

Seat No: _____

Supervisor Signature: _____

MUMBAI SCHOOL OF ECONOMICS & PUBLIC POLICY
(Autonomous)
UNIVERSITY OF MUMBAI
ENTRANCE EXAMINATION

JUNE 24, 2018

PAPER I: ANALYTICAL AND REASONING ABILITY

TIME: [1.5 Hours (10 a.m. to 11.30 a.m.)]

[Total Marks: 50]

- Instructions:
- (i) Use of scientific calculator permitted.
 - (ii) Please tick (✓) the appropriate answer and return the duly completed Question Paper.
 - (iii) In case of cancellation or over-writing in the appropriate answer, please specify the appropriate choice beside the question.

- Q1. There are thirteen two digit consecutive odd numbers. If 39 is the mean of first five numbers, then what is the mean of all the thirteen numbers?
 a) 47 b) 49 c) 51 d) 45
- Q2. If the second and the fourth Saturday and all Sundays are taken as the only holidays for an office, what will be the minimum number of possible working days of any month in a year?
 a) 23 b) 22 c) 21 d) 20
- Q3. The following series is incomplete. Insert the number that completes it:
 7 9 40 74 1526 ____
 a) 2318 b) 5436 c) 21 42 d) 5420
- Q4. How many numbers are there between 99 and 1000 such that the digit eight occupies units place?
 a) 64 b) 80 c) 90 d) 104
- Q5. A two digit number is reversed. The larger of the two numbers is divided by the smaller one. What is the largest possible remainder?
 a) 9 b) 27 c) 36 d) 45
- Q6. Two numbers X and Y are respectively 20% and 28% less than a third number Z. By what percent is Y less than X.
 a) 12% b) 10% c) 9% d) 8%
- Q7. In a class of 60 students the number of girls is twice that of boys. Kamal a boy ranked 17 from the top. If there are 9 girls above Kamal, the number of boys in rank after him is:
 a) 13 b) 12 c) 7 d) 3
- Q8. An agricultural field is in the form of a rectangle having length X_1 and breadth X_2 , if $X_1 + X_2 = 40$ meters, then the area of the rectangle will not exceed :
 a) 400 sq mt b) 300 sq mt c) 200 sq mt d) 80 sq mt
- Q9. A person allows a 10% discount for cash payment from the market price of a toy and still makes a gain of 10% again. What is the cost price of the toy marked as Rs 770?
 a) Rs. 610 b) Rs. 620 c) Rs. 630 d) Rs. 650

- Q10. In a military code SYSTEM is written as SYSMET and NEARER is written as AENRER. Using the same code FRACTION can be written as :
- a) CARFTION b) FRACNOIT c) NOITCARF
d) CARFNOIT
- Q11. In a box of marbles, there are three less white marbles than the red ones and five more white marbles than green ones. If there are a total of five white marbles, how many marbles are there in the box?
- a) 26 b) 28 c) 32 d) 36
- Q12. Two equal glasses of the same type are respectively $\frac{1}{3}$ and $\frac{1}{4}$ full of milk. They are then filled with water and the contents are mixed in a pot. What is the ratio of milk to water?
- a) 17:5 b) 7:17 c) 1:3 d) 9:21
- Q13. If $ABC \times DEED = ABCABC$, where ABCDE are different digits. What are the values of D and E?
- a) $D=2$ & $E=0$ b) $D=0$ & $E=1$ c) $D=1$ & $E=0$
d) $D=1$ & $E=2$
- Q14. Between 6 p.m. and 7 p.m. the minute hand of a clock will be ahead of the hour hand by three minutes at:
- a) 6.15 p.m. b) 6.18 p.m. c) 6.36 a.m. d) 6.36 p.m.
- Q15. Two cities A and B are 360 km apart. A car goes from A to B with a speed of 40 km/hour and returns to A with a speed of 60 km/hour. What is the average speed of the car?
- a) 45 km/hour b) 48 km/hour c) 50 km/hour d) 55 km/hour
- Q16. Consider the following figures:-

| | |
|----|----|
| 2 | 6 |
| 80 | 24 |

| | |
|-----|----|
| 3 | ? |
| 120 | 36 |

What is the missing number?

- a) 7 b) 8 c) 9 d) 10

- Q17. In a class of 45 students a boy is ranked 20th. When two boys joined, his rank was dropped by one. What is the new rank of the boy from the bottom?
 a) 25th b) 26th c) 27th d) 28th

- Q18. Examine the following figures which follow a specific pattern:

| | |
|----|----|
| 84 | |
| 14 | 12 |

| | |
|----|---|
| 81 | |
| 18 | 9 |

| | |
|----|----|
| 88 | |
| ? | 11 |

The missing number in the third figure above is?

- a) 7 b) 16 c) 21 d) 28
- Q19. Consider the following matrix. What is the number at X in the matrix below?

| | | |
|---|-----|---|
| 3 | 370 | 7 |
| 2 | 224 | 6 |
| 1 | 730 | X |

- a) 5 b) 8 c) 9 d) 11
- Q20. There are 7 persons up on a ladder A, B, C, D, E, F and G not in that order. A is further up than B, but lower than C. B is in the middle. G is in between A and B, E is between B and F. If F is between E and D the person in the bottom of the ladder will be?
 a) D b) B c) E d) F

- Q21. Sohan while selling two goats at the same price makes a profit of 10% on one goat and a loss of 10% on another:
 a) He makes no loss no profit
 b) He makes a profit of 1%
 c) He suffers a loss of 2%
 d) He makes a loss of 1%

Q22. Complete the following series:

1, 3, 7, 15, ____, ____

- a) 17, 19
- b) 31, 63
- c) 35, 61
- d) 19, 21

Q23. If the third day of a month is a Monday, which of the following will be fifth day from the twenty first of this month?

- a) Wednesday
- b) Monday
- c) Tuesday
- d) Friday

Q24. Complete the following series:-

2, 12, 36, 80, 150, ____, ____

- a) 252, 392
- b) 256, 400
- c) 312, 516
- d) 362, 524

Q25. Consider the following matrix:-

| | | | | | |
|---|----|----|---|----|---|
| 3 | 8 | 10 | 2 | X | 1 |
| 6 | 56 | 90 | 2 | 20 | 0 |

What is the missing number X, in the matrix?

- a) 5
- b) 4
- c) 2
- d) 1

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JUNE 24, 2018

PAPER II: MICROECONOMICS, MACROECONOMICS & INDIAN ECONOMY

TIME: [1.5 Hours (11.30 a.m. to 1p.m.)]

[Total Marks: 50]

- Instructions:
- (i) Use of scientific calculator permitted.
 - (ii) Please tick (✓) the appropriate answer and return the duly completed question paper.
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SECTION I: MICROECONOMICS

[Marks: 20]

- Q1. If you were measuring each of the following, indicate where you would be measuring a stock and where a flow. Tick the correct answer.
- (a) The number of houses in Mumbai - stock/flow
 - (b) The number of houses sold in Mumbai – stock/ flow
 - (c) The rent of a house in Mumbai – stock/flow
 - (d) The value of Mukesh Ambani's shares in companies – stock/flow.
- Q2. A shift to the right in the supply curve would indicate that
- (a) Less will be supplied at each possible market price
 - (b) The willingness of the producers to supply the commodity has diminished
 - (c) More will be supplied at any given market price
 - (d) None of the above.
- Q3. If a commodity is given away to consumers at no charge (zero price), consumer surplus is
- (a) Zero
 - (b) Infinity
 - (c) The whole area under the demand curve till the point where it intersects the quantity axis.
- Q4. Mr. Mehta spends 50% of his income on commodity X and Y respectively. His income increases by 10 % but at the same time the price of X increases by 15% and of Y by 5%. His purchasing decisions will, therefore, be unaltered
- (a) True
 - (b) False.
- Q5. Diminishing marginal utility means that total utility
- (a) Rises at a constant rate
 - (b) Rises at first, then falls
 - (c) Rises but at a decreasing rate
 - (d) (b) and (c).
- Q6. A businessman rents an ice-cream stall at a cricket ground for a day. There is a 0.5 probability that if it is a sunny day sales will be Rs. 800; a 0.4 probability that if it is a cloudy day sales will be Rs. 400 and a 0.1 probability that if it is a rainy day and the match is cancelled sales will be zero. What is the expected value of sales?
- (a) Rs. 560
 - (b) Rs. 400
 - (c) Rs. 360.

- Q7. A change in factor prices
- (a) Changes the long run cost
 - (b) Changes short run costs
 - (c) Alters optimal factor proportions
 - (d) All of the above.
- Q8. An individual goes to a travel agent and asks to buy the cheapest ticket to New York. Due to lack of information, he takes the ticket offered but it is not the cheapest one as the travel agent has sold him a more expensive ticket because his firm's commission is on a percentage basis. This would be an example of:
- (a) Principal-agent problem
 - (b) Moral hazard.
- Q9. Economic rent is the same as the concept of
- (a) Producer Surplus
 - (b) Consumer Surplus
 - (c) Economic profit
 - (d) Value of the marginal product.
- Q10. Non-existence of markets for some commodities is a source of:
- (a) Producer Choice
 - (b) Market forces
 - (c) Market failure
 - (d) Supply and demand
- Q11. Suppose the total endowments of two goods are 10 and 50. If one person is consuming 10 units of the first good, the second person must be consuming:
- (a) 10 units of the first good
 - (b) 50 units of the second good
 - (c) His initial endowment
 - (d) Zero units of the first good.
- Q12. The absolute value of the slope of the production possibilities frontier at any point
- (a) Is the marginal rate of substitution
 - (b) Is always less than zero
 - (c) Measures the benefit foregone from producing both goods at the same time
 - (d) Is the marginal rate of transformation.
- Q13. A competitive equilibrium is Pareto efficient if:
- (a) Lumpsum taxes are imposed
 - (b) Per unit taxes are imposed
 - (c) One firm is a monopolist
 - (d) There are externalities.

- Q14. Suppose Ram and Ravi are at an allocation bundle where their MRS are not equal. Then,
- They are at an equilibrium
 - They are trading
 - They are outside the Edgeworth Box
 - There are gains from trade.
- Q15. Which of the following perspectives sees the 'invisible hand' of the market system guiding participants and resulting in 'unintended outcomes'?
- Institutional
 - Classical
 - Neoclassical
 - Austrian.
- Q16. The National Health Scheme has a commitment to provide free treatment. This may therefore result in:
- Oversupply of resources
 - A fixed demand for health care
 - Prices allocating scarce resources
 - Excess demand for resources
- Q17. When calculating the economic profit of a firm, which of the following should be deducted from its revenue?
- Its explicit costs only
 - Its explicit costs plus depreciation
 - Its implicit costs only
 - Its explicit and implicit costs.
- Q18. For a monopolist or monopolistic competitor, which of the following curves coincide?
- The demand and average revenue curves
 - The average revenue and marginal revenue curve
 - The demand and marginal revenue curve
 - The demand, average revenue and marginal revenue curves.
- Q19. Suppose the price of a product increases from £12 to £20 and the quantity demanded falls from 55 a week to 45. What is the *PED*?
- 0.4
 - 0.4
 - 2.5
 - 2.5
- Q20. Which of the following statements is **false**?
- Price elasticity of demand is negative for most products
 - Price elasticity of supply is positive for most products
 - Income elasticity of demand is positive for normal goods
 - Cross elasticity of demand is positive between complements.

SECTION II: MACROECONOMICS

[Marks:20]

- Q1. Which of the following statements is correct?
- (a) A variable is endogenous when its value is determined by forces outside the model
 - (b) A change in an exogenous variable is classified as an autonomous change
 - (c) A variable is exogenous when its value is determined by forces within the model
 - (d) A variable is autonomous when its value is determined by forces within the model.
- Q2. In stating that $C=f(Y_d, W)$:
- (a) It is hypothesized Y_c is a more important determinant of C than W
 - (b) It is hypothesized W is a more important determinant of C than Y_d
 - (c) W and Y_d are dependent variables explaining C
 - (d) W and Y_d are independent variables explaining C .
- Q3. Frictional unemployment exists :
- (a) When there is a decrease in real GDP
 - (b) Because it takes time to find a job when one is first entering the labour force
 - (c) As a result of technological change
 - (d) When an individual retires.
- Q4. Natural rate of unemployment equals the sum of those who are:
- (a) Frictionally and structurally unemployed
 - (b) Frictionally and cyclically unemployed
 - (c) Cyclically and structurally unemployed
 - (d) Frictionally, cyclically and structurally unemployed.
- Q5. Marginal revenue Product of labour:
- (a) Increases when there is an adverse supply shock, ceteris paribus
 - (b) Increases when there an increase in output and prices, ceteris paribus
 - (c) Increases when more workers are hired, ceteris paribus
 - (d) Increases when fewer capital units are used with fixed quantity of labour.
- Q6. Which of the following statements is incorrect?
- (a) Potential output increases in the short run when there is an increase in the marginal productivity of labour, ceteris paribus
 - (b) Potential output increases in the short run when there is an increase in the supply of labour, ceteris paribus
 - (c) Potential output increases when there is a favourable supply shock, ceteris paribus
 - (d) Potential output increases in the short run when government passes a law that mandates retirement age to be 65, ceteris paribus.

- Q7. People are said to have rational expectations if they:
- Assume that this year's inflation rate will be the same as last year's inflation rate
 - Assume that this year's inflation rate will be equal to the average inflation rate over the past 10 years
 - Merely guess at the inflation rate
 - Use all available information in forming their expectations about inflation.
- Q8. The demand for money is:
- Positively related to output and the rate of interest
 - Negatively related to output and the rate of interest
 - Negatively related to output and positively related to the rate of interest
 - Positively related to output and negatively related to the rate of interest.
- Q9. When there is an increase in the autonomous money supply, ceteris paribus, LM curve shifts:
- Rightwards by $\Delta \bar{M}$
 - Rightwards by $k(\Delta \bar{i})$
 - Rightwards by $(\Delta \bar{M})/k$
 - Rightwards by $k/(\Delta \bar{M})$.
- Q10. The slope of IS curve increases when investment spending becomes less interest sensitive.
- True
 - False.
- Q11. A liquidity effect occurs when:
- A reduction in government spending lowers the rate of interest
 - A money supply increase lowers the rate of interest
 - An increase in government spending increases the rate of interest
 - A money supply increase raises the rate of interest.
- Q12. In which of the following situations will an increase in the money supply have no effect upon output?
- LM curve is steeply sloped and IS curve is relatively flat
 - LM curve is vertical and IS curve is steeply sloped
 - LM curve is steeply sloped and IS curve is vertical
 - LM curve is relatively flat as is IS curve.
- Q13. When investment is interest sensitive, an increase in government spending has a weak crowding out effect.
- True
 - False.

- Q14. Which of the following increases output when exchange rates are flexible?
- (a) There is an increase in the money supply
 - (b) There is an increase in government spending
 - (c) There is a decrease in tax.
- Q15. Monetary policy is ineffective in both a fixed and a flexible exchange rate regime.
- (a) True
 - (b) False.
- Q16. The demand for labour schedule:
- (a) Shifts leftwards when the price level rises
 - (b) Shifts rightwards when the price level rises
 - (c) Shifts rightwards when there is a proportionate increase in the price level and the nominal wage
 - (d) Shifts leftwards when there is a proportionate increase in the price level and the nominal wage.
- Q17. If inflationary expectations increase, the Phillips curve will:
- (a) shift to the right
 - (b) shift to the left
 - (c) become vertical
 - (d) become upward sloping.
- Q18. For a given closed economy consumption is given as $C = 40 + 0.75Y_d$. The Keynesian investment multipliers will be:
- (a) 6
 - (b) 4
 - (c) 5
 - (d) 2
- Q19. Suppose consumption is $C = 40 + 0.75Y$, and investment is 60. The equilibrium output will be:
- (a) 600
 - (b) 400
 - (c) 450
 - (d) 200
- Q20. Shoe leather costs are:
- (a) The costs to individuals as they hold less cash and have to visit banks more frequently to get cash out
 - (b) The cost of changing price list
 - (c) The less well-off will lose a part of their purchasing power
 - (d) The rate at which prices are rising.

SECTION III: INDIAN ECONOMY [Marks: 10]

Qs. Discuss any one major problem facing the Indian economy in about 200 - 250 words.

(Answer to be written in the space provided below)

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[Total Marks: 50]

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Q1. A picture is copied into a sheet of paper with dimensions 8.5 cm by 10cm. A margin of 1.5 cm is left all around. What is the area in square cm that the picture covers?

- (a) 76 (b) 35 (c) 49 (d) 38.5

Q2. How many diagonals can be formed by joining the vertices of an octagon?

- (a) 20 (b) 24 (c) 28 (d) 64

If LSJXVC is the code for MUMBAI, the code for DELHI is

Q3.

- (a) CCIDD (b) CDKGGH (c) CCJFG (d) CCIFE

If RAMON is written as 12345 and DINESH as 675849 then HAMAM will be written as

Q4. (a) 92233 (b) 92323 (c) 91122 (d) 93131

Q5. How many numbers are there between 199 and 1000 such that the digit 7 occupies the units place.

- (a) 64 (b) 80 (c) 90 (d) 104

Q6. While writing all the numbers from 700 to 1000, how many numbers occur in which the digit at hundred's place is greater than the digit at the ten's place and the digit at the ten's place is greater than the digit at the unit's place?

- (a) 61 (b) 64 (c) 85 (d) 46

Directions for question number (7 to 10): Complete the following series:-

Q7. 6, 4, 5, 8.5, 18, __, __

- (a) 46, 139 (b) 24, 139 (c) 24, 136 (d) 64, 140

Q8. 10080, 1440, 240, 48, __, __

- (a) 3, 2 (b) 4, 2 (c) 1, 2 (d) 2, 0

Q9. 1, 2, 6, 21, 88, __, __

- (a) 445, 2576 (b) 505, 2679 (c) 505, 2676 (d) 445, 2676

Q10. 120, 137, 171, 222, 290, __, __

- (a) 375, 477 (b) 390, 500 (c) 345, 460 (d) 378, 412

Directions for question number (11 to 15) : Find the wrong term in the following series:

Q11. 27, 34, 51, 75, 107, 147, 195

- (a) 34 (b) 51 (c) 27 (d) 195

Q12. 10, 4.5, 3.5, 5, 16, 122, 1904

- (a) 3.5 (b) 5 (c) 10 (d) 122

Q13. 1, 12, 120, 960, 5780, 23040, 46080

- (a) 12 (b) 960 (c) 23040 (d) 5780

- Q14. 7, 11, 19, 35, 68, 131
 (a) 19 (b) 11 (c) 68 (d) 7
- Q15. 800, 678, 577, 495, 430, 385, 344
 (a) 495 (b) 385 (c) 800 (d) 577
- Q16. If P, Q, R are three consecutive odd numbers in ascending order. If the value of three times P is three less than two times R, find the value of R.
 (a) 5 (b) 7 (c) 9 (d) 11
- Q17. What is the sum of all the two digit numbers which leaves a remainder of 6 when divided by 8?
 (a) 594 (b) 612 (c) 872 (d) 640
- Q18. 10% of the voters did not cast their vote in an election between two candidates. 10% of the votes polled were found invalid. The successful candidate got 54% of the valid votes and won by a majority of 1620 votes. The number of voters enrolled on the voters list was:
 (a) 25000 (b) 22500 (c) 27500 (d) 30000
- Q19. A person has a certain amount with him and goes to the market. He can buy 50 oranges or 40 mangoes out of it. He retains 10% of the amount for taxi fares and buys 20 mangoes and the balance he purchases oranges. What is the number of oranges that he purchases?
 (a) 36 (b) 40 (c) 15 (d) 20
- Q20. Fresh grapes contain 90% water by weight while dried grapes contain 20% water by weight. What is the weight of dry grapes available from 20 kg of fresh grapes?
 (a) 2 kg (b) 2.4 kg (c) 2.5 kg (d) 10 kg
- Q21. E is the sister of B, A is the father of C. B is the son of C. How is A related to E?
 (a) Grandfather (b) Granddaughter (c) Father (d) Great-grandfather
- Q22. If X is the brother of the son of Y's son, then how is X related to Y?
 (a) Son (b) Brother (c) Nephew (d) Grandson
- Q23. If A is the father of B and B is the mother of C and C is the daughter of D, then what is the relation between A and D?
 (a) Son-in-Law (b) Father-in-Law (c) Sister-in-Law (d) Brother-in-Law
- Q24. Rahul travelled from a point X straight to Y at a distance of 90 m. He turned right and walked 40 m and reached the point Z, then again turned right and walked 60 m to reach the point Q. How far is he from the starting point X?
 (a) 70m (b) 50m (c) 50m (d) 30m
- Q25. Rama travels 10 km towards the north, turns left and travels 4 km and then again turns right and covers another 5 km and then turns right and travels another 4 km. How far is he from the starting point?
 (a) 5 km (b) 10 km (c) 15 km (d) 19 km

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SECTION I: MICROECONOMICS

[Marks: 20]

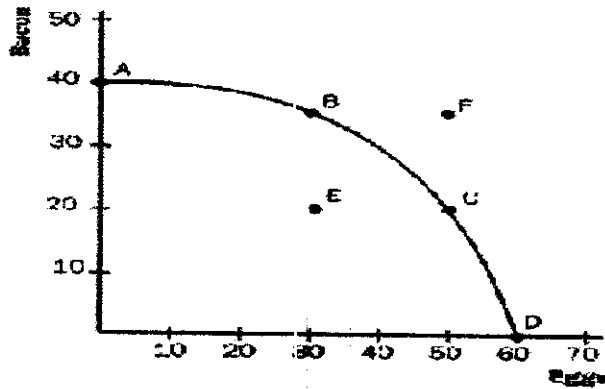
- Q1. An indifference curve between two commodities where one is a 'bad' and the other a 'good' would be
- (a) vertical to the axis measuring units consumed of the 'bad'.
 - (b) vertical to the axis measuring units consumed of the 'good'.
 - (c) upward sloping.
 - (d) downward sloping.
- Q2. Economic growth is depicted by a
- (a) shift in the production possibilities frontier outward.
 - (b) movement from inside the curve toward the curve.
 - (c) shift in the production possibilities frontier inward.
 - (d) movement along a production possibilities frontier toward capital goods.
- Q3. The fact that people buy insurance suggests
- (a) increasing marginal utility of income
 - (b) constant marginal utility of income
 - (c) diminishing marginal utility of income
- Q4. An individual on a trip to Singapore feels unwell and visits a doctor in Singapore. The doctor recommends a surgery and charges a high fee. On his return home, the family doctor tells him that a treatment with medicines would have been as effective, less risky and cheaper. In both alternatives, the doctor who acts on the individual's instructions follows his own interests rather than yours. Both alternatives would be an illustration of:
- (a) principal – agent problem.
 - (b) moral hazard.
 - (c) none of the above.
- Q5. The Bertrand model of oligopoly assumes that each firm would choose its best _____ on the assumption that the other firm's _____ would be held constant.
- (a) price.
 - (b) quantity.
- Q6. The interests of shareholders are more likely to be different from the interest of managers when
- (a) managers' salaries are linked to profits
 - (b) managers' salaries are linked to the firm's sales.
- Q7. How will the market demand curve of a normal good shift if the prices of complements fall
- (a) right.
 - (b) left.
 - (c) no change.
 - (d) indeterminate.

- Q8. The first theorem of welfare economics states that
- a competitive equilibrium may be Pareto inefficient.
 - all prices are equal in a competitive equilibrium.
 - a competitive equilibrium maximizes profits.
 - a competitive equilibrium is Pareto efficient.
- Q9. In game theory, a situation in which one firm can gain only what another firm loses is called a
- non zero sum game.
 - prisoners' dilemma.
 - zero-sum game.
 - cartel temptation.
- Q10. Stage II of production begins at the point
- of inflection of the total product curve.
 - where average and marginal product are equal.
 - where total product is at a maximum.
 - where marginal product is at a maximum.
- Q11. An allocation of goods is Pareto-optimal in a many-person exchange economy if MRS is:
- decreasing for all individuals.
 - increasing for all individuals.
 - Greater for atleast one individual.
 - Identical for all individuals.
- Q12. Suppose that three isoquants that represent 10, 20, and 30 units of output are plotted on a graph and a straight line is drawn from the origin through the isoquants. If the portion of the line between the isoquants that represent 10 and 20 units of output is longer than the portion of the line between the isoquants that represent 20 and 30 units of output, then the firm represented by these isoquants
- has engaged in product innovation.
 - is experiencing increasing returns to scale.
 - is experiencing decreasing returns to scale.
 - will maximize profits by producing 10 units of output.
- Q13. When indifference curves intersect in an Edgeworth box, it indicates that:
- the equilibrium is Pareto inefficient.
 - there are externalities in production.
 - the equilibrium is unstable.
- Q14. An isoquant that is
- further from the origin represents greater output
 - flatter represents the trade-offs between inputs that are poor substitutes.
 - Negatively sloped represents input combinations associated with Stage I of production.
 - All of the above.
- Q15. If a demand function represented by a regression line that was calculated by ordinary least squares is plotted on a scatter diagram, all of the points in the data set will be on the line.
- True.
 - False.

- Q16. A Nash equilibrium can be described as
- a firm chooses its dominant strategy, if one exists
 - every competing firm in an industry chooses a strategy that is optimal given the choices of every other firm.
 - Market price results in neither a surplus nor a shortage
 - All firms in an industry are earning zero economic profits.

- Q17. A movement from point A to point D in the figure would imply

Exhib : G



- the opportunity cost of 20 additional units of eggs is 10 units of bacon.
 - the opportunity cost of 20 additional units of eggs is 20 units of bacon.
 - the opportunity cost of 20 additional units of eggs is 30 units of bacon.
 - 20 additional units of eggs can be produced with no impact on bacon production.
- Q18. In Walras's model the main function of the "Walrasian auctioneer" is to
- call out proposed schedules of production
 - call out proposed prices
 - purchase excess supplies of commodities
 - d. place tentative values and reservation prices on all commodities
- Q19. The scarcity definition of Economics was given by:
- Adam Smith
 - Alfred Marshall
 - Lionel Robbins
 - Joseph Schumpeter
- Q20. Consider the following demand schedule. If the price is Rs. 79, calculate the number of books that would be sold and the consumer surplus.

| Price (Rs.) | Number of books sold | Price (Rs.) | Number of books sold |
|-------------|----------------------|-------------|----------------------|
| 100 | 1 | 50 | 6 |
| 90 | 2 | 40 | 7 |
| 80 | 3 | 30 | 8 |
| 70 | 4 | 20 | 9 |
| 60 | 5 | 10 | 10 |

- 3 and 33
- 3 and 40
- 4 and 40
- 4 and 33.

SECTION II: MACROECONOMICS

[Marks:20]

- Q1. In the equation $C = \hat{C} + cY_d$, the behavioural coefficient is:
(a) \hat{C}
(b) Y_d
(c) c
(d) All of the above
- Q2. The natural rate of unemployment equals the sum of those who are:
(a) Frictionally and structurally unemployed
(b) Frictionally and cyclically unemployed
(c) Structurally and cyclically unemployed
(d) Frictionally, Structurally and cyclically unemployed
- Q3. Marginal productivity of labour
(a) Increases when the price of goods sold increases, ceteris paribus
(b) Decreases when there is an adverse supply shock, ceteris paribus
(c) Increases when more workers are hired
(d) Decreases when there is increase in the quantity of capital, ceteris paribus
- Q4. Suppose for an economy the production function is given by $Y = A\sqrt{K}\sqrt{L}$. Find the potential output if $A= 10$, $K = 25$ and $L = 9$.
(a) 225
(b) 625
(c) 81
(d) 150
- Q5. The slope of IS curve increases when investment spending becomes less interest sensitive
(a) True
(b) False

Directions for question number 6 to 10. Answer the following questions based on the information given below:

- Q6. Suppose the demand for money is $L = 0.20Y$, money supply is Rs. 200 and for a two sector model, $C = 100 + 0.8 Y$ and $I = 140 - 5i$.

The LM equation for the data given above will be:

- (a) $Y = 200$
(b) $Y = 1000$
(c) $Y = 800$
(d) None of the above

- Q7. The IS equation for the data given above will be:
- (a) $Y = 1200 - 25i$
 - (b) $Y = 200 - 5i$
 - (c) $Y = 800 - 10i$
 - (d) None of the above
- Q8. The equilibrium rate of interest will be:
- (a) 5%
 - (b) 8%
 - (c) 4%
 - (d) None of the above
- Q9. The equilibrium level of Consumption will be:
- (a) 900
 - (b) 800
 - (c) 1200
 - (d) None of the above
- Q10. The total output will be:
- (a) 1200
 - (b) 800
 - (c) 1000
 - (d) None of the above
- Q11. For an open economy an increase in the exports shifts the IS curve rightwards.
- (a) True
 - (b) False
- Q12. An increase in the nominal money supply, ceteris paribus, results in an increase in the real money supply.
- (a) True
 - (b) False
- Q13. The real money supply increases when there is an increase in the price level.
- (a) True
 - (b) False
- Q14. When there is full employment and the aggregate supply is vertical, a 10% increase in nominal money supply
- (a) Has no effect on the price level
 - (b) Increases the rate of interest
 - (c) Increases the wage by 10%
 - (d) Increases the real money supply by 10%

- Q15. Disinflationary demand management policies result in
- (a) Lower inflation without decreasing output
 - (b) Reducing output but not inflation
 - (c) Require an increase in government spending
 - (d) Lower inflation by reducing the growth rate of nominal money supply
- Q16. The functions of money are
- (a) A medium of exchange
 - (b) A store of value
 - (c) Standard of deferred payments
 - (d) All of the above
- Q17. Near monies are those financial assets which cannot be used as a medium of exchange but are close substitutes for transactions balance.
- (a) True
 - (b) False
- Q18. The Cambridge equation of money is
- (a) $M = kpy$
 - (b) $MV = py$
 - (c) $M = py$
 - (d) None of the above
- Q19. The Reserve Bank of India follows which of the following monetary policy framework:
- (a) Money supply targeting
 - (b) Interest rate targeting
 - (c) Flexible inflation targeting
 - (d) Exchange rate targeting
- Q20. According to which school of macroeconomic thought, 'Supply creates its own demand'?
- (a) Keynesian School
 - (b) Monetarist School
 - (c) New Keynesian School
 - (d) Classical School

SECTION III: INDIAN ECONOMY [Marks: 10]

Qs. Discuss any one major problem facing the Indian economy in about 200 - 250 words.

(Answer to be written in the space provided below)