

### Answer Key: Assistant Professor (Economics)

Q No	Key
1	B
2	C
3	D
4	A
5	B
6	B
7	A
8	C
9	C
10	C
11	D
12	C
13	A
14	A
15	C
16	D
17	C
18	D
19	C
20	B
21	D
22	D
23	C
24	A
25	B

Q No	Key
26	C
27	C
28	B
29	D
30	A
31	A
32	B
33	A
34	B
35	A
36	C
37	A
38	C
39	B
40	D
41	B
42	C
43	B
44	B
45	B
46	B
47	C
48	C
49	B
50	B

Test Booklet  
Series

**A**

**Test Booklet for the Post of  
Assistant Professor Economics**

Test Booklet No.

Name of Applicant ..... Answer Sheet No. ....

Applicant ID/Roll No. : ..... Signature of Applicant : .....

Date of Examination: ..... Signature of the Invigilator(s)

1. ....

Time of Examination : ..... 2. ....

**Duration : 1 Hour]**

**[Maximum Marks : 50**

**IMPORTANT INSTRUCTIONS**

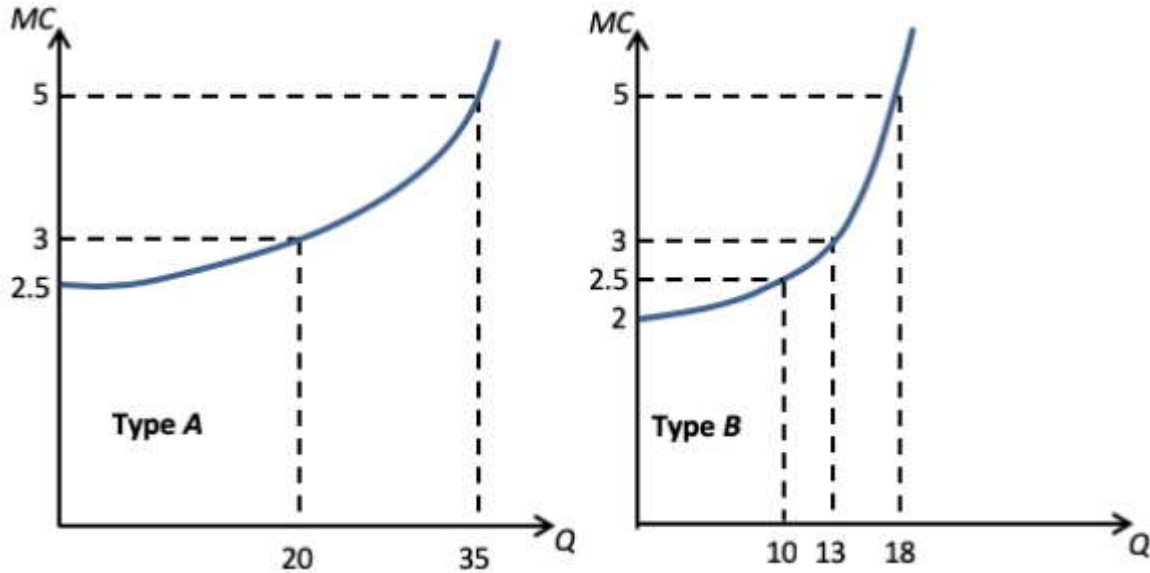
- (i) The question paper is in the form of Test-Booklet containing **50 (Fifty)** questions. All questions are compulsory. Each question carries four answers marked (A), (B), (C) and (D), out of which only one is correct. Choose the correct option or the most appropriate option.
- (ii) On receipt of the Test-Booklet (Question Paper), the candidate should immediately check it and ensure that it contains all the pages, i.e., **50** questions. Discrepancy, if any, should be reported by the candidate to the invigilator immediately after receiving the Test-Booklet.
- (iii) A separate Answer-Sheet is provided with the Test-Booklet/Question Paper. On this sheet there are **50** rows containing four circles each. One row pertains to one question.
- (iv) The candidate should write his/her Application ID/Roll number at the places provided on the cover page of the Test-Booklet/Question Paper and on the Answer-Sheet and NOWHERE ELSE.
- (v) No second Test-Booklet/Question Paper and Answer-Sheet will be given to a candidate. The candidates are advised to be careful in handling it and writing the answer on the Answer-Sheet.
- (vi) For every correct answer of the question **One (1) mark will be awarded**. There will be negative marking and 1/4 (0.25) mark will be deducted for every incorrect answer.
- (vii) Marking shall be done only on the basis of answers responded on the Answer-Sheet.
- (viii) To mark the answer on the Answer-Sheet, candidate should **darken** the appropriate circle in the row of each question with Blue or Black pen.
- (ix) For each question only **one** circle should be **darkened** as a mark of the answer adopted by the candidate. If more than one circle for the question are found darkened or with one black circle any other circle carries any mark, the answer will be treated as incorrect.
- (x) The candidates should not remove any paper from the Test-Booklet/Question Paper. Attempting to remove any paper shall be liable to be punished for use of unfair means.
- (xi) Rough work may be done on the blank space provided in the Test-Booklet/Question Paper only.
- (xii) *Mobile phones (even in Switch-off mode) and such other communication/programmable devices are not allowed inside the examination hall.*
- (xiii) No candidate shall be permitted to leave the examination hall before the expiry of the time.

**DO NOT OPEN THIS QUESTION BOOKLET UNTIL ASKED TO DO SO.**



1. Which of the following propositions best sums up the core of 'Keynesian' economics?
  - (A) Supply creates its own demand.
  - (B) In the short-run, output depends on the level of aggregate demand.
  - (C) Governments should always run budget deficits.
  - (D) An increase in government spending is likely to cause inflation.
  
2. A flatter aggregate consumption function, if plotted on a graph with output on the horizontal axis and aggregate consumption on the vertical axis, would indicate which of the following:
  - (A) A larger marginal propensity to consume and a larger multiplier.
  - (B) A smaller marginal propensity to consume and a larger multiplier.
  - (C) A smaller marginal propensity to consume and a smaller multiplier.
  - (D) A smaller marginal propensity to save ( $MPS = 1 - MPC$ ) and a smaller multiplier.
  
3. A multiplier of 3 or above would be considered exceptionally high for most modern economies. Which of the following statements gives the most complete explanation for this fact?
  - (A) The national accounts overstate consumption.
  - (B) Credit is probably easier to obtain than we think.
  - (C) We have overlooked the effect of taxation.
  - (D) We have overlooked the effect of taxation and external trade.
  
4. A bakery is one of many that operate in the bread industry. The market demand curve for bread is downward-sloping. The bakery incurs fixed costs and has an upward-sloping marginal cost curve. Which of the following statements is correct?
  - (A) The bakery faces a flat demand curve.
  - (B) The bakery's supply curve is horizontal.
  - (C) The bakery always makes a positive economic rent.
  - (D) The bakery can ensure that the price is above its average cost.

5. There are two different types of producers of a good in an industry (Type A and Type B). The marginal cost curves of the two types are given below. There are 20 Type A firms and 15 Type B firms in the market. Assume that all firms are already in the market, and that they will remain in the market even if the price is below their average cost. Based on this information, which of the following statements is correct?



- (A) At a price of \$2.50, the market supply is 350 units.
- (B) The marginal cost of producing the 596th unit is \$3.
- (C) At a price of \$5, the marginal cost of producing the 971st unit is lower for a Type A firm than for a Type B firm.
- (D) The marginal cost of producing the first unit is \$2.50.
6. Consider the case where a government introduces a specific (per-unit) tax on cigarettes. As a result, the government succeeds in reducing the consumption level. Which of the following statements is correct?
- (A) This is a bad policy as it creates a deadweight loss.
- (B) The cost of collecting taxes must be considered when assessing the success of this policy.
- (C) The more elastic the demand for cigarettes, the larger the tax revenue.
- (D) The tax rate should be determined so as to maximise tax revenue.

7. Which of the following statements regarding the marginal rate of substitution (MRS) and the marginal rate of transformation (MRT) of a profit-maximising firm is correct?
- (A) The MRS is how much in price you are willing to give up for an incremental increase in the quantity, holding profits constant.
- (B) The MRT is how much in price the consumers are willing to give up for an incremental increase in the quantity consumed, keeping their utility constant.
- (C) If  $MRT > MRS$  then firms can increase their profit by increasing output.
- (D) The MRT is the slope of the isoprofit curves.
8. The table represents market demand  $Q$  for a good at different prices  $P$ . The firm's unit cost of production is £70. Based on this information, which of the following is correct?

$Q$	100	200	300	400	500	600	700	800	900	1,000
$P$	£240	£220	£200	£180	£160	£140	£120	£100	£80	£60

- (A) At  $Q = 200$ , the firm's profit is £44,000.
- (B) The profit-maximising output is  $Q = 400$ .
- (C) The maximum profit that can be attained is £45,000.
- (D) The minimum profit that can be attained is £0.
9. Suppose a CD shop is the only seller of music CDs in Hamilton. The demand curve for CDs is given as  $Q = 300 - 2P$ . The marginal cost is given as:  $MC = 10$ . Find the value of the Lerner index.
- (A) 0.75
- (B) 0.645
- (C) 0.875
- (D) 0.336
10. Suppose a firm is the only computer producer in the local market. The market demand function is given as:  $Q = 200 - 2P$ . The firm's total cost function is given as:  $TC = 10Q$ . The government levies a unit-tax of \$10 on computers. What is the profit-maximizing price after the imposition of tax?
- (A) \$45
- (B) \$55
- (C) \$60
- (D) \$65

11. Mohan runs a small firm. The total cost function is:

$$TC = 1000 + 10q + 10q^2$$

If Mohan wanted to minimize the average total cost, which of the following output levels would he choose?

- (A) 1/10 (B) 11  
(C) 20 (D) 10

12. Assume Apple uses K units of machinery and L units of labour to produce AirPods. The production function is given as :  $A = L^{0.5} K^{0.8}$ . This production function exhibits \_\_\_\_\_.

- (A) decreasing returns to scale. (B) constant returns to scale  
(C) increasing returns to scale. (D) none of the above.

13. Which of the following statements are FALSE?

- (A) If the MRTS is constant, labour and capital are perfect complements in production.  
(B) When isoquants are L-shaped, labour and capital must be used in fixed proportions during production.  
(C) When isoquants are straight lines, the MRTS is constant. The rate at which capital and labor can be substituted for each other is always the same, independent of the level of inputs used.  
(D) Diminishing marginal returns is only applicable in the short-run

14. Bailey consumes two goods, X and Y, and has the utility function:

$$U(X,Y) = 3X^{4/5}Y^{4/5}$$

Which of the following conditions must be true for the "*more is preferred to less*" assumption to be satisfied for good X?

- (A) Marginal utility of X is greater than 0 for all positive values of X and Y  
(B) Marginal rate of substitution is equal to the price ratio  
(C) Marginal utility of Y is greater than 0 for all positive values of X and Y  
(D) Marginal utility of X increases as the quantity of good X increases

15. The free rider problem is one potential source of market failure. High volumes of air travel, which cause widespread pollution, can be used to illustrate a different source of market failure. This is known as:
- (A) An external cost. (B) A social cost.  
(C) A missing market. (D) An environmental spillover.
16. Suppose that governments decide to reduce carbon dioxide emissions by imposing a 'carbon tax'. Which of the following criteria should be used in deciding the level of that tax?
- (A) The market price of coal.  
(B) The strength of current public opposition to CO<sub>2</sub> emissions.  
(C) The cost of alternative, 'clean', fuels.  
(D) The value that we estimate future generations place on the reduced emissions.
17. Hedonic pricing and contingent valuation are two ways of valuing environmental benefits. However, they both rely on finding the public's 'willingness to pay' for those benefits. Which of the following objections applies to both of these approaches?
- (A) It relies upon what people say they are willing to pay, which might not be truthful. Overstating the willingness to pay makes it more likely that the policymaker will adopt the improvement in question.  
(B) It is difficult to know what people are willing to pay. Hedonic pricing ignores many factors other than some environmental issue that may cause variations in market prices.  
(C) Willingness to pay cannot be separated from ability to pay. Poor people may not be able to pay even for some of the most valuable environmental 'goods'.  
(D) Willingness to pay may be highly unstable over time. What is valued today may be seen as less desirable tomorrow.
18. A distinguishing feature of using green growth accounting to estimate a country's annual income is that it :
- (A) Takes GDP as a starting point but deducts the depreciation of capital equipment.  
(B) Takes GDP as a starting point but deducts the depreciation of capital equipment and government spending on environmental measures.  
(C) Takes GDP as a starting point but deducts the environmental taxes paid by firms.  
(D) Takes GDP as a starting point but deducts an estimate of environmental degradation.



19. Which of the following are practical and effective policies to deal with carbon emissions caused by driving a car?
- (A) A quota on individuals to limit their driving.
  - (B) Coasean bargaining (one side paying the other side to drive or not to drive).
  - (C) A tax on petrol.
  - (D) Ownership of all affected assets.
20. Which of the following ways would provide the most complete measure of the degree of globalization in the world economy?
- (A) The size of world GDP.
  - (B) The sum of total (world) exports + imports, divided by (world) GDP.
  - (C) The flow of physical goods across international boundaries.
  - (D) The flow of financial capital across international boundaries.
21. If the home-country price of a good for export is \$4 and the price at which it sells in the importing country is \$6, then the difference of \$2 is known as:
- (A) The mark-up.
  - (B) The profit margin.
  - (C) The import duty.
  - (D) The price gap.
22. Suppose that country A using a given amount of labour can produce 50 units of corn or 10 units of textiles, while country B using the same amount of labour can produce 60 units of corn or 30 units of textiles. This shows that:
- (A) A has an absolute advantage in the production of both corn and textiles.
  - (B) A has an absolute advantage in the production of corn.
  - (C) B has a comparative advantage in the production of corn.
  - (D) B has a comparative advantage in the production of textiles.
23. Which of the following is not a necessary characteristic of an infant industry?
- (A) Relatively high costs of production.
  - (B) Lack of economies of scale.
  - (C) Tariff protection.
  - (D) Relatively few similar firms.

24. The mobility of capital and its preference for low taxation and regulation form the basis for Rodrik's trilemma. This states that:
- (A) Large-scale globalization is inconsistent with democracy and national government.
  - (B) Globalisation is inconsistent with global governance
  - (C) Globalisation and democracy are consistent with national sovereignty.
  - (D) Democracy and national sovereignty are consistent with globalisation.
25. Consider a government bond and a corporate bond with exactly the same stream of payments. Assume that the corporate bond has a higher risk of default. Which of the following statements is correct?
- (A) When the interest rate rises, the price of the bonds also rise.
  - (B) The corporate bond has a lower price than the government bond.
  - (C) Investors will always earn a higher return from buying the corporate bond than buying the government bond.
  - (D) An investor should always choose the less risky government bond.
26. Which of the following statements regarding economic rents is correct?
- (A) In a renting market with a rent ceiling below the market clearing level, the economic rent earned by the tenants is a stationary rent
  - (B) There is no rent earned in the perfectly competitive goods market
  - (C) The employment rent received by workers is an equilibrium rent.
  - (D) All economic rents are bad and should be eliminated.
27. Which of the following statements is correct? According to Friedrich Hayek:
- (A) In a centrally planned economy, prices convey the scarcity of a good.
  - (B) Perfect competition can be attained without activities such as advertising, undercutting, and improving ('differentiating') the goods or services produced.
  - (C) The advantage of capitalism is that it provides the right information to the right people.
  - (D) A single central authority can collate and make use of the information available in the economy better than the market.

28. 10 years ago, a growing economy enjoyed an increase in GDP of \$1,000 per worker per year when net investment increased the capital available to each worker by £5,000. The same level of net investment last year was followed by an increase in GDP of \$800. Which of the following describes the situation?
- (A) The marginal product of capital is rising.
  - (B) The marginal product of capital is falling.
  - (C) GDP is falling.
  - (D) Investment is falling
29. The relationship between the unemployment rate and the job vacancy rate (each expressed as a fraction of the labour force) is known as:
- (A) The Phillips curve.
  - (B) The labour demand curve.
  - (C) The wage-setting curve.
  - (D) The Beveridge curve.
30. Which of the following will lead to a decrease in the equilibrium markup?
- (A) A lower expected long-run corporate tax rate
  - (B) An increase in government regulation.
  - (C) An increase in political instability.
  - (D) An increase in the expected long-run cost of imported materials.
31. For countries with a progressive tax system, when making the adjustment from market income to disposable income we would usually expect the Gini coefficient to ..., and in making the adjustment to final income we would expect it to ....
- (A) Fall; fall.
  - (B) Rise; rise.
  - (C) Rise; fall.
  - (D) Fall; rise..
32. Who was the Chairman of the Standing Committee on Labour, Textiles and Skill Development which presented its report on 'National Policy on Child Labour - An Assessment' on December 20, 2023?
- (A) Jagdish Bhagwati
  - (B) Bhartruhari Mahtab
  - (C) Arvind Pangaria
  - (D) Kaushik Basu

33. Given below are two statements

**Statement I :** India's Current Account Deficit (CAD) has narrowed to 1.9% of GDP in fiscal 2023

**Statement II :** Foreign exchange reserves have nearly doubled to US\$568 billion in fiscal 2023.

- (A) Both Statement I and Statement II are Correct
- (B) Both Statement I and Statement II are Incorrect
- (C) Statement I is correct and Statement II is incorrect
- (D) Statement I is incorrect and Statement II is correct

34. Arrange the following years in descending order as per the HDI score of India:

- 1. 2021
- 2. 2019
- 3. 2010
- 4. 2014

- (A) 1, 2, 3, 4
- (B) 2, 1, 4, 3
- (C) 4, 2, 3, 1
- (D) 3, 2, 4, 1

35. Match List-I with List-II

<b>List I (agriculture scheme)</b>	<b>List II (year of launching)</b>
(a) Rashtriya Krishi Vikas Yojana	I. 2014-15
(b) Pradhan Mantri Fasal Bima Yojana	II. 2016
(c) Mission for Integrated Development of Horticulture	III. 2007-08
(d) Kisan credit card	IV. 1998-99

(A) (a)–III (b)–II (c)–I (d)–IV  
(B) (a)–II (b)–III (c)–I (d)–IV  
(C) (a)–I (b)–II (c)–IV (d)–III  
(D) (a)–II (b)–I (c)–IV (d)–III

36. Which of the following statements is correct?
- (A) Base money includes accounts held by households and businesses at commercial banks.
  - (B) The majority of money is legal tender issued by the central bank.
  - (C) Not all of broad money is legal tender.
  - (D) Money created by banks is an asset on their balance sheet.
37. In a binomial distribution with 6 independent trials, the probability of 3 and 4 success is found to be 0.2457 and 0.0819, respectively. Find the parameters  $p$  and  $q$  of the binomial distribution.
- (A) 4/13, 9/13
  - (B) 6/13, 7/13
  - (C) 5/13, 8/13
  - (D) 7/13, 6/13
38. Which of the following statements is incorrect?
- (A) The expected value of a random variable describes the long range weighted average of its values.
  - (B) The mean of the binomial distribution is greater than its variance.
  - (C) The expected value of a random variable is always a non-negative number.
  - (D) Within  $2\sigma$  limits from mean, the area under a normal curve is 95.45 per cent.
39. Which of the following statements is incorrect?
- (A) When both variables use measured on an interval or ratio scale, Pearson's correlation coefficient is most appropriate.
  - (B) The closer the correlation coefficient is to zero, the greater the predictive validity of a test.
  - (C) Even a high correlation is not necessarily indicative of a casual relationship between two variables.
  - (D) As the correlation coefficient approaches zero, the possible error in linear prediction increases.
40. Which of the following statements is incorrect?
- (A) A dependent variable in a regression equation is a continuous random variable.
  - (B) The residual value is required to estimate the amount of variation in the dependent variable with respect to the fitted regression line.
  - (C) Standard error of estimate is the conditional standard deviation of the dependent variable.
  - (D) Correlation coefficient and regression coefficient are independent

41. Which of the following statements is incorrect?
- (A) Index numbers measure change in magnitude of a group of distinct but related variables
  - (B) Prices should be for the same unit of quantity in index numbers.
  - (C) Weighting of index number makes them more representative.
  - (D) Chain indexes give the same result as do fixed base index numbers.
42. Variance Inflation Factor is used for...
- (A) Detecting Heteroscedasticity
  - (B) Solving Heteroscedasticity
  - (C) Detecting Multi-collinearity
  - (D) Solving Multi-collinearity
43. The property of an estimator  $E(\beta^1) = \beta^1$  is termed as....
- (A) Linearity
  - (B) Unbiasedness
  - (C) Efficiency
  - (D) Accuracy
44. Which of the following pair is not correctly matched?
- (A) Durbin's h test – Autocorrelation in autoregressive models
  - (B) Dicky-Fuller test – Heteroscedasticity
  - (C) F test – Overall significance of the regression model
  - (D) Distributed lag models – Koyck approach
45. When supply of a commodity, for example agricultural commodities, react to price with a lag of one time period due to gestation period in production, such a phenomenon is referred to as
- (A) Lag phenomenon
  - (B) Cobweb phenomenon
  - (C) Inertia
  - (D) Business cycle
46. Assume that, at current prices, the cross-price elasticity of the demand for Goods A and B is  $-0.6$ . When the price of A increases, with other factors remaining the same, \_\_\_\_\_.
- (A) the demand curve for B will shift to the right
  - (B) the demand curve for B will shift to the left
  - (C) the demand curve for B will remain the same
  - (D) the supply curve for B will shift to the right

47. Which of the following statements is true?
- (A) The managers are residual claimants of the firm's profits.
  - (B) The owners of a firm are the only individuals who hold the firm's shares.
  - (C) With the separation of ownership and control, decisions are made by managers while the benefits of the decisions accrue to the owners.
  - (D) The separation of ownership and control has costs that almost always outweigh the benefits
48. Which of the following statements best describes the game played by the employer and the employee in the labour discipline model?
- (A) The game is a simultaneous game in which the employer chooses the wage level and the employee chooses the effort level simultaneously.
  - (B) The game is a one-off game in which the wage and effort levels are determined once and for all.
  - (C) The worker selects the effort level that balances his desire to keep his job with his desire to not exhaust himself on the job.
  - (D) The employer will attempt to maximise the firm's profits by offering a wage equal to the worker's reservation wage.
49. Which of the following statements regarding the use of antibiotics is correct?
- (A) If each doctor acts in the best interest of his or her patients, the outcome will be Pareto efficient.
  - (B) If each doctor acts in the best interest of his or her patients, the result will be an overuse of antibiotics.
  - (C) The use of antibiotics does not bring benefits to mankind.
  - (D) The allocation of antibiotics should be left to the market.
50. Which of the following statements regarding markets are correct?
- (A) Ronald Coase advocated that as long as markets can be established, "in-house" production is redundant.
  - (B) There are some cases where centralised systems (such as firms or the government) produce better outcomes than the market.
  - (C) Sale of human organs for transplant is fine if it is done in a market.
  - (D) Commercial surrogacy between consenting adults should be legalised.

## ROUGH WORK



## ROUGH WORK