

Tribhuvan University
Central Department of Economics, Kirtipur
M.A. Entrance Examination 2016
(Model Questions)

Time: 1 hr
Full Marks: 100

Answer all Questions (50X2=100)

CIRCLE the letter of the one answer that you think is correct or closest to correct.

1. The terms Microeconomics and Macroeconomics were first coined and used by
 - a. Adam Smith.
 - b. Alfred Marshall.
 - c. Ragnar Frisch.
 - d. Paul A. Samuelson.

2. The mother of all economic problems is
 - a. money.
 - b. human wants.
 - c. Scarcity.
 - d. non of the above.

3. The shifts in the demand curve takes place because of the
 - a. Change in income.
 - b. Change in price of related goods.
 - c. Change in tax rate.
 - d. All of the above.

4. Change in quantity supplied of a good takes place because of the
 - a. Change in income.
 - b. Change in price of related goods.
 - c. Change in tax rate.
 - d. non of the above.

5. When demand is inelastic (a price elasticity less than 1)
 - a price and total revenue move in opposite direction.
 - b. price and total revenue move in the same direction.
 - c. total revenue remains constant when the price changes.
 - d. non of the above.

6. The income elasticity of demand for a good x is found negative, hence commodity x is a
 - a. luxury good.
 - b. inferior good.
 - c. normal good.
 - d. non of the above.

7. The necessary and sufficient condition to attain consumer's equilibrium in ordinal utility analysis are
 - a. budget line should be tangent to indifference curve and indifference curve. should be convex to the origin.

- b. scope of indifference curve should be equal to the scope of budget line and indifference curve should be convex to the origin.
 - c. $MRS_{XY} = \frac{P_x}{P_y}$ and indifference curve should be convex to the origin.
 - d. all of the above.
8. A rational producer always produces at that stage
- a. when the total product increases at an increasing rate.
 - b. when the total product increases at a decreasing rate.
 - c. when the total product decreases.
 - d. all of the above.
9. The isoquant that takes the shape of a right angle is known as
- a. linear isoquant.
 - b. input output isoquant.
 - c. linear programming isoquant.
 - d. convex isoquant.
10. Opportunity cost is
- a. a disadvantage associated with an act of choice.
 - b. a forgone benefit associated with an act of choice.
 - c. that most highly valued alternative that is forgone in an act of choice.
 - d. correctly described by all of the above.
11. Long run average cost curve is also known as
- a. envelop curve.
 - b. planning curve.
 - c. both a and b.
 - d. neither a nor b.
12. Long run average cost curve is the locus of tangency points with short run average cost curves but it
- a. is not tangent to the minimum points of the short run average cost curves.
 - b. is tangent to the falling portion of the short run average cost curves.
 - c. is tangent to the rising portion of the short run average cost curves.
 - d. is tangent at the minimum points of the short run average cost curves.
13. In a perfectly competitive market
- a. price is greater than average revenue.
 - b. price is greater than marginal revenue.
 - c. average revenue is greater than marginal revenue.
 - d. price, average revenue and marginal revenue are all equal.
14. In less than perfectly competitive market
- a. average revenue is equal to marginal revenue.
 - b. average revenue is greater than marginal revenue.
 - c. marginal revenue is greater than average revenue.
 - d. none of the above.
15. A firm is in equilibrium position when
- a. $MR > MC$ and slope of $MR >$ slope of MC
 - b. $MR > MC$ and slope of $MC >$ slope of MR .

- c. $MC=MR$ and slope of $MC >$ slope of MR .
 - d. $MC=MR$ and slope of $MR >$ slope of MC .
16. The supply curve of a competitive firm is
- a. the average cost curve of a firm.
 - b. the marginal cost curve of a firm.
 - c. the average cost curve above the average variable cost curve.
 - d. the marginal cost curve above the average variable cost curve.
17. In the short run a firm stops producing its output when,
- a. price of its product is equal to average cost.
 - b. price of the product is less than or equal to average cost
 - c. price of the product is equal to or less than average variable cost.
 - d. price of the product is greater than average variable cost.
18. In short run, a monopolist enjoys / incurs
- a. supernormal profit.
 - b. normal profit.
 - c. loss.
 - d. any one of the above.
19. Which of the following comes closest to providing prescriptions akin to preaching
- a. positive economics.
 - b. normative economics.
 - c. macroeconomics.
 - d. microeconomics.
20. To evaluate economic growth of a country an economist has to use
- a. nominal GDP.
 - b. GDP of current price.
 - c. GDP at constant price.
 - d. any one of the above.
21. A gross national product figure derived by evaluating the physical quantity of final goods produced in any time period by the prices prevailing in an arbitrarily chosen base period is called
- a. disposable income.
 - b. net gross national product.
 - c. real gross national product.
 - d. gross domestic product .
22. National Income (NI) is equal to
- a. Gross National Product-Depreciation.
 - b. Net National Product –Indirect Business taxes.
 - c. Gross Domestic product-Depreciation.
 - d. Net Domestic Product-Indirect Business taxes.
23. The output of Nepal owned resources located in India is
- a. counted as part of the Nepalese GNP.
 - b. counted as part of the Indian GNP.
 - c. counted as part of Nepalese GDP.
 - d. all of the above.

24. According to the classical economists, the conception of an unemployment equilibrium
GNP was illogical because
- wages would fall in the process of unemployment.
 - lower wages would raise employment and the GNP.
 - both a and b.
 - of the paradox of thrift.
25. In a two sector economy, $C=300+0.7y$ and $I=900$, the equilibrium income (Y) is
- 6000.
 - 3000.
 - 4000.
 - 5000.
26. According to Keynesian theory, when firms experience unwanted increase in their inventories
- desired investment exceeds actual investment.
 - the nominal GNP will rise.
 - the nominal GNP will fall.
 - both a and c occur.
27. In the simple Keynesian model (no government, foreign trade), given an MPC of 0.85 a decrease in autonomous investment by 500 will
- decrease the equilibrium value of income (y) by 588.24.
 - decrease the equilibrium value of income (y) by 3333.33.
 - decrease the equilibrium value of income (y) by 5000.00.
 - have no effect on the equilibrium value of income (y).
28. Assuming $C=400+0.5 DI$ and $DI=y-NT$, lump sum net taxes of 50 imply
- $c = 350+0.5y$
 - $c = 375+0.5y$
 - $c = 400 + 0.25y$
 - $c = 400+0.5y$
29. When the marginal propensity to consume is equal to 0.75, multiplier will be equal to
- 2
 - 3
 - 4
 - 5
30. If the consumption function is, $C = 150 + 0.8y$ then saving function will be
- $s = 150 + 0.2y$
 - $s = 150 + 0.8y$
 - $s = 150 + 0.2y$
 - $s = 150 - 0.8y$
31. The term "paradox of Thrift" refers to the situation where increase in savings
- ultimately increases productive capacity.
 - ultimately increases employment.
 - ultimately increases savings itself.
 - ultimately reduces productive capacity, employment and saving itself.

32. A rational investor invests in a capital whose
- marginal efficiency of capital (MEC) > Rate of interest (r).
 - MEC < r.
 - MEC = r.
 - all of the above.
33. Autonomous investment
- is income inelastic.
 - does not involve profit motive.
 - is not affected by the rate of interest.
 - all of the above.
34. The GDP deflator is defined as the ratio of
- money supply to nominal GDP.
 - nominal GDP to money supply.
 - real GDP to nominal GDP.
 - nominal GDP to real GDP.
35. If there were no scarcity, the combination of goods that would fulfill people's desire for goods would lie
- to the left and below the production possibility frontier.
 - precisely on the production possibility frontier.
 - at the point described by either a or b.
 - to the right and above the production possibilities frontier.
36. The term stock refers to
- any quality that is related to a given moment of time.
 - any quantity that is related to given period of time.
 - the structure, equipment and producer inventories that have been newly produced during a year.
 - the set of all goods newly produced in a year.
37. Which of the following will not be undertaken by a laissez faire government?
- The establishment of property rights.
 - The setting up of central economic plans.
 - The provision of money as a convenient medium of exchange.
 - The creation and enforcement of laws of contract.
38. Markets in which "short-term" securities with a maturity of one year or less are traded are called
- capital markets.
 - money markets.
 - primary financial markets.
 - secondary financial markets.

39. If the public withdraws Rs 500 of cash from a commercial bank checking account,
- the M1 money supply rises by Rs 500.
 - the M1 money supply falls by Rs 500.
 - the M1 money supply is unchanged.
 - bank reserves contract by a multiple.
40. The term model in economics may refer to
- a theory or to a particular subset of theories.
 - a specific quantitative formulation of a theory.
 - an illustrative abstraction.
 - all of the above.
41. The first economist to put forward the canon of good tax was,
- Adam Smith.
 - Charles F. Bastable.
 - A.R. Prest.
 - J.S. Mill.
42. In comparison of 'Range' 'Quartile deviation' and 'Mean Deviation', standard deviation is preferred because
- it is based on all the observation of the series.
 - it gives greater weight to extreme values.
 - it is capable of further mathematical manipulation.
 - all of the above.
43. The calculated value of β_2 (i.e. μ_4 or 4th moment about mean divided by μ_2 or second moment about mean of a data series is equal to 4, hence the curve of the data is
- mesokurtic.
 - Leptokurtic.
 - platykurtic.
 - non of the above.
44. Fishor's Ideal Index Number is the
- arithmetic mean of Laspeyre's and Paasche's index numbers.
 - geometric mean of Laspeyre's and Paasche's index numbers.
 - harmonic mean of Laspeyre's and Paasche's index numbers.
 - non of the above.
45. A dice is thrown, what is the probability of getting a 4 or a 6?
- $\frac{1}{6}$.
 - $\frac{2}{3}$.
 - $\frac{1}{3}$.
 - 1.

46. If the 1st and 2nd derivation of a function is equal to zero and less than zero respectively then the function is at
- relative minimum.
 - relative maximum.
 - both a and b.
 - nither a nor b.
47. The slope of a straight line is measured by
- run over rise.
 - run over fall.
 - either a or b depending on whether the slope is positive or negative.
 - non of the above.
48. In regression equation the variable that constitutes cause is taken as
- dependent variable.
 - independent variable.
 - both a and b.
 - nither a nor b.
49. The cost curve is $c = \frac{3}{5} Q + 20$ then the marginal cost is
- $\frac{3}{5} Q$
 - $\frac{3}{5} Q^2$
 - $\frac{3}{5}$
 - $\frac{3}{5} Q^2 + 2Q$
50. The result of $\int x \, dx$ is
- $x^2 + c$.
 - $\frac{1}{2} x^2 + c$.
 - $\frac{1}{2} x^2$.
 - non of the above.

Answer Sheet, 2070

Q. No	Answer	Q. No	Answer
1	c	31	d
2	c	32	a
3	d	33	d
4	d	34	d
5	b	35	c
6	b	36	a
7	d	37	b
8	b	38	b
9	b	39	c
10	d	40	d
11	c	41	a
12	a	42	d
13	d	43	b
14	b	44	b
15	c	45	c
16	d	46	b
17	c	47	d
18	d	48	b
19	b	49	c
20	c	50	b
21	c		
22	b		
23	a		
24	c		
25	c		
26	d		
27	b		
28	b		
29	c		
30	c		