RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

B.A./B.Sc. SIXTH SEMESTER EXAMINATION, APRIL 2017
THIRD YEAR [BATCH 2014-17]
ECONOMICS (Honours)
Paper : X

Date : 28/04/2017
Time : 1 pm – 3 pm
Full Marks : 50

1. The locus of the conditional means of Y for the fixed values of X is the
   a) Intercept line.
   b) Population regression line.
   c) Linear regression line.
   d) Sample regression line.

2. The slope coefficient from a regression on Y_i on X_i is the same as the slope coefficient from a regression of y_i on x_i where y_i & x_i are deviations from their mean values. This statement is
   a) Always true.
   b) Always false.
   c) Sometimes true, sometimes false.
   d) Nonsense statement.

3. In CLRM, X_i (independent variable) & u_i (error) are
   a) Positively Correlated
   b) Negatively Correlated
   c) Highly Correlated
   d) Not Correlated

4. If the estimated $\hat{\beta}_2$ (i.e. estimated slope in two-variable regression in CLRM) is equal to the hypothesized β_2, the 't' value will be equal to
   a) 0
   b) 1
   c) 30
   d) Stand and error of $\hat{\beta}_2$

5. Estimating the regression model in the presence of heteroscedasticity using this method leads to BLUE estimators :
   a) OLS
   b) GLS
   c) MLE
   d) Two-stage regression estimation

6. Sunk costs
   a) will not affect any aspect of decision making by a competitive firm in the short run.
   b) are costs that can be controlled by reducing labour input.
   c) affect the shut down price in that higher sunk costs raise the shut down price.
   d) do not affect the profit or losses of a firm.

7. For a particular perfectly competitive firm STC = 100 + 20q + q^2 and SMC = 20 + 2q, where q is output. If the market price is equal to 40, at what level of output should the firm operate to maximize profit in the short run?
   a) 10
   b) 20
   c) 30
   d) 40

8. Consider a perfectly competitive market with market supply $Q^s = -2 + P$ and market demand $Q^d = 30 - P$. Suppose the government imposes an excisce tax of \$4 per unit on this market. What is total surplus (consumer surplus plus producer surplus) after the government imposes the tax?
   a) 72
   b) 98
   c) 144
   d) 196

9. The Lerner Index is
   a) equal to (P – MR) / P
   b) a measure of product differentiation.
   c) equal to P / MC
   d) equal to (P – MC) / P

10. As a monopolist demand curve becomes more inelastic,
   a) the profit maximising price goes up. b) the profit maximising price goes down.
   c) the optimal mark-up of price over marginal cost goes down.
   d) average revenue falls.

11. If MR (marginal revenue) equals to 6 and TR equals to zero when output is zero, then what is the type of market in which the product is sold?
   a) Monopsony b) Monopoly c) Oligopoly d) Perfect Competition

12. Given $Q = 75[0.3K^{-0.4} + 0.7L^{-0.4}]^{-2.5}$, find out the degree of homogeneity of this production function.
   a) One b) Less than one c) More than one d) Zero

13. Find out the elasticity of substitution for the production function $Q = 75[0.3K^{-0.4} + 0.7L^{-0.4}]^{-2.5}$.
   a) $\sigma = 1$ b) $\sigma = \frac{1}{2}$ c) $\frac{1}{1.4}$ d) $\sigma = \frac{1}{1.8}$

14. A sitar manufacturer can sell x sitars per week at p rupees each, where 5x = 375 – 3p. The cost of production is $\{500 + 13x + \frac{1}{5}x^2\}$ rupees. Find out what is the maximum profit for him?
   a) Rs. 1200 b) Rs. 1180 c) Rs. 1080 d) 1420

15. An individual's utility function is given by $U = x^{\alpha} y^{\beta}$. If P_x P_y are the fixed prices of two goods x & y and the individual's fixed income is M, find out elasticity of demand with respect to income for good x.
   a) $\frac{1}{2}$ b) $\frac{1}{3}$ c) $\frac{1}{4}$ d) 1

16. Assume that in an economy the value of GDP is Rs. 6000. The personal disposable income is Rs. 5100. The values of budget deficit, private consumption and trade deficit is Rs. 200, Rs. 3800 and Rs. 1000 respectively. (2 + 2)
   a) The value of Savings in the economy is –
      i) Rs. 900 ii) Rs. 1300 iii) Rs. 200 iv) Rs. 1100
   b) The value of Government Spending is –
      i) Rs. 900 ii) Rs. 1300 iii) Rs. 200 iv) Rs. 1100

17. Which of the following moves of the Central Bank is intended to increase the money supply of an economy :
   a) increase in currency deposit ratio b) increase in cash reserve ratio
   c) increase in open market sale of Government securities
      i) Both a and b ii) Both a and c iii) Both b and c iv) None of these

18. Suppose these has been a worldwide recession whose impact is expected to fall in an economy, say economy E. It has been observed that producers in the economy do not consider interest rates to be a crucial factor in determining their investment decisions. In this situation among which of the three following decisions should the Government of economy E choose –
   a) increase in money supply to arrest the fall in demand

b) increase Government purchase of goods and services

c) reduce the repo rate.

i) Both a and c ii) only a iii) only b iv) only c

19. Consider an economy where money supply was exogenously set by the central bank while money demand depends on real interest rate and income in their usual way. Now consider the following changes –

a) Money supply becomes a function of real interest rate

b) Money demand becomes a function of disposable income.

Which of the changes would lead to a change in the slope of the LM curve –

i) Both a and b ii) only a iii) only b iv) Neither a nor b

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

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

c) The theory of relative advantage. d) None of the above.

21. In country A, it takes 10 labor hours to produce cloth and 20 labor hours to produce grain. In country B, it takes 20 labor hours to produce cloth and 10 labor hours to produce grain. Which country should produce grain?

a) A b) B c) Both A and B should produce grain

d) No country should produce grain

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

a) South has an absolute advantage in the production of grain.

b) North has a comparative advantage in the production of cloth.

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

d) North should produce grain.

23. In country X, it takes 50 labor hours to produce cloth and 100 hours to produce grain. In country Y, it takes 200 labor 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.

24. Which of the following factors influence trade?

a) Government.

b) The stage of development of a product.

c) The relative price of factors of productions.

d) All of the above.

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