

CET(PG)-2015

Sr. No. :

230058

Question Booklet Series : A

Important: Please consult your Admit Card / Roll No. Slip before filling your Roll Number on the Test Booklet and Answer Sheet.

Roll No.

In Figures

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In Words

O.M.R. Answer Sheet Serial No.

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Signature of the Candidate : _____

Subject : M.B.E. (Master of Business Economics)

Time : 90 minutes

Number of Questions : 75

Maximum Marks : 75

DO NOT OPEN THE SEAL ON THE BOOKLET UNTIL ASKED TO DO SO

INSTRUCTIONS

1. Write your Roll No. on the Question Booklet and also on the OMR Answer Sheet in the space provided and nowhere else.
2. Enter the Subject and Series Code of Question Booklet on the OMR Answer Sheet. Darken the corresponding bubbles with **Black Ball Point / Black Gel pen.**
3. Do not make any identification mark on the Answer Sheet or Question Booklet.
4. To open the Question Booklet remove the paper seal gently when asked to do so.
5. Please check that this Question Booklet contains **75** questions. In case of any discrepancy, inform the Assistant Superintendent within 10 minutes of the start of test.
6. Each question has four alternative answers (A, B, C, D) of which only one is correct. For each question, darken only one bubble (A or B or C or D), whichever you think is the correct answer, on the Answer Sheet with **Black Ball Point / Black Gel pen.**
7. If you do not want to answer a question, leave all the bubbles corresponding to that question blank in the Answer Sheet. No marks will be deducted in such cases.
8. Darken the bubbles in the OMR Answer Sheet according to the Serial No. of the questions given in the Question Booklet.
9. Negative marking will be adopted for evaluation i.e., 1/4th of the marks of the question will be deducted for each wrong answer. A wrong answer means incorrect answer or wrong filling of bubble.
10. For calculations, use of simple log tables is permitted. Borrowing of log tables and any other material is not allowed.
11. For rough work only the sheets marked "**Rough Work**" at the end of the Question Booklet be used.
12. The Answer Sheet is designed for **computer evaluation**. Therefore, if you do not follow the instructions given on the Answer Sheet, it may make evaluation by the computer difficult. **Any resultant loss to the candidate on the above account, i.e., not following the instructions completely, shall be of the candidate only.**
13. After the test, hand over the Question Booklet and the Answer Sheet to the Assistant Superintendent on duty.
14. In no case the Answer Sheet, the Question Booklet, or its part or any material copied/noted from this Booklet is to be taken out of the examination hall. Any candidate found doing so, would be expelled from the examination.
15. A candidate who creates disturbance of any kind or changes his/her seat or is found in possession of any paper possibly of any assistance or found giving or receiving assistance or found using any other unfair means during the examination will be expelled from the examination by the Centre Superintendent/Observer whose decision shall be final.
16. **Telecommunication equipment such as pager, cellular phone, wireless, scanner, etc., is not permitted inside the examination hall. Use of calculator is not allowed.**

1. Which of the following is true of fixed costs ?
 - (A) Average fixed cost is constant
 - (B) Total fixed costs decline as output increases
 - (C) The average fixed cost curve touches the vertical I axis at an output close to infinity
 - (D) Changes in Fixed Costs do not cause change in marginal cost
2. Technological progress refers to :
 - (A) The introduction of new improved products
 - (B) The introduction of new or improved production processes
 - (C) The investment in human capital
 - (D) The development of new and better production techniques
3. The average product of labour (AP_L) curve and the marginal product of labour curve (MP_L) intersect where :
 - (A) The AP_L is at its lowest point
 - (B) The AP_L is at its highest point
 - (C) The MP_L is at its lowest point
 - (D) The MP_L is at its highest point
4. When $P = \text{Rs } 1.50$ then $P(24-8P)$ represents :
 - (A) Marginal revenue (MR) = Rs. 1.50
 - (B) Average revenue (AR) = Rs. 12.00
 - (C) The price elasticity of demand
 - (D) Total expenditures = Rs. 18
5. The longer the time allowed for consumers to adjust to a change in the commodity price, the :
 - (A) more elastic is demand
 - (B) more inelastic is demand
 - (C) less elastic is demand
 - (D) more likely that the absolute value of the price elasticity of demand is less than 1
6. The rate of exchange between the dollar and a foreign currency is :
 - (A) Fixed by law
 - (B) Allowed to float for a month at a time
 - (C) The price of the dollar in terms of the other currency
 - (D) Determined by the gold standard

7. **If the price of good X falls and the consumer buys less of good X, then the good must be :**
- (A) Normal (B) Inferior
(C) Giffen good (D) Either inferior or a Giffen good
8. **The income effect results from :**
- (A) A change in money income
(B) A relative reduction in the price of the good under consideration
(C) A change in real income
(D) Shifts in the income-consumption curve
9. **Equilibrium price is the price at which :**
- (A) The total production cost is minimized
(B) The total revenue from sales is maximized
(C) The average profit per unit is maximized
(D) The quantity demanded is equal to the quantity supplied
10. **Since consumers have limited income at given prices, they are said to :**
- (A) Face a cost function (B) Face a budget constraint
(C) Have limited wants (D) Operate on a function possibilities frontier
11. **In indifference curve analysis, if we assume that a commodity is a good rather than a bad, the :**
- (A) Consumer must buy the good
(B) Consumer is never satisfied with the commodity because he will prefer more to less
(C) Two indifference curves cross
(D) Two budget lines cross
12. **To the economist money is not capital because it :**
- (A) Is a medium of exchange (B) Is a store of value
(C) Facilitates exchange (D) Does not produce anything
13. **Economic resources are best described as :**
- (A) Only natural resources (B) Financial capital
(C) Labour, land and capital (D) Only human resources
14. **When economic decisions are made partly by government policies and partly by market forces, the system is called a :**
- (A) Subterranean economy (B) Mixed economy
(C) Market economy (D) Command economy

15. Macroeconomics deals mainly with :
- Anything large
 - The decisions made by the individual consumers, producers, and resource owners
 - The aggregate economy
 - The small parts of large things
16. If a monopolist's price (P) is known to be Rs. 6.00 in equilibrium , then :
- Average revenue (AR) is less than Rs. 6.00
 - Marginal cost (MC) is equal to Rs. 6.00
 - Marginal revenue (MR) is equal to Rs. 6.00
 - MR = MC and both are less than Rs. 6.00
17. When marginal revenue (MR) is zero, the price elasticity of demand (η) is :
- Between zero and one
 - Greater than one
 - Equal to one
 - Less than one
18. If a monopolist can sell each unit of a good separately and charge the highest price that the consumer is willing to pay rather than go without the good , there is :
- First degree or perfect price discrimination
 - Second degree or multiplant price discrimination
 - Third degree price discrimination
 - Fourth degree price discrimination
19. An industry with many sellers of a heterogeneous or differentiated product, and for which entry into or exit from it is rather easy in the long run is :
- Perfect competition
 - Monopoly
 - Oligopoly
 - Monopolistic competition
20. In a competitive market, the firm's short run supply curve is
- The rising segment of its average cost curve
 - That segment of its marginal cost curve that lies above minimum average variable cost
 - That segment of the average cost curve that lies below the marginal cost curve
 - The same as its marginal revenue curve
21. When a firm operates in a perfectly competitive market, any price below the minimum average variable cost of production is the firm's :
- Shut down price
 - Profit maximizing price
 - Market price
 - Selling price

22. Suppose that a monopolist sells the same good to two different groups of consumers at the same time and at different prices. The firm is engaging in :
- (A) Price discrimination (B) Predatory pricing
(C) Competitive pricing (D) Average cost pricing
23. For bringing income equality, taxation rates should be :
- (A) Regressive (B) Progressive
(C) Proportional (D) Both (A) and (C)
24. Disguised unemployment means :
- (A) Marginal productivity of labour is zero (B) Marginal productivity of labour is positive
(C) Marginal productivity of labour is negative (D) Average productivity is negative
25. Big-Push strategy of development is based on concept of :
- (A) Backlash effect (B) Productivity
(C) Internal economics (D) External economics
26. For economic development Schumpeter gave importance to :
- (A) Traders (B) Politicians
(C) Availability of credit (D) Innovators
27. By an unlimited supply of labour Lewis meant :
- (A) Infinite elasticity of demand for labour (B) Infinite elasticity of supply for labour
(C) Infinite labour available at prevailing wage rate (D) Infinite labour available at lower wage rate
28. The MPC can be between :
- (A) -1 and +1 (B) 0 and 1
(C) -1 and 0 (D) 1 and 2
29. If $C=30+0.80Y$, then :
- (A) Average Propensity to consume is 30 (B) Marginal Propensity to consume is 30
(C) Average Propensity to save is 80 (D) Autonomous consumption is 30
30. Speculation in foreign exchange market is possible if market is operating under :
- (A) Free exchange rate (B) Silver standard
(C) Gold standard (D) Both (B) and (C)
31. Balance of payments under flexible exchange rate are corrected through :
- (A) Devaluation (B) Revaluation
(C) Depreciation (D) Both (A) & (B)

32. Cause of trade according to classical economists was :
- (A) Difference in productivity of capital (B) Differing labour productivity
(C) Both (A) and (D) (D) Accumulation of industrial goods
33. Mode is :
- (A) Least frequent value (B) Middle most value
(C) Most frequent value (D) Majority out of total frequency value
34. The square of standard deviation is called :
- (A) Variance (B) Mean
(C) Skewness (D) Correlation
35. Which average is affected most by extreme observations ?
- (A) Mode (B) Median
(C) Arithmetic mean (D) Geometric Mean
36. A positive correlation is present when :
- (A) Two variables move in opposite directions
(B) Two variables move in same direction
(C) Variables never change
(D) One variable goes up and the other goes down
37. The statistical technique used to find the degree of relationship between two variables is called :
- (A) Dispersion (B) Association
(C) Index Number (D) Correlation
38. The speculative demand for money according to Keynes is a function of :
- (A) Rate of interest (B) Level of income
(C) Level of savings (D) Level of output
39. Which one of the following according to Friedman is not a key determinant of the demand for money ?
- (A) Aggregate wealth
(B) Precautionary motive
(C) Relative rates of return obtainable on different forms of assets
(D) Non human capital goods and human capital

40. Under Bretton Woods system key currency was :
- (A) Yen (B) Dollar
(C) Pound (D) Mark
41. Gold standard is an example of :
- (A) Fixed exchange rate (B) Floating exchange rate
(C) Managed floating exchange rate (D) Both (B) & (C)
42. If a country has exported more than its imports the balance of trade will be :
- (A) Negative (B) Positive
(C) Zero (D) Indeterminate
43. Factor Endowment Theory of International Trade is given by :
- (A) Heckscher Ohlin (B) Haberler
(C) Raul Prebisch (D) Jagdish Bhagwati
44. Which of the following components of demand for money makes a complete break from the classical theory ?
- (A) Transaction (B) Precautionary
(C) Speculative (D) Transitory
45. The neo classical Cambridge approach of quantity theory of money viewed the amount of money demanded as a function of :
- (A) Money income (B) Interest rate
(C) Exchange rate (D) Both (B) and (C)
46. Open market operation is a part of :
- (A) Credit Policy (B) Income Policy
(C) Price Policy (D) Monetary Policy
47. Harrod - Domar model of economic growth is based on the equilibrium between :
- (A) Income generation and productive capacity creation
(B) Income and consumption
(C) Savings and investment
(D) Savings and income
48. Tax on value of goods is :
- (A) Ad-Valorem Tax (B) Specific Tax
(C) Value added Tax (D) Production Tax

49. MODVAT Tax is :
- (A) Form of Import Tax (B) Form of Export Tax
(C) Value Added Tax (D) Profit Tax
50. With the rise in MPC, multiplier :
- (A) Falls (B) Rises
(C) Remains constant (D) Becomes equal to unity
51. The premise that benefit of economic growth will reach all sections of the population is called :
- (A) Trickle up-effect (B) Trickle down effect
(C) Take off effect (D) Backlash effect
52. Ragnar Nurkse defined underdevelopment in terms of :
- (A) Scarcity of natural resources (B) Scarcity of capital
(C) Scarcity of human resources (D) Scarcity of land
53. In India, percentage of people dependent on agriculture is more than :
- (A) 75% (B) 60%
(C) 70% (D) 80%
54. In India, major share of national income is derived from :
- (A) Agriculture (B) Industry
(C) Services (D) Exports
55. Critical minimum effort theory was developed by :
- (A) Nurkse (B) Lewis
(C) H. Lebenstein (D) Solow
56. Tax incidence refers to :
- (A) Whether a tax is progressive, proportional or regressive
(B) Frequency of tax collection
(C) The person or group who ends up paying the tax
(D) Method of tax collection
57. Indirect taxes are objectionable because they :
- (A) Are difficult to collect (B) Are regressive
(C) Do not raise enough revenue (D) Encourage corruption

58. Simultaneous increase in prices and unemployment is called :
- (A) Inflation (B) Stagflation
(C) Deflation (D) Hyperinflation
59. Which of the following index overestimates price rise ?
- (A) Fischer's index (B) Bowler's index
(C) Laspeyre's index (D) Paasche's index
60. The Purchasing Power Parity theory of exchange rate implies that the currency of a country A would depreciate against that of country B, if :
- (A) The inflation rate in A exceeds that in B
(B) The normal interest rate in A exceeds that in B
(C) The growth rate of GDP in B exceeds that in A
(D) Foreign direct investment is more from B to A
61. Factor reversal test is satisfied by :
- (A) Laspeyre's index (B) Fischer's Index
(C) Marshall-Edgeworth index (D) Paasche's index
62. In case of complementary goods, a fall in the price of one good causes :
- (A) Decrease in the demand of other good (B) Decrease in income
(C) Increase in demand for other good (D) Both (A) and (B)
63. With increase in output, difference between average cost and average variable cost :
- (A) Decreases continuously (B) Continuously increases
(C) Remains the same (D) First increases then decreases
64. When average cost is rising marginal cost :
- (A) Lies below the average cost (B) Is falling
(C) Remains the same (D) Lies above the average cost
65. Under perfect competition demand curve of the firm is :
- (A) Perfectly elastic (B) Perfectly inelastic
(C) Partially elastic (D) Partially inelastic
66. Own substitution effect is :
- (A) Always positive (B) Sometimes positive
(C) Always negative (D) Sometimes negative

67. Goods between which cross price elasticity of demand is positive are called :
- (A) Normal goods (B) Inferior goods
(C) Complements (D) Substitutes
68. In the second stage of law of variable proportions, total product increases but increases at a :
- (A) Constant rate (B) Increasing rate
(C) Diminishing rate (D) Very high rate
69. In case of constant returns to scale if prices of inputs remain the same then :
- (A) $AC = MC$ (B) $AC > MC$
(C) $AC < MC$ (D) Both (B) and (C)
70. At any level of GDP there will be pressure for GDP to rise if :
- (A) Aggregate demand spending is less than total output
(B) Aggregate demand spending exceeds total output
(C) Aggregate demand spending equals total output
(D) Aggregate demand spending is constant
71. Laspeyre method assigns weights to the commodities on the basis of :
- (A) Current year quantities (B) Importance of commodities
(C) Base year quantities (D) Availability of data
72. A square matrix is said to be a diagonal matrix if all its non-diagonal elements are :
- (A) Negative (B) Positive
(C) Non zero (D) Zero
73. Pasche's index :
- (A) Satisfies time reversal test (B) Satisfies factor reversal test
(C) Satisfies both time and factor reversal tests (D) Does not satisfy time reversal test
74. "Economics is the Science of Wealth". Who gave this definition ?
- (A) J K Mehata (B) Robbins
(C) Adam Smith (D) Marshall
75. A tax imposed on monopoly profits :
- (A) Can be shifted forward (B) Can be shifted backward
(C) Can be shifted both forward and backward (D) Cannot be shifted