

GU-RET 2016

GAUHATI UNIVERSITY RESEARCH ELIGIBILITY TEST

ECONOMICS

Booklet Series : **(B)**

Invigilator's Name and Signature

BOOKLET NO.

OMR SHEET NO.

ROLL NO.

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TIME : 2 HOURS 20 MINUTES

TOTAL MARKS : 80

Number of Pages in this Booklet : 16

Instructions for Candidates

1. Write your Roll No. and OMR Sheet No. in the boxes provided above.
2. This paper consists of two sections: **Section B** with 30 (thirty) multiple choice questions (MCQ) and **Section C** with 6 (six) descriptive questions. Each MCQ has 4 (four) answers, out of which **ONLY** one is correct. You have to darken the circle (on the OMR Sheet) for the correct answer corresponding to the question given in this booklet.

Example : (A) (B) (C) (D)

where (C) is the correct answer. No marks will be given for markings made in this booklet. The descriptive questions in **Section C**, **MUST** be answered in the space provided in this booklet. **No extra pages will be provided in any case.**

3. Use a **BLACK** ball point pen in your OMR Sheet.
4. Read the instructions given inside this booklet before attempting to answer any questions.
5. **DO NOT** write your name, roll no, phone no, or anything, or put any marks anywhere in this booklet, otherwise your candidature will be disqualified.
6. If you are found to resort to any kind of unfair means such as carrying extra material other than pen, pencil, watch, eraser, and scale, or copying from somebody or from external material, your candidature will be disqualified.
7. Use of mobile phones, calculators, log tables or any other tables, wearable smart devices such as smart Android watches or objects of similar nature **CAN NOT** be used inside the examination hall.
8. At the end of the examination, you have to return this booklet and the OMR Sheet back to the invigilator.
9. There is no negative marks for incorrect answer.

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Section B (50 Marks)

1. Which constitutional body recommends devolution of taxes between the centre and the states?
 - (A) Planning Commission/NITI Ayog
 - (B) National Development Council
 - (C) Finance Commission
 - (D) State Finance Commissions

2. The Theory of Clubs explains conditions of efficiency in provision of goods that are
 - (A) Non-rival and non-excludable
 - (B) Rival in consumption but excludable
 - (C) Non-rival in consumption but excludable
 - (D) Rival and excludable

3. The process of Cumulative Causation is powered by the
 - (A) Spread Effect
 - (B) Backwash Effect
 - (C) Domino Effect
 - (D) Demonstration Effect

4. Lindahl's Model of Voluntary Exchange determines
 - (A) Total amount of Public Expenditure and Taxes
 - (B) Allocation of Public Expenditure among various social wants
 - (C) Allocation of Taxes among the individuals
 - (D) All the above

5. In Alternative Terminal conditions of Capital Control
 - (A) All conditions of optimization change
 - (B) Some new conditions are added with the original ones
 - (C) Transversality condition is to be duly modified
 - (D) Original three conditions remain the same, but the Transversality condition is to be modified

6. Coase's Voluntary Bargaining works if
 - (A) Property Rights are clearly defined and enforced
 - (B) cost of Voluntary Bargaining is higher than benefits from negotiation
 - (C) presence of large number of participants
 - (D) asymmetry of knowledge among bargaining parties

7. Disinvestment means
 - (A) lowering investment in depressed economy
 - (B) reducing investment by raising rate of interest
 - (C) reducing government equity participation in PSUs
 - (D) abolition of license-permit raj

8. The Committee constituted by RBI to look into Capital Account Convertibility (CAC) in India is the
 - (A) Narasimham Committee
 - (B) Tarapore Committee
 - (C) Rangarajan Committee
 - (D) Jalan Committee

9. If standard deviation of a variable X is s and if $Y = a + bx$, where a and b are constants, the standard deviation of Y is
 - (A) $a + bs$
 - (B) bs
 - (C) \sqrt{bs}
 - (D) b^2s

10. If sample size is very large and probability of happening is too small then one should go for
 - (A) Binomial distribution
 - (B) Normal distribution
 - (C) Poisson distribution
 - (D) Negative binomial distribution

11. If p_0 is the market price, then the demand curve facing an ideal competitive firm takes the form
- (A) $D(p) = 0$ if $p > p_0$, any amount if $p = p_0$ and ∞ if $p < p_0$
- (B) $D(p) = 1$ if $p > p_0$, 0 if $p = p_0$ and ∞ if $p < p_0$
- (C) $D(p) =$ any amount if $p > p_0$, 0 if $p = p_0$ and ∞ if $p < p_0$
- (D) $D(p) =$ any amount if $p > p_0$, ∞ if $p = p_0$ and 0 if $p < p_0$
12. According to the Keynesian Consumption function, in the short run
- (A) (i) current consumption depends on current disposable income
(ii) $mpc > 1$
(iii) $apc = mpc$
- (B) (i) current consumption depends on current disposable income
(ii) $mpc = 0$
(iii) $apc = mpc$
- (C) (i) current consumption depends on current disposable income
(ii) $mpc < 1$
(iii) $apc < mpc$
- (D) (i) current consumption depends on current disposable income
(ii) $mpc > 1$
(iii) $apc = 0$
13. If the consumption function is $C = 10 + 0.9Y_d$ and the disposable income Y_d rises from ₹1000 to ₹1500, the consumption would rise by?
- (A) ₹135
- (B) ₹150
- (C) ₹90
- (D) ₹450
14. Gross National Product is the market value of final goods and services, newly produced during the current period
- (A) within a country
- (B) by domestic factors of production
- (C) both within and outside the country
- (D) by foreign factors of production within a country
15. Break-even analysis is an instrument for analyzing the interaction among
- (A) firm's losses and operating costs
- (B) firm's past activities and future plans
- (C) firm's revenue, costs and operating profits at various levels of output
- (D) firm's future plans, costs and operating profits at various levels of output
16. Which of the following statements are true about 'correlation coefficient'?
- (A) (i) is always +ve
(ii) is symmetrical in nature
(iii) is independent of the origin and scale
- (B) (i) can be +ve or -ve
(ii) is symmetrical in nature
(iii) is independent of the origin and scale
- (C) (i) can be +ve or -ve
(ii) may be symmetrical in nature
(iii) is scale sensitive
- (D) (i) is always -ve
(ii) may be symmetrical in nature
(iii) is scale sensitive
17. Which of the following is not a property of the indirect utility function (U^*)
- (A) U^* is non-increasing in prices
- (B) U^* is homogenous of degree 0 in prices and income
- (C) U^* is quasi-concave in prices
- (D) U^* is decreasing in income
18. An increase in the marginal propensity to save will
- (A) increase the value of the multiplier
- (B) decrease the value of the multiplier
- (C) have no impact on the value of the multiplier
- (D) lead to exponential increase in the value of the multiplier
19. The area enclosed by two ridge lines is called the
- (A) economic region of production
- (B) profit making region of production
- (C) loss making region of production
- (D) transitory region of production

20. Baumol's Theory of Demand for Money

- (A) rules out the influence of interest rates on the demand for money
- (B) emphasizes the importance of speculative demand for money
- (C) proves that the transactions demand for money is also interest sensitive
- (D) proves that the speculative demand for money is also interest sensitive

21. In which instances of List II, the problems of the List I may arise?

List I	List II
a. Free riding	i. Used car market
b. Moral hazard	ii Fire insurance
c. Adverse selection	iii Street lighting
d. Principal-agent	iv Monitoring workers

- (A) a-i, b-iii, c-iv, d-ii
- (B) a-ii, b-iii, c-i, d-iv
- (C) a-iii, b-ii, c-i, d-iv
- (D) a-ii, b-iv, c-i, d-iii

22. Under perfect mobility of capital, the BP curve (Balance of Payment Curve) in the open economy IS-LM model will be

- (A) vertical
- (B) upward rising
- (C) horizontal
- (D) downward sloping

23. Match items in List I with those in List II

List I	List II
a. Chi square	i. Comparison of means of 2 samples
b. F	ii Fire insurance
c. Paired t	iii Street lighting
d. Fisher's t	iv Monitoring workers

- (A) a-iv, b-iii, c-i, d-ii
- (B) a-ii, b-iii, c-i, d-iv
- (C) a-iv, b-iii, c-ii, d-i
- (D) a-ii, b-iv, c-i, d-iii

24. The mean and the standard deviation of a random variable with a Binomial Distribution are 45 and 3 respectively. What is the probability of success in a single trial?

- (A) $1/5$
- (B) $2/5$
- (C) $3/5$
- (D) $4/5$

25. Match items in List I with those in List II

List I	List II
a. Social Welfare Function	i. Seitovsky
b. Utilitarianism	ii Bentham
c. Social Choice	iii Bergson
d. Compensation Principle	iv Buchanan

- (A) a-i, b-iii, c-iv, d-ii
- (B) a-ii, b-iii, c-i, d-iv
- (C) a-iii, b-ii, c-iv, d-i
- (D) a-iii, b-iv, c-i, d-ii

26. Match items in List I with those in List II

List I	List II
a. Hessian Determinant	i. Multivariate optimisation
b. Lagrangian Multiplier	ii Constraint optimisation
c. True Value Hamiltonian	iii Dynamic optimisation
d. Saddle Point	iv Minimum of the maximums

- (A) a-i, b-ii, c-iii, d-iv
- (B) a-i, b-ii, c-iv, d-iii
- (C) a-ii, b-i, c-iii, d-iv
- (D) a-iii, b-iv, c-i, d-ii

27. Which of the following statements are associated with Endogenous Growth theories?

- (A) Non-diminishing returns to capital sustains growth rate
- (B) Per capita income of economies with different levels of development tend to converge over time
- (C) Private investment on knowledge generates positive externalities
- (D) Growth paths represent unstable equilibrium

28. Match items in List I with those in List II

List I	List II
a. Spurious R square	i. Omission of Relevant Variable
b. Perfect Multicollinearity	ii Dummies for all categories
c. Inconsistency	iii Regression of Non-stationary Series
d. Biasedness	iv Simultaneity

- (A) a-iii, b-ii, c-i, d-iv
- (B) a-ii, b-iii, c-iv, d-i
- (C) a-iii, b-ii, c-iv, d-i
- (D) a-ii, b-iv, c-i, d-iii

29. Leontief Paradox is related to empirical verification of

- (A) Ricardian Comparative Advantage
- (B) Heckscher-Ohlin Theorem
- (C) Vent for Surplus Theory
- (D) Stolper-Samuelson Theorem

30. Regression of Y on W, X and Z resulted in the following estimated regression equation

$$Y = 2.75 - 0.61W + 1.23X + 2.72Z$$

(0.01) (0.19) (0.04)

The number within brackets are levels at which the corresponding coefficients are significant. Which of the regressors have statistically significant impact on Y ?

- (A) W and X
- (B) X and Z
- (C) Z and W
- (D) all of W, X and Z

G U - R E F 2 0 1 6

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Section C (30 Marks)

Answer any 1 (one) from the following

1. 'Indian Rupee is said to be convertible for most current account transactions but not so for most capital account transactions' — explain the meaning of the statement. Discuss the pros and cons of full capital account convertibility.
(Marks : 10 + 10 = 20)
2. Explain how social cost-benefit analysis is used by planners to decide the selection of investment projects in developing countries.
(Marks : 20)
3. What is 'Classical Pessimism'? How is it reflected in the works of Ricardo and Karl Marx?
(Marks : 5 + 15 = 20)

Answer any 1 (one) from the following

4. How is the UNDP Human Development Index (HDI) a superior indicator of development attainment than Per Capita Income? Describe how the HDI has evolved over the years. Narrate India's development performance in relation to itself and in global comparison in terms of UNDP HDI scores.
(Marks : 10 + 10 + 10 = 30)
5. What led to the drastic changes in the economic policy regime in India in the last decade of the twentieth century? Discuss the steps taken and the process adopted to revitalize the economy in the first phase of reforms. What was its impact on the country's 'economic growth', 'poverty', and 'unemployment'?
(Marks : 5 + 15 + 10 = 30)
6. What are the approaches and recommendations made by the 14th Finance Commission in respect of horizontal and vertical devolution? What are its implications for the states of North-East India? Discuss.
(Marks : 20 + 10 = 30)

Space for Answers (Section C) : for Questions 1 to 3 (3 pages)

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Space for Answers (Section C) : for Questions 1 to 3 (3 pages)

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Space for Answers (Section C) : for Questions 1 to 3 (3 pages)

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Space for Answers (Section C) : for Questions 4 to 6 (5 pages)

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Space for Answers (Section C) : for Questions 4 to 6 (5 pages)

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Space for Answers (Section C) : for Questions 4 to 6 (5 pages)

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