9. When MRS_{xy} is increasing, the consumer

(A) satisfies $\dfrac{MU_x}{MU_y} = \dfrac{p_x}{p_y}$ at equilibrium.

(B) does not reach any equilibrium.

(C) consumes only one commodity at equilibrium.

(D) consumes only commodity x at equilibrium.

10. When an enterprise owner is the sole purchaser in input market and seller in a perfectly competitive market, we have the case of

(A) Monopolistic exploitation

(B) Monopolistic as well as monopsonistic exploitation

(C) Oligopolistic exploitation

(D) Monopsonistic exploitation

11. Given the consumer's utility function $U = X_1^2 X_2^3$ and the budget constraint $M = p_1 x_1 + p_2 x_2$, the demand function for x_2 will be

(A) $\dfrac{3M}{5p_2}$

(B) $\dfrac{M}{2p_2}$

(C) $\dfrac{M}{p_1 + p_2}$

(D) $\dfrac{M}{2p_1}$

12. Consider the following *Assertion (A)* and *Reason (R)*

Assertion (A) : If the monopolist faces identical demand curve for his commodity in two separate markets, by practising third degree price discrimination he cannot increase his total revenue and profits.

Reason (R) : As the marginal revenue curves are identical in two markets when the demand curves are same, the monopolist will not charge different prices in each market to maximise profits.

Codes :

(A) Both *(A)* and *(R)* are true and *(R)* is the correct explanation of *(A)*.

(B) Both *(A)* and *(R)* are true and *(R)* is not the correct explanation of *(A)*.

(C) *(A)* is true but *(R)* is false.

(D) *(A)* is false but *(R)* is true.

13. In Friedman's Permanent Income Hypothesis, transitory income can be positive or negative, which occurs on account of

(A) long-term changes in income.

(B) temporary and unanticipated changes in current income.

(C) income remaining unchanged.

(D) long-term changes in relative prices.

14. In an open economy, international capital mobility and a fixed exchange rate will imply

(A) coordinated fiscal policies with rest of the world.

(B) inflation targeting.

(C) no monetary policy autonomy.

(D) exchange rate devaluation.

1. Consider two utility functions $U = q_1^{1.5} q_2$ and $V = q_1^6 q_2^4 + 1.5\, ln\, q_1 + ln\, q_2$. Choose the correct answer.

(A) V is a log linear transformation of U

(B) V is an increasing monotonic transformation of U

(C) V is a decreasing monotonic transformation of U

(D) V is a Cobb-Douglas transformation of U

2. In a two good economy x and y, if x be Giffen good, then which of the following must be satisfied in case of good y.

(A) $\dfrac{\partial y}{\partial p_y} < 0$

(B) $\dfrac{\partial y}{\partial p_y} > 0$

(C) $\dfrac{\partial y}{\partial M} < 0$

(D) $\dfrac{\partial y}{\partial p_y} \cdot \dfrac{P_y}{y} > 0$

3. In the Bertrand two good model with homogenous output

(A) $P_1 = P_2 = c$ at equilibrium

(B) $P_1 = P_2 \neq c$ at equilibrium

(C) $P_1 = P_2 > c$ at equilibrium

(D) $P_1 \neq P_2$ at equilibrium

4. External economies are witnessed in

(A) a rising supply curve

(B) a rising demand curve

(C) a falling supply curve

(D) a falling demand curve

5. Marginal Cost (MC) is given by

(A) the slope of the TFC curve.

(B) the slope of the TVC curve but not by the slope of the TC curve.

(C) the slope of the TC curve but not by the slope of the TVC curve.

(D) either the slope of TC or the slope of the TVC.

6. At equilibrium under monopoly

(A) total expenditure and price are inversely related.

(B) total expenditure and price are directly related.

(C) total expenditure and price are independent.

(D) price elasticity of demand is positive.

7. Consider $U = f(w)$. Choose the correct statement. (Here w stands for wealth)

(A) If $f''(w) < 0$, the utility function is concave and the consumer is risk loving.

(B) If $f''(w) > 0$, the utility function is concave and the consumer is risk averter.

(C) If $f''(w) < 0$, the utility function is strictly concave and the consumer is risk averter.

(D) If $f''(w) = 0$ the utility function is straight line and the consumer is risk loving.

8. In case of price consumption curve parallel to the horizontal axis

(A) the price elasticity of demand of the concerned good is one.

(B) the price elasticity of demand of the concerned good is greater than one.

(C) the concerned good has income elasticity equal to one.

(D) the demand for the concerned good changes directly proportional to price.

15. In IS-LM model, effectiveness of expansionary fiscal policy is maximum when the LM curve is

(A) downward sloping and steep

(B) vertical

(C) upward rising and backward bending

(D) horizontal

19. The New Keynesian models explain involuntary unemployment through real rigidities arising out of

(A) money and credit market

(B) capital market

(C) foreign exchange market

(D) money and price setting process

(A) downward sloping and steep
(B) vertical
(C) upward rising and backward bending
(D) horizontal ✓

16. The Keynesian view of an increase in government spending results in an increase in interest rate and income. However, the money stock remains unchanged, with velocity of money
  (A) increasing ✓
  (B) decreasing
  (C) remaining unchanged
  (D) increasing in the first phase and decreasing thereafter

17. In Real Business Cycle Models, real, not monetary, factors are responsible for fluctuations in output and employment. If at all monetary policy is considered, it focuses on
  (A) lowering employment when the economy is above full employment.
  (B) increasing employment when the economy is at less than full employment.
  (C) controlling inflation and maintaining stability. ✓
  (D) increasing domestic credit to increase output.

18. The distinctive feature of the New Classical Model is that the aggregate supply and labour supply schedules depend on
  (A) backward-looking nature of expectations of monetary and fiscal policy variables along with oil prices and other supply side factors.
  (B) contemporaneous monetary and fiscal policy variables along with oil prices and other supply side factors.
  (C) rational expectations of monetary and fiscal policy variables along with oil prices and other supply side factors. ✓
  (D) rigidities in the output and money market.

45. In the following game

P-II

	B_1	B_2	B_3	B_4
A_1	-2	4	-1	6
A_2	3	-1	5	10

P-I

(A) Only the third column is dominated.
(B) Only the fourth column is dominated.
(C) Both third and fourth columns are dominated. ✓
(D) Neither column is dominated.

46. Given $S'(y) = 0.3 - 0.1y^{-\frac{1}{2}}$

$S(y)$ is equal to

(A) $3y - 0.1y^{\frac{1}{2}} + c$

(B) $3y - 0.2y^{\frac{1}{2}} + c$

(C) $3y - 0.2y^{\frac{1}{2}} + c$ ✓

(D) $3y + 0.2y^{\frac{1}{2}} + c$

[handwritten: integrate as $\frac{ds}{dy}$ $S = \int S(y)\,dy$]

47. If the Marginal Propensity to consume is 0.8, then the value of Investment Multiplier will be
  (A) 05
  (B) 10
  (C) 1.25
  (D) 01

[handwritten: $\frac{1}{0.2} = 5$]

48. VAT is imposed
  (A) directly on consumers.
  (B) on final stage of production.

(A) money and credit market
(B) capital market
(C) foreign exchange market
(D) wage- and price-setting process ✓

20. In the labour demand-supply framework, at the employment level below the equililbrium employment, there is incentive for the firm/employer to put more workers to work as
  (A) marginal product of labour exceeds the real wage. ✓
  (B) marginal product of labour is lower than the real wage.
  (C) marginal product of labour is equal to real wage.
  (D) marginal product of labour is not related to real wage.

21. The production function $y = \dfrac{x_1^2 + x_2^2 + x_3^2}{x_1^3 + x_2^3 + x_3^3}$ is homogeneous of degree
  (A) 1
  (B) 2
  (C) -1 ✓
  (D) 0

22. In case of inflation tax, government's real seignorage revenue is the product of inflation tax and the tax base. While the tax rate is the rate of inflation, the tax base is the
  (A) real output
  (B) nominal output
  (C) real money supply ✓
  (D) capital stock

50. The following was constituted to examine the centre state relation:
  (A) Chelliah Committee
  (B) Sarkaria Commission ✓
  (C) Narsimham Committee
  (D) Wanchoo Committee

51. The concentration effect explained in Peacock-Wiseman hypothesis implies
  (A) Public expenditure does not increase in smooth and continuous manner.
  (B) Public expenditure increases the necessity of increased revenue.
  (C) Central Government's economic activity to grow faster than that of subnational Governments.
  (D) Absolute level of public expenditure increases.

52. Which of the following is not a source of state revenue?
  (A) Taxes on agriculture
  (B) Taxes on road vehicles
  (C) Taxes on advertisement and sale of goods
  (D) Taxes on income *[handwritten: centre]*

53. Which one of the following statement is correct?
  (A) The marginal cost of providing a private good to an additional individual is always positive, while that of public good is zero.
  (B) The marginal cost of providing a public

[handwritten notes in right margin: $\frac{d^2y}{dx^2} = \frac{1}{y} \ ; \ r^2 \ ①$]

48. VAT is imposed
    (A) directly on consumers.
    (B) on final stage of production.
    (C) on first stage of production.
    (D) on all stages between production and final stages.

49. Income tax in India is a
    (A) progressive tax.
    (B) proportional tax.
    (C) value added tax.
    (D) part of goods and services tax.

(A) The marginal cost of providing a private good to an additional individual is always positive, while that of public good is zero.

(B) The marginal cost of providing a public good to an additional individual is always negative, while that of private good is positive.

(C) The marginal cost of providing a public good to an additional individual is always zero, while that of private good is negative.

(D) The marginal costs of providing both, a public good and a private good to an additional individual are always zero.