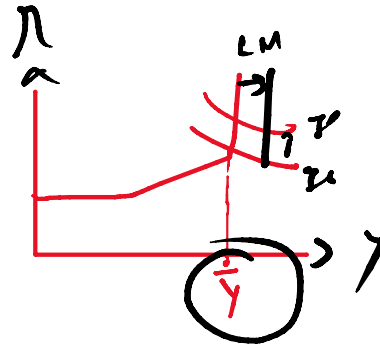


35. Choose the correct statement—

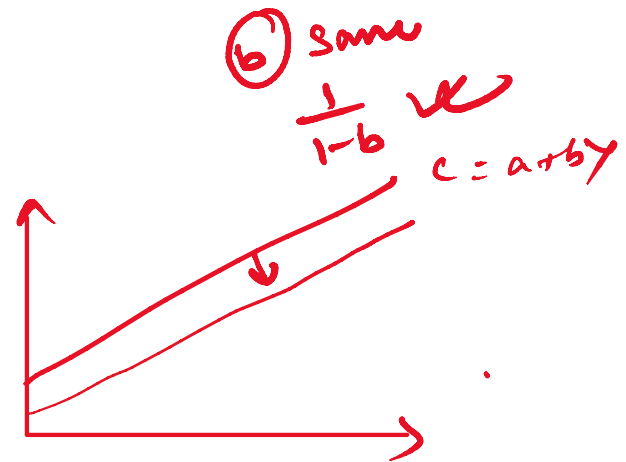
- (A) In the vertical portion of LM curve, fiscal policy is highly effective while monetary policy is not effective.
- (B) In the vertical portion of LM curve, fiscal policy is ineffective, while monetary policy is highly effective.
- (C) In the horizontal portion of LM curve, fiscal policy and monetary policy both are effective.
- (D) In the horizontal portion of LM curve, neither fiscal policy, nor monetary policy is effective.



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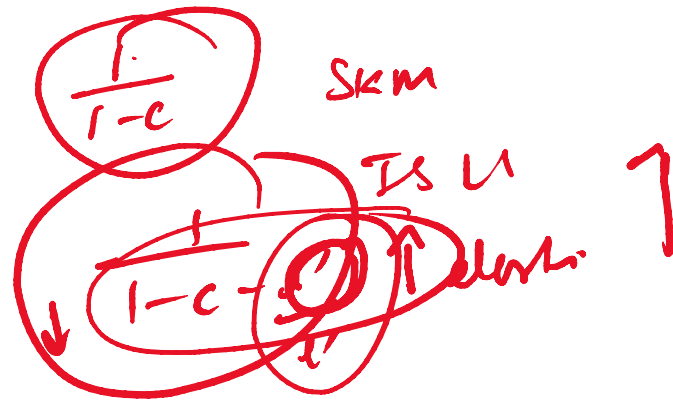
36. When a linear consumption function shifts downwards parallelly, the investment multiplier will

- (A) fall.
- (B) rise marginally.
- (C) remain as before.
- (D) become double.



37. The size of the money multiplier is larger in the Keynesian IS-LM model, if

- (A) the more interest inelastic is the demand for money.
- (B) the more interest elastic is the demand for investment goods.
- (C) the less interest elastic is the demand for investment goods.
- (D) the demand for investment goods is perfectly inelastic.



38. If a card is chosen from a standard pack of cards, what is the probability of getting a three or a seven?

- (A) $\frac{4}{52}$
- (B) $\frac{1}{26}$
- (C) $\frac{8}{52}$
- (D) $\frac{1}{169}$

$$P(A \cup B) = P(A) + P(B) - P(A \cap B)$$

$$\frac{4}{52} + \frac{4}{52} - 0$$

$$\frac{8}{52}$$

39. By nature, Quota sampling, Judgement sampling

39. By nature, Quota sampling, Judgement sampling and Convenience sampling are classified as

- (A) random sampling.
- (B) non-random sampling.
- (C) direct sampling.
- (D) indirect sampling.

40. Regression slope coefficient of the equation $Y_i = \alpha + \beta X_i$ is independent of changes in

- (A) origin but not of scale.
- (B) both origin and scale.
- (C) scale but not of origin.
- (D) neither origin, nor scale.

50. If $TC = 5 + 3q$ then

- (i) AFC is rectangular hyperbola.
 - (ii) AC is decreasing function of output.
 - (iii) AVC is fixed.
 - (iv) $\frac{5}{q}$ is rectangular hyperbola.
- (A) only (i) is correct
 (B) only (i), (iii) and (iv) are correct.
 (C) only (i), (ii) and (iii) are correct.
 (D) All are correct

Handwritten notes for Q50:

$$TC = 5 + 3q$$

$$APC = \frac{5}{q}$$

$$APC \cdot q = 5$$

$$TVC = 3q$$

$$AVC = 3$$

A circle contains the numbers 5 and 3 with arrows pointing to them from the equations above.

51. Following information are given:

$$C = 20 + \frac{3}{4}Y \text{ and } Y = 80$$

What is the value of APC?

- (A) 0
- (B) 1
- (C) 0.5
- (D) 0.075

Handwritten calculations for Q51:

$$C = 20 + \frac{3}{4}Y$$

$$APC = \frac{C}{Y} = \frac{20}{Y} + \frac{3}{4}$$

$$= \frac{20}{80} + 0.75$$

$$= 0.25 + 0.75 = 1.0$$

52. In case of two variables X and Y, given that Covariance (X,Y)=0.40 and Var (X)=4.

Then for what value of variance of Y, correlation between X and Y will be 0.50 and $\beta_{yx} = 0.10$?

- (A) 4
- (B) 2
- (C) 16
- (D) 0.4

Handwritten calculations for Q52:

$$0.5 = \frac{0.4}{\sqrt{4 \times \sigma_y^2}}$$

$$0.5 = \frac{0.4}{2 \times \sigma_y}$$

$$\sigma_y = \frac{0.4}{2 \times 0.5} = 0.4$$

$$Y = 16$$

(D) 0.4

$$\delta y = \frac{2 \times 0.4}{0.5 \times 2} = \frac{y}{10} = \frac{2}{5} = 0.4$$
$$\delta y = 0.4$$
$$v(y) = 0.4$$
$$= 0.4$$

54. Choose the correct answer:

Heckscher-Ohlin model shows how differences in factor endowment determine comparative advantage: goods differ in factor intensity and

- (A) countries tend to export goods that are intensive in the factors they have in abundance.
- (B) countries tend to import goods that are intensive in the factors they have in abundance.
- (C) countries tend to consume goods that are intensive in the factors they have in abundance.
- (D) countries tend to produce goods that are intensive in the factors they have in abundance.

55. Stolper-Samuelson theorem establishes a relation between

- (A) prices of factors and relative factor awards.
- (B) relative prices of output and relative factor rewards.
- (C) relative prices of output and absolute factor rewards.
- (D) prices of factors and factor rewards.

56. When a country exports a product at a price below its cost of production, then it is said to be

- (A) Price skimming
- (B) Dumping
- (C) Discriminating
- (D) Excessive invoicing

57. Most favoured nation clause means

- (A) some nations should be given more favour.

57. Most favoured nation clause means

- (A) some nations should be given more favour. ~~X~~
- (B) advantage granted by one member country (of WTO) to another member country must be granted to all other member countries of WTO.
- (C) some countries are listed as most favoured members and they get some special treatment.
- (D) All the above.

58. Trade creation refers to a situation where

- (A) imposition of trade barriers between members of the trading bloc enables various products to be purchased at lower prices, thereby stimulating intra-regional trade.
- (B) removal of trade barriers between members of the trading bloc enables various products to be purchased at lower prices stimulating intra-regional trade.
- (C) removal of trade barriers between members of the trading bloc enables various products to be purchased at higher prices thereby stimulating intra-regional trade.
- (D) imposition of trade barriers between members of the trading bloc enables various products to be purchased at lower prices, thereby dampening intra-regional trade.

59. According to equal sacrifice principle, total sacrifice of people in payment of tax is minimised under

- (A) equal proportional sacrifice.
- (B) equal absolute sacrifice.
- (C) equal relative sacrifice.
- (D) equal marginal sacrifice.

60. Which of the following is not a test of heteroscedasticity?

- (A) Gleszer test
- (B) White's test
- (C) Breusch-Pagan test
- (D) Breusch-Godfrey test

61. Fiscal Deficit means—

- (A) Public expenditure debts from sources other than RBI.
- (B) Public capital expenditure surplus of revenue account.
- (C) Government expenditure revenue receipts.
- (D) Public expenditure tax and non-tax revenue receipts.

62. Lindahl tax is a form of taxation in which

- (A) individuals pay for public goods according to their marginal benefits.
- (B) individuals pay for private goods according to their marginal benefits.
- (C) individuals pay for public goods according to their willingness to pay.
- (D) individuals pay for public goods according to their average utility.

63. In which of the following tax, the burden cannot be shifted by the taxpayer to others?

- (A) Sales Tax
- (B) Excise duty
- (C) Customs duty
- (D) Inheritance tax

64. Which of the following is not a quasi-public good?

- (i) National defence
- (ii) An automobile
- (iii) Libraries
- (iv) Fire protection

Select the correct code:

- (A) only (ii)
- (B) (ii) and (iv) both
- (C) (ii), (iii) and (iv)
- (D) only (iii)

65. An external benefit is most likely to arise when

- (A) firms are able to reduce their costs of production by undertaking research and development.
- (B) a reduction in the tax on profits increases the amount of money firms have available for investment.
- (C) the government subsidizes commuter rail services in order to reduce road congestion
- (D) a firm is able to dispose off waste products into rivers free of charge.

66. In the presence of a stagnant economy a government should

- (A) spend more, tax less and/or pursue a contractionary monetary policy.
- (B) spend less, tax less and/or pursue an expansionary monetary policy.
- (C) spend more, tax less and/or pursue an expansionary monetary policy.
- (D) tax more, spend less and/or pursue an expansionary monetary policy.