

DO NOT OPEN THIS TEST BOOKLET UNTIL YOU ARE ASKED TO DO SO

TEST BOOKLET

Sl. No.

03041

Subject Code : 07

Subject : Economics

LECTURERS FOR NON-GOVT. AIDED COLLEGES OF ODISHA

Time Allowed : 3 Hours

Maximum Marks : 165

: INSTRUCTIONS TO CANDIDATES :

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS TEST BOOKLET CONTAINS 31 PAGES AND DOES NOT HAVE ANY UNPRINTED OR TORN OR MISSING PAGES OR ITEMS ETC. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.
2. You have to enter your **Roll No.** on the Test Booklet in the Box provided alongside. **DO NOT** write anything else on the Test Booklet.

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3. The Test Booklet contains **165** questions. Each question comprises four answers. You have to select the correct answer which you want to mark (darken) on the Answer Sheet. In case, you feel that there is more than one correct answer, you should mark (darken) the answer which you consider the best. In any case choose **ONLY ONE** answer for each question. If more than one answer is darkened it will be considered as wrong.
4. You have to mark (darken) all your answers **ONLY** on the **separate OMR Answer Sheet** provided, by using **BLACK BALL POINT PEN**. You have to do rough work on the space provided in the Test Booklet only. See instruction in the Answer Sheet.
5. All questions carry equal marks, i.e. of one mark for each correct answer and each wrong answer will result in negative marking of **0.25** mark.
6. Before you proceed to mark (darken) in the Answer Sheet the answers to various questions in the Test Booklet, you have to fill in some particulars in the Answer Sheet as per the instructions in your Admit Card.
7. After you have completed filling in all your answers on the Answer Sheet and after completion of the examination, you should hand over to the Invigilator the **Original Answer Sheet (OMR Answer Sheet)** issued to you. You are allowed to take with you the candidate's copy/second page of the Answer Sheet along with the Test Booklet after completion of the examination for your reference.

SEAL

Candidate's full signature

Invigilator's signature

RS - 22/25

(Turn over)

2018

1. When we find some people buying more of a goods when it becomes more expensive we call it as :
- (A) Stigler effect
(B) Veblen effect
(C) Giffen effect
(D) Dixit effect
2. Mr. Pitambar is fond of Muffins. Recently, the price of Muffins increased by 20% and the total spending by Mr Pitambar on Muffins increased by 15%. What is the price elasticity of demand for Muffins by Mr. Pitambar ?
- (A) 1/5
(B) 1/4
(C) 1/2
(D) 1/6
3. Let's say in equilibrium, Sarat (a consumer) was buying 5 units of goods A and some of goods B. His income was Rs. 100 and the prices were $P_A = Rs. 8$ and $P_B = Rs. 5$. Now the price of goods A falls to Rs. 5. By how much does Sarat's income need to be compensated, so that he is able to buy the (old) bundle at the original equilibrium.
- (A) Sarat's income should be increased by Rs. 15
(B) Sarat's income should be decreased by Rs. 15
(C) Sarat's income should not be changed
(D) Sarat's income should be increased by Rs. 10
4. Mr. John invested Rs. 2000 in gold, which he bought at Rs. 520 per ounce. After two years, he sold them at Rs. 566 per ounce. His annual rate of return from this investment is approximately _____
- (A) 4%
(B) 3.3%
(C) 4.4%
(D) 5.4%

5. A competitive firm's total cost is given by $y^2 - 10y + 28$, where y is output. Considering its profit-maximisation in the short run, if the market price is 20, how much will this firm produce?
- (A) 15
 (B) 20
 (C) 16
 (D) 10
6. Given the following demand and supply equations in a market, find the Equilibrium price (P) and quantity (Q). $Q_d = 10 - P$, $Q_s = -2 + 3P$.
- (A) 3, 7
 (B) 2, 6
 (C) 4, 8
 (D) 5, 9
7. Which of the following is the most appropriate meaning of market failure in Economics?
- (A) The inability of some unregulated markets to allocate resources efficiently
 (B) The inability of a market to establish an equilibrium price
 (C) The inability of buyers to place a value on the goods or service
 (D) The inability of buyers to interact harmoniously with sellers in the market
8. Economic analysis uses _____ to judge the effect of taxes on economic welfare?
- (A) government spending
 (B) consumer and producer surplus
 (C) equilibrium price and quantity
 (D) opportunity cost
9. OPEC is an example of:
- (A) Marketing board
 (B) Cooperative of producers
 (C) Mutual
 (D) Cartel

10. The kinked demand curve model of oligopoly has the following assumption :
- (A) Competitors will follow a price increase but not a price cut
 - (B) Competitors will follow a price increase as well as a price cut
 - (C) Competitors will ignore both a price increase and a price cut
 - (D) Competitors will ignore a price increase but will follow a price cut
11. When price is below average variable cost, a firm in a competitive market will :
- (A) Continue to operate as long as average revenue exceeds average fixed cost
 - (B) Shut down and incur both variable and fixed costs
 - (C) Continue to operate as long as average revenue exceeds marginal cost
 - (D) Shut down and incur fixed costs
12. Most often new potential firms do not try to compete with a natural monopoly because they think :
- (A) The natural monopoly doesn't make a huge profit
 - (B) They know they cannot achieve the same low costs that the monopolist enjoys
 - (C) They are unsure of the size of the market in general
 - (D) They fear retaliation in the form of pricing wars
13. In the long run the exit criterion for a profit maximizing firm is :
- (A) Average Revenue $>$ Marginal Cost
 - (B) Price $<$ Average Total Cost
 - (C) Price $>$ Average Total Cost
 - (D) Average Revenue $>$ Average Fixed Cost
14. If an oligopoly market is in Nash equilibrium, which of the following shall be true :
- (A) Market price will be different for each firm
 - (B) Firms will not behave as profit maximizers
 - (C) A firm will choose its best pricing strategy, given the strategies that it observes other firms taking
 - (D) A firm will not take into account the strategies of competing firms

15. Which of the following can best proxy cost of living ?
- (A) WPI
 - (B) CPI
 - (C) GDP deflator
 - (D) Superlative WPI
16. Average labor productivity may be defined as the :
- (A) Amount of workers per machine
 - (B) Amount of machines per worker
 - (C) Ratio of employed to unemployed workers
 - (D) Amount of output per worker
17. If the price level was 100 in 2005 and 102 in 2006, the inflation rate was :
- (A) 102 %
 - (B) 20%
 - (C) 2%
 - (D) 0.2%
18. The Reserve Bank of India's money supply measure M3 includes the following components :
- (A) Currency with the public and Demand deposits with banks
 - (B) Demand deposits and Time deposits with banks
 - (C) Currency with the public and Time deposits with banks
 - (D) Currency with the public, Demand deposits and Time deposits with banks
19. A Brazillian citizen owns a horse ranch in the United States. The profits from the horse ranch :
- (A) Are part of both Brazillian GNP and U. S. GNP
 - (B) Are part of Brazillian GNP, but not part of Brazillian GDP
 - (C) Are part of Brazillian GDP, but not part of Brazillian can GNP
 - (D) Are part of U. S. GNP, but not part of Brazillian GNP

20. Full-employment output is the level of output supplied by firms in the economy when :
- (A) The taxes are zero
 - (B) Wages and prices have fully adjusted
 - (C) The unemployment rate is zero
 - (D) All the capital is fully utilized
21. The yield curve usually slopes upward for the following reason :
- (A) Longer maturity bonds typically pay higher interest rates than bonds with shorter maturity
 - (B) Longer maturity bonds typically pay lower interest rates than bonds with shorter maturity
 - (C) Default risk is higher for shorter maturity bonds
 - (D) Longer maturity bonds are not taxable
22. The Ease and Speed with which you can exchange an asset for goods, services, or other assets is its :
- (A) Risk
 - (B) Time to maturity
 - (C) Velocity
 - (D) Liquidity
23. If there is a financial panic and increased uncertainty about the returns in the stock market and bond market, what is the likely effect on money demand ?
- (A) Money demand declines first, then rises when inflation increases
 - (B) Money demand rises
 - (C) The overall effect is ambiguous
 - (D) Money demand declines
24. If the interest elasticity of money demand is -0.1 , by what percent does money demand change if the nominal interest rate rises from 2% to 3% ?
- (A) -0.1%
 - (B) 5%
 - (C) 0%
 - (D) -5%

25. Large differences in inflation rates among countries are almost always the result of large differences in :
- (A) Productivity
 - (B) Real income growth
 - (C) The growth rates of real money demand
 - (D) The growth rates of nominal money supplies
26. An economic variable that moves in the same direction as aggregate economic activity (up in expansions, down in contractions) is called :
- (A) Pro-cyclical
 - (B) Counter-cyclical
 - (C) Acyclical
 - (D) A leading variable
27. Which of the following changes shifts the AD curve down and to the left ?
- (A) A temporary increase in government purchases
 - (B) A rise in the nominal money supply
 - (C) A decrease in corporate taxes
 - (D) A decrease in consumer confidence
28. A situation in which expansionary monetary policy has no effect on the economy is known as :
- (A) Macroeconomic stabilization
 - (B) A liquidity trap
 - (C) A depression
 - (D) Capital flight
29. The long-run Phillips curve is :
- (A) Vertical
 - (B) Horizontal
 - (C) Upward sloping
 - (D) Downward sloping
30. Shoe leather costs are :
- (A) The costs in time and effort incurred by people and firms who are trying to minimize their holdings of cash because of inflation
 - (B) The costs of changing prices, such as printing and mailing catalogues
 - (C) The costs of the redistribution of wealth between lenders and borrowers
 - (D) The costs associated with the confusion of prices as signals

31. The amount of output lost when the inflation rate is reduced by one percentage point is called :
- (A) Okun's law
 (B) The Sacrifice ratio
 (C) The Solow residual
 (D) Planck's constant
32. A decrease in Foreign output would cause the domestic Country's net exports to _____ and cause the domestic Country's IS curve to _____.
- (A) rise; shift up
 (B) rise; shift down
 (C) fall; shift up
 (D) fall; shift down
33. High-powered money consists of :
- (A) Bank reserves plus currency held by the nonbank public
 (B) Bank reserves minus vault cash
 (C) All deposits at the Fed
 (D) Deposits at the Fed plus vault cash
34. A public goods is :
- (A) A goods that the public must pay to consume
 (B) Non-rival in consumption
 (C) Costlier than a private good
 (D) Paid by the corporate sector
35. A Pigouvian subsidy :
- (A) Moves production to socially optimal level of output
 (B) Is a kind of Pigouvian tax
 (C) Does not exist with externalities
 (D) Is given to consumers of Solar panel only
36. Fiscal deficit minus interest payments is called :
- (A) Revenue deficit
 (B) Capital deficit
 (C) Fiscal deficit
 (D) Primary deficit
37. The Govt. of India had pegged its 2019 fiscal deficit target at :
- (A) 4%
 (B) 4.3%
 (C) 3.3%
 (D) 3.8%