RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

B.A./B.SC. SIXTH SEMESTER EXAMINATION, MAY 2016
THIRD YEAR [BATCH 2013-16]
Date : 27/04/2016   **ECONOMICS (Honours)**
Time : 11 am – 1 pm   **Paper : IX**   Full Marks : 100

Group - B

1. Addition of explanatory variables in a regression model increases the value of
   a) TSS (Total Sum of squares)   b) ESS (Explained SS)
   c) RSS (Residual SS)   d) Both TSS and ESS

2. The overall significance of an estimated multiple regression is tested using :
   a) t-test   b) chi-square test   c) Wald test   d) F-test

3. Heteroskedasticity turns OLS estimators
   a) Biased   b) Inefficient   c) Inconsistent   d) All of these

4. If the value of DW test statistic (d) for the classical linear regression model is close to 2, then
   a) The model does not suffer from heteroskedasticity problem
   b) The model does not suffer from autocorrelation problem
   c) The error turn does not follow first order auto regressive process
   d) The error term is non-stationary

5. A linear regression model $Y = \alpha + \beta x + \in$ is estimated using OLS. It turns out that the estimated R^2 equals zero. This implies that :
   a) All x's are necessarily zero   b) $\hat{\beta} = 1$ & $y = \hat{\alpha} + x$
   c) $\hat{\beta} = 0$ or all x's are constant   d) There are no implications for $\hat{\beta}$

6. In a Cournot duopoly find out the optimum output levels, when market demand is $P = 30 - Q$ and $MC_1 = MC_2 = 0$.
   a) $Q_1^* = 20, Q_2^* = 20$ b) $Q_1^* = Q_2^* = 10$ c) $Q_1^* = 0, Q_2^* = 20$ d) $Q_1^* = Q_2^* = 15$

7. A monopolist's demand curve is $p = 200 - 5q$. At what price is MR zero?
   a) p = 10   b) p = 50   c) p = 100   d) p = 0

8. A monopsonist's production function is $q = 15x^2 - 0\cdot2x^3$, where q is the level of output and x is the quantity of labour. The labour supply function is given by $r = 144 + 23\cdot4x$ where r represents the supply price of labour. If the monopsonist sells his product in a perfectly competitive market at a price of 3 rupees, determine the equlibrium quantity of labour employed and the corresponding quantity of output.
   a) q* = 4400 and x* = 20   b) q* = 5500 and x* = 35
   c) q* = 2400 and x* = 25   d) q* = 2000 and x* = 10

9. Match the following—
   I.   Kinked demand curve   i.   Chamberlin
   II.   Theory of Monopolistic Competition   ii.   Paul Sweezy
   III.   Revealed Preference Theory   iii.   Karl Marx
   IV.   Theory of exploitation   iv.   Paul Samuelson
   Options—
   a) I-i, II-ii, III-iii, IV-iv   b) I-ii, II-i, III-iv, IV-iii
   c) I-iv, II-ii, III-i, IV-iii   d) I-iii, II-i, III-ii, IV-iv

10. In a monopoly when MR = 0 then elasticity is equal to—
    a) 0   b) 1   c) ½   d) ∞

11. A company of the US has excess products that it does not want to sell into the US market because it will bring down the domestic price and instead sells it at another country at below the cost of production. What is this called?

a) Countervailing   b) International trade   c) Dumping   d) None of these

12. Which of the following countries is not a member of OPEC?

a) Afghanistan   b) Venezuela   c) Iran   d) Iraq

13. Which of the following is not a reason to erect trade barriers?

a) Reduce reliance on foreign suppliers   b) Protect local jobs

c) Promote import activity   d) Encourage local production

14. Which of the following factors influence trade?

a) The relative price of factors of productions   b) Government

c) The stage of development of a product   d) All of these

15. Which of the following theories holds that countries will produce and export products that use large amounts of production factors that they have in abundance?

a) The theory of absolute advantage   b) Mercantilism

c) The factor endowment theory   d) None of these

16. In country X, it takes 50 labour hours to produce cloth and 100 hours to produce grain. In country Y, it takes 200 labour hours to produce cloth and 200 hours to produce grain. At what price would X start to be willing to trade with Y?

a) More than half a unit of cloth per unit of grain

b) More than half a unit of grain per unit of cloth

c) More than a quarter unit of grain per unit of cloth

d) More than a quarter unit of cloth per unit of grain

17. In North, it takes 50 labour hours to produce cloth and 100 hours to produce grain. In South, it takes 200 labour hours to produce cloth and 200 hours to produce grain. Which of the following statements is true?

a) North should produce grain

b) South has an absolute advantage in the production of grain

c) South has an absolute advantage in the production of both cloth and grain

d) North has a comparative advantage in the production of cloth

18. Which of the following holds that a government can improve the economic well-being of a country by encouraging exports and discouraging imports without a reliance on previous bullions?

a) Mercantilism   b) The Leontief paradox   c) Neo-mercantilism   d) Quotas

19. Which theory holds that nations should produce those goods for which it has the greatest relative advantage?

a) The theory of relative advantage   b) The theory of absolute advantage

c) The factor endowment theory   d) None of these

20. Which trade theory holds that nations can increase their economic well-being by specializing in the production of goods they produce more efficiently than anyone else?

a) The factor endowment theory   b) The theory of absolute advantage

c) The theory of comparative advantage   d) The international product life cycle theory

21. The nationally optimal tariff hopes to take advantage of the idea that

a) You can increase domestic producers' well-being by keeping foreign competition minimal

b) You can limit imports and extract low import prices from foreign suppliers if you are a major world buyer

c) You can gain optimal tariff revenues for public purposes by taxing foreign imports

d) You can charge optimal (minimal) tariffs and encourage goodwill from trade partners, leading to tariff-free exports for domestic producers and workers

e) All of these

22. In using the expenditure approach to GDP, consumption

   a) includes consumer durables, semidurables, nondurable goods, but excludes services.

   b) includes consumers spending on durable goods, and nondurable goods, and services.

   c) includes houses and services

   d) includes houses and all purchases by business firms

23. In an economy with no population growth and no technological change, steady-state consumption is at its greatest possible level when the marginal product of :

   a) labour equals the marginal product of capital   b) labours equals the depreciation rate

   c) capital equals the depreciation rate   d) capital equals zero

24. Assuming the net income tax rate is 25% (and there is no foreign sector), if the MPC is 0·8, the multiplier is

   a) 2·5   b) 8   c) 5   d) 2

25. Consider a Solow model with production function $Y = K^{\frac{1}{2}}L^{\frac{1}{2}}$, where Y, K and L are the levels of output, capital and labour respectively. Suppose 20% of the income is saved and invested. Assume that the level of growth of labour force is 0·05 and the equilibrium capital labour ratio is 16. The rate of depreciation is :

   a) 0   b) 0·025   c) 0·25   d) 1·25

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