RAMAKRISHNA MISSION VIDYAMANDIRA
(Residential Autonomous College under University of Calcutta)

B.A./B.SC. SIXTH SEMESTER CLASS TEST
THIRD YEAR

Date : 05/05/2015

Time : 11 am – 1 pm

ECONOMICS (Honours)
Paper : X [Grand Viva]

Full Marks : 50

1. The loss of efficiency that occurs in monopolistic competition has to be weighed against the gain of
   a) higher wages for employees
   b) an increase in employment
   c) greater product variety
   d) reduced environmental damage

2. The kinked demand curve model of oligopoly is based on the assumption that each
   a) if it raises or lowers its price other firms will follow
   b) if it raises its price other firms will not follow, if it lowers its price other firms will follow
   c) if it raises or lowers its price other firms will not follow
   d) if it raises its price other firms will follow, and if it lowers its price other firms will not follow

3. Suppose that a profit maximising perfectly competitive firm is able to sell all of its output for \$10 per unit. If the firm total cost equation is $TC = 100+5Q+0{\cdot}5Q^2$ then this firm
   a) is earning positive economic profit
   b) it earning negative economic profit
   c) should increase the selling price of its product
   d) should shut down

4. In the dominant firm model of oligopoly, the smaller firms act as if they were
   a) Oligopolists
   b) monopolistic competitors
   c) perfect competitors
   d) monopolists

5. The prisoner's dilemma describes a single-play game that features
   a) a large number of rivals cooperating with each other
   b) an outcome is which to participants collude
   c) two players who are unable to communicate with each other
   d) a situation in which one player has better odds than the other

6. Assume GDP = ₹6000, Personal Disposable Income = ₹5100, Government Budget Deficit = ₹200, Consumption = ₹3800 and trade deficit = ₹100. The amount of savings and investment are
   a) G = ₹1100, I = ₹1200
   b) G = ₹1100, I = ₹1100
   c) G = ₹1000, I = ₹1200
   d) G = ₹1000, I = ₹1100

7. Consider a closed economy with the IS curve represented by the equation $Y = eY - er + G$ and the LM curve by $\dfrac{M}{P} = kY - \ell r$. Under which of the following situations will the expansionary monetary policy be completely ineffective
   a) $\ell \to 0; e \to 0$
   b) $\ell \to 0; e \to \infty$
   c) $\ell \to \infty; e \to 0$
   d) $\ell \to \infty; e \to \infty$

8. Consider an economy following the characteristics stated in the solow growth model. Suppose initially the population was growing at rate n_1. After some time the population growth increased to n_2. If the growth rate of technology is g then at equilibrium the economy with experience an
   a) increase in growth of per capita income by $g+(n_2-n_1)$
   b) decrease in growth of per capita income by $g+(n_2-n_1)$
   c) increase in growth of per capita income by (n_2-n_1)
   d) decrease in growth of per capita income by (n_2-n_1)

9. The principal source of a central Bank's control over money supply is
   a) the linkage between reserves held by banks and deposits held at commercial banks
   b) the opportunity cost of holding money, i.e, the interest rate
   c) the power to issue bank notes that circulate
   d) the monopoly of legal gold and silver reserves.

10. Unemployment benefits and income taxation are examples of
    a) uses and sources of seigniorage
    b) automatic stabilizers
    c) pro-cyclical fiscal policy instruments
    d) debt stabilization

11. Suppose a small country imposes a tariff on a good. Which of the following statement is false
    a) consumer surplus of the good will decrease
    b) producer surplus of the good will decrease
    c) the quantity imported will fall
    d) the deadweight loss will be less than total full in surplus

12. In an economy with immobile capital and fixed exchange rate
    a) only fiscal policy will be effective
    b) only monetary policy will be effective
    c) Both fiscal and monetary policy will be effective
    d) Neither fiscal nor monetary policy will be effective

13. In the solow growth mode, the assumption of constant returns to scale means that
    a) all the economies have the same amount of capital per worker
    b) the steady-state level of output is constant regardless of the number of workers
    c) the savings rate equals the constant rate of depreciation
    d) the number of workers in an economy does not affect the relationship between output per worker and capital per worker

14. In a labour abundant economy opening up of trade will reduce the welfare of labours if the country
    a) exports capital intensive commodity and imputs labour intensive commodity
    b) exports labour intensive commodity and imports capital intensive commodity
    c) imposes a quota on the import of labour intensive commodity
    d) Subsidize the production of labour intensive commodities

15. A coal mine's workers can dig two tons of coal per hour and coal sells for $10 per ton. The marginal revenue product of a coal minor is therefore $20 per hour. If the coal mine is the only hirer of miners in a local area and faces a labour supply curve of the form $\ell = 50W$, then the firm must recognize that its hiring decisions affect wages. Find out at equilibrium how many workers will be hired by the firm?
    a) 502   b) 402   c) 500   d) 600

16. Suppose a porson's ranking of Lamburgers (y) and soft drinks (x) could be represented by the utility function $U(x,y) = x^{0.5}y^{0.5}$ calculate the indirect utility function when p_x, p_y are prices for x & y respectively, I refers to income
    a) $\dfrac{I}{p_x^{0.5}p_y^{0.5}}$
    b) $\dfrac{I}{0.5p_x^{0.5}p_y^{0.5}}$
    c) $\dfrac{0.5I}{p_x\,p_y}$
    d) $\dfrac{I}{2p_x^{0.5}p_y^{0.5}}$

17. Suppose that a monopoly producer of widgets has a constant marginal cost of c = 6 and sells its products in two separated markets whose inverse demand function are $P_1 = 24 - Q_1$ and $P_2 = 12 - 0.5Q_2$ Find out the total deadweight losses in this problem
    a) 99   b) 50   c) 99·5   d) 49·5

18. Match these two column

Column – I	Column – II
A. Mahalanobis Planning	i) 1991
B. Plan Holiday	ii) Second Five Year Plan
C. Structural Adjustment Program in India	iii) 1970s
D. Poverty Alleviation Program	iv) Mid 1960s

    a) A – i, B – ii, C – iii, D – iv
    b) A – ii, B – iv, C – i, D – iii
    c) A – iii, B – ii, C – i, D – iv
    d) A – ii, B – iii, C – i, D – iv

19. Match the following two column

Column – I	Column – II
A. Raja Chelliah Tax Reform Committee	i) 1969
B. 14th Finance Commission	ii) 1991
C. Bank Nationalisation	iii) 1935
D. RBI established	iv) 2015 – 2020

a) a – i, B – ii, C – iii, D – iv   b) A – iv, B – iii, C – ii, D – i

c) A – ii, B – iv, C – i, D – iii   d) A – i, B – iii, C – ii, D – i

20. The overall significance of an estimated multiple regression model is tested using

a) t – test   b) chi-square test   c) wald test   d) F – test

21. For $R^2 = 0.60$, k (no. of regressors) = 2 and n (sample size) = 10, R^2_{adj} is

a) 0·56   b) 0·55   c) 0·54   d) 0·53

22. In the regression of Y_i on X_{1i} & X_{2i}, if all values of X_{2i} are identical, then the variance of the estimated coefficient of X_{2i} will be

a) zero   b) Infinite   c) Unity   d) None of these

23. Heteroskedasticity turns OLS estimators

a) Biased   b) Inefficient   c) Inconsistent   d) All of these

24. If $\sigma_{\bar{x}} = 3$ for the sampling distribution of random samples of size 81 from a large population, what sample size (drawn from the same population) would have $\sigma_{\bar{x}} = 2.7$?

a) 27   b) 100   c) 108   d) 73

25. For two events A & B, let $P(A) = 0.4, P(A \cup B) = 0.7$ & $P(B) = p$. Choose the value of p for which A & B are independent

a) 0·2   b) 0·7   c) 0·5   d) 0·4

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