27 (Question Id - 42)

Solve :

$$\min y = x_1 + x_2$$

$$\text{subject to } 1 - \sqrt{x_1} - x_2 = 0$$

- (A) $x_1^* = \frac{1}{9}, x_2^* = \frac{2}{3}$
(B) **$x_1^* = \frac{1}{4}, x_2^* = \frac{1}{2}$ (Correct Answer)**
(C) $x_1^* = 1, x_2^* = 0$
(D) None of the above

Question No.28 (Question Id - 49)

Solve for x given $2e^{6x} = 18$

- (A) **$x = \frac{(\log 9)}{6}$ (Correct Answer)**
(B) $x = (\log 18)$
(C) $x = 18$
(D) None of the above

Question No.29 (Question Id - 7)

Suppose the government imposes a profit tax on a monopoly so that the after-tax profit becomes $(1 - \alpha)\pi$, where π is the before tax profit. After the imposition of the tax :

- (A) **The quantity sold remains the same (Correct Answer)**
- (B) The quantity sold decreases
- (C) The price increases
- (D) None of the above happens

Question No.30 (Question Id - 20)

Find the probability of a '4' turning up at least once in two tosses of a fair dice (with six faces marked 1 to 6).

- (A) 1/36
- (B) 1/18
- (C) **11/36 (Correct Answer)**
- (D) 1/3

Question No.31 (Question Id - 19)

The probability density function of a random variable is given as

$f(x) = \frac{\lambda^x e^{-\lambda}}{x!}$ where $x = 0, 1, 2, \dots$. then the expected value of x^2 is :

- (A) λ
- (B) λ^2
- (C) **$\lambda(\lambda + 1)$ (Correct Answer)**
- (D) $1 - \lambda^2$

Question No.32 (Question Id - 5)

There are 200 kgs of food that must be allocated between two sailors marooned at an island. The utility functions of the two sailors are given by $u_1 = \sqrt{F_1}$, $u_2 = \frac{1}{2}\sqrt{F_2}$ where F_i , $i = 1, 2$ is the quantity of food consumed by sailor i . Suppose the social welfare function is of the form $w = \sqrt{u_1} \sqrt{u_2}$. How should food be allocated between the sailors so as to maximize social welfare ?

- (A) 200, 200
- (B) 140, 70
- (C) **100, 100 (Correct Answer)**
- (D) None of the above

Question No.33 (Question Id - 23)

Consider a model where the R-squared is zero. Which of the following statements is **true** ?

- A. The estimated slope coefficients will be zero.
- B. The fitted line will be horizontal.
- C. The explanatory variables do not explain any of the variability in the outcome variable around its mean value.
- D. The estimated intercept coefficient will be zero.

- (A) B and D only
- (B) A and C only
- (C) **A, B and C (Correct Answer)**
- (D) A, B, C and D

Question No.34 (Question Id - 47)

What conditions need to hold before you can apply Mean Value Theorem to a function f ?

- (A) **must be continuous on $[a, b]$ and differentiable on (a, b) (Correct Answer)**
- (B) f must be continuous on $[a, b]$ and differentiable on (a, b) and $f(a) = f(b)$

- (C) f must be continuous on (a, b)
(D) None of the above

Question No.35 (Question Id - 11)

According to the big push theory of economic development, low income traps exist due to :

- (A) Moral hazard
(B) Decreasing returns
(C) **Coordination failures (Correct Answer)**
(D) Population pressure

Question No.36 (Question Id - 2)

A strictly risk averse individual is offered a choice between a gamble that pays 1000 with a probability of 25% and 100 with a probability of 75%, and a payment of 325 for sure. Which one of the following is true ?

- (A) **Individual chooses the sure outcome (Correct Answer)**
(B) Individual chooses the gamble
(C) Individual is indifferent between choosing the gamble and the sure outcome
(D) We cannot say which one would the individual choose based on the above information

Question No.37 (Question Id - 48)

Can you apply the Mean Value Theorem to $f(x) = x^{1/2}$ on the interval $[-1, 1]$? Why ?

- (A) Yes, as $f(x)$ is continuous in this interval
(B) **No, since $f(x)$ is not differentiable on $(-1, 1)$ (Correct Answer)**
(C) No, since $f(x)$ is not continuous on $[-1, 1]$
(D) Yes, as $f(x)$ is continuous in $[-1, 1]$ and differentiable in $(-1, 1)$

Question No.38 (Question Id - 37)

Which of the following constitute the "impossible trinity"?

- A. Fixed exchange rate
B. No budget deficit
C. Free international capital mobility
D. Independent monetary policy
E. Balance in the balance of payments

- (A) A, B, C only
(B) B, D, E only
(C) **A, C, D only (Correct Answer)**
(D) A, C, E only

Question No.39 (Question Id - 21)

A newspaper conducted a survey of its readers and asked everyone to fill out a survey form and send it in. Almost 50% of readers responded. This type of sample is called :

- (A) A cluster sample
(B) A simple random sample
(C) **A self-selected sample (Correct Answer)**
(D) A stratified random sample

Case Study - 40 to 42 (Question Id - 38)

Consider an open economy simple Keynesian model with autonomous investment (I), constant propensity to save (s) out of disposable income, a constant rate of taxation (t) by the government on total income, an exogenous amount of government expenditure (G), an autonomous level of exports (X) and imports determined as a function of income with a constant import intensity (m).

Let

$$I = 4800$$
$$G = 6000$$

X = 1200
s = 0.5
t = 0.4
m = 0.1

Question No.40 (Question Id - 39)

In the above model, the equilibrium level of income is :

- (A) 12000
(B) 24000
(C) **15000 (Correct Answer)**
(D) None of the above

Question No.41 (Question Id - 40)

In the above model, at the equilibrium level of income, there is :

- (A) Trade surplus
(B) **Trade deficit (Correct Answer)**
(C) Balanced trade
(D) Can't say

Question No.42 (Question Id - 41)

In the above model, the government decides to maintain trade balance by adjusting the tax rate (t) and thereby affecting domestic absorption, without changing anything else. It is :

- (A) **Possible to attain this by increasing tax rate (t) to 0.8 (Correct Answer)**
(B) Possible to attain this by reducing tax rate (t) to 0.2
(C) Possible to attain this by keeping tax rate (t) unchanged at 0.4
(D) None of the above

Question No.43 (Question Id - 50)

$$f(x) = x^4 - 4x^3 + 4x^2 + 4$$

Find a local minimum and a local maximum of the function $f(x)$.

- (A) 1, 2
(B) 3, 4
(C) **2, 1 (Correct Answer)**
(D) None of the above

Question No.44 (Question Id - 28)

Similar to import tariff, import quota tends to result in :

- (A) Increased consumer surplus and producer surplus
(B) Decreased imports and decreased producer surplus
(C) Increased government revenue and price
(D) **Increased producer surplus and price (Correct Answer)**

Question No.45 (Question Id - 24)

Past data of a doctor's clinic tells that 10% of patients entering have liver diseases and 5% are alcoholics. According to medical reports among those patients who are diagnosed with liver diseases, 7% are alcoholics. What is the probability of alcoholic people having liver diseases ?

- (A) **0.14 (Correct Answer)**
(B) 0.0005
(C) 0.07
(D) Cannot be derived

Question No.46 (Question Id - 15)

Which of the following statements is **false** ?

- (A) Gini coefficient satisfies all four principles of measures of inequality.
(B) **The Pigou-Dalton principle states that a progressive transfer from a richer to a poorer person must make the resulting distribution more unequal. (Correct Answer)**
(C) Cross country evidence supports the Kuznets curve hypothesis.

(D) If Lorenz curves cross, Gini and coefficient of variation may give different rankings of inequality.

Question No.47 (Question Id - 6)

A firm in a perfectly competitive industry has marginal cost $MC = 0.4q$ where q is quantity. The market price is 20 per unit. The production process of this firm is polluting the air and the social marginal cost (including private and pollution cost) is $SMC = 0.5q$.

- A. What is the socially optimal level of production for the firm ?
- B. What should be the per unit tax imposed by the government so that the firm produces socially optimal level of output ?

- (A) **A 40 B 4 (Correct Answer)**
- (B) A 50 B 10
- (C) A 40 B 5
- (D) None of the above

Question No.48 (Question Id - 43)

What is $\frac{dy}{dx}$ when $y = \frac{e^{2x} + 1}{e^{2x} - 1}$

- (A) $\frac{e^{2x}}{e^{2x} - 1}$
- (B) $\frac{e^{4x}}{(e^{2x} - 1)^2}$
- (C) $\frac{-e^{4x}}{e^{2x} - 1}$
- (D) $\frac{-4e^{2x}}{(e^{2x} - 1)^2}$ **(Correct Answer)**

Question No.49 (Question Id - 36)

In the complete Keynesian macro model, at the liquidity trap region, the aggregate demand curve will be :

- (A) downward sloping
- (B) upward rising
- (C) horizontal
- (D) **vertical (Correct Answer)**

Question No.50 (Question Id - 18)

Consider a random variable X where

$P(X = k) = \frac{20! 0.25^k (0.75)^{20-k}}{k! (20-k)!}$ For $k = 0, 1, 2, \dots, 20$ What is the mean of X ?

- (A) 2.5
- (B) **5 (Correct Answer)**
- (C) 7.5
- (D) 3