Question Bank Entry Test 2021-22 (Economics, Agricultural Economics, Agricultural & Resource Economics, Development Economics)

1. What is the Environmental Economics?
   a) The branch of economics that studies how environmental and natural resources are developed and managed.
   b) The branch of economics that shows how to exploit natural resources as quickly as possible.
   c) The psychological study of relationships between humans and natural resources.
   d) All answers above are correct.
2. Which of the following answers applies to renewable natural resource?
   a) Once the renewable natural resource is used, it is gone forever.
   b) Renewable resources can be replenished.
   c) Renewable resources are costly to extract.
   d) Renewable resources can be harvested at any rate without harming future supplies.
3. Which of the following answers is a non-renewable natural resource?
   a) Fish and cattle.
   b) Petroleum.
   c) Human Resources.
   d) All answers above are correct
4. Why study environmental economics?
   a) Environmental economics to bring harmony to the economic system and the environment.
   b) Study environmental economics to bring harmony to the economic system and the political system.
   c) Study environmental economics to find harmony with oneself.
   d) Study environmental economics to find harmony with other people
5. When economists say a product has a high cost for a good, what does it mean?
   a) Good is available in large quantities to the market.
   b) A monopoly is supplying goods.
   c) Demand is very high relative to supply.
   d) All answers above are correct.
6. Which items from list below is a positive externality?
   a) Public Immunization.
   b) Traffic jams.
   c) A neighbor's barking dog.
   d) All answers above are correct
7. Since 1886, the British Telecom supplies telephone and communication services to its citizens. It has a 100% market share. What kind of company is it?
   a) Oligopoly.
   b) Duopoly.
   c) Monopoly.
   d) None of the answers above is correct
8. Which good is a public good?
   a) Military and police.
   b) Used car market.
   c) Insurance from a private company.
   d) Petroleum imported from a government-controlled oil field
9. What is Cost-Benefits Analysis?
   a) Help person or institution to choose a project with lowest benefits and highest costs
   b) Help person or institution to choose a project with highest benefits and lowest costs
   c) Help a person or institution to choose a project with the highest benefits and costs
   d) Help a person or institution to choose a project with the lowest benefits and costs
10. What is an open resource?
   a) Property owned by everyone or absence of ownership
   b) Property owned by the government
   c) An LLP company owns the property
   d) None of the answers above is correct

11. What is the meaning of equity?
   a) People own equally all of the society's resources.
   b) Government representatives only have right to use resources.
   c) Law representatives only have right to use resources.

d) None of the answers above is correct

12. Which countries are big recyclers?
    a) Low-income countries.
    b) Low population countries.
    c) High population countries.
    d) High-income countries

13. Which factor allows society to produce more goods and services?
    a) Financial growth.
    b) Economic growth.
    c) Population growth.
    d) Economic stagflation

14. Why is the world's population growth rate slowing?
    a) People are becoming more educated.
    b) Children are expensive in both money and time.
    c) Governments provide little support to their people.
    d) Taxes are increasing over time

15. If many industries are expanding within a country, what is happening?
    a) Nothing is changing.
    b) The people's welfare is decreasing.
    c) The mortality level is increasing.
    d) The economy is expanding and we have economic growth

16. What is the impact of high market prices on society?
    a) Industries expand to the higher demand and price.
    b) Firms want to supply more products to the market.
    c) The high market price spurs technological progress.
    d) All answers above are correct

17. What of the following is not true about the Environmental Kuznet's Cruve?
    a) Pollution increases initially as a country develops its industry and then begins to decline after reaching a certain level of economic progress.
    b) That in the early stages of economic growth, degradation and pollution increase, but beyond some level of income per capita, the trend reverses. High-income levels per capita leads to environmental improvements.
    c) That economic inequality decreases over time while a country is developing, then after a certain average income is attained, inequality begins to increase.
    d) That the relationship between per capita income and the use of natural resources and/or the emission of wastes has an upside down U-shape

18. Which explanation does not refer to Environmental Kuznets Curve?
    a) A natural transition of economic development from agrarian economies, to heavy polluting industries, and finally to cleaner service economies.
    b) High-income countries export their pollution to less developed countries.
    c) Environmental quality is a flow variable that improves over time.
    d) High-income countries can afford to pay the higher pollution abatement costs

19. One of the important implications of an Environmental Kuznets Curve (EKC) is that:
    a) At low levels of income, pollution does not rise with flat growth because the pollution response is weak.
    b) Growth and development in a country does not necessarily lead to environmental degradation.
    c) As income falls, the willingness to pay for environmental quality rises, and increasingly large sacrifices in consumption are made to provide great environmental benefits.
    d) Below a threshold level of pollution, the dirtiest technology will not be used

20. There is empirical evidence that the amount of environmental regulation increases with the level of income. Which of the following reason(s) are correct?
    a) Pollution damages gets a higher priority after society has attained enough investments in health and education.
    b) High-income societies have more staff and funds to enforce compliance with environmental regulations.
    c) Higher income and education empower local communities to enforce tougher environmental standards.
    d) All of the above answers are true

21. The Environmental Kuznet's Curve upside down U-shape refers to
    a) An environmental indicator responding to climate seasons.
    b) When environmental pollution is at its greatest level and society has attained a certain standard of living from its economic system, society changes its focus from low-paying jobs to high-paying jobs.
    c) When environmental pollution is at its greatest level and society has attained a certain standard of living from the industrial sector, society changes its focus from self-interest to social interest.
    d) None of the answers is correct

22. Which answer below is not a characteristic of the developing world?

a) They have high population growth rates.
b) They are moving from agrarian societies to industrialized societies, resulting in more pollution.
c) They are moving from industrialized societies to agrarian societies, resulting in less pollution.
d) Urbanization

23. What are the potential problems in the developing world?
a) Urbanization.
b) Corruption and lack of democracy.
c) Lack of information/education.
d) All answers above are correct

24. Why does the industry from developed countries relocate to the developing countries?
a) Developing countries have cheaper labor and lax regulations.
b) They want to help the developing countries create jobs.
c) They want to increase economic growth in developing countries.
d) They want to pay higher taxes

25. Which country pollutes our atmosphere more than the other countries?
a) China.   b) Russia.   c) Japan.   d) Mongolia

26. Why is urbanization increasing in the developing world?
a) Urban areas are cheaper to live in.
b) People want to be closer to friends and family.
c) Urban areas have stronger government regulations.
d) Urban areas tend to create the jobs

27. What are the benefits if the developing countries grow into developed countries?
a) Their population growth rates slow down.
b) If they become high-income societies, then they may invest in green technologies.
c) If they become high-income societies, then they may replenish their renewable resources.
d) All answers are correct

28. Who coined the phrase "The Invisible Hand?"
a) Gordon Tullock.
b) John Maynard Keynes.
c) Joseph E. Stiglitz.
d) Adam Smith

29. If government finds an endangered species living on your property, then
a) Owner has severe restrictions on their property.
b) The government in effect takes the property, because it severely limited the owner's choices.
c) Government does not compensate to protect the endangered species.
d) All answers are correct

30. What is a market failure?
a) Something prevents the market to allocate resources efficiently.
b) Both consumers' and producer's surpluses are maximized.
c) Free market of individuals acting in their own self-interest leads to a socially-desirable result.
d) None of the answers is correct

31. What is a bundle of rights that describe an owner's rights, privileges and limitations for use of a resource?
a) Private goods.
b) Public goods.
c) Property rights.
d) State-property regimes

32. What is a common-property regime?
a) Individuals hold entitlement.
b) Government owns and controls property.
c) No one owns or exercises control over the resource.
d) Property is jointly owned and managed by a specific group

33. What does a market failure imply?
a) Wastefulness or economic inefficiency.
b) It lowers the costs involved in making a transaction.
c) Goods are always supplied by producer.
d) The consumers get the lowest prices and highest quantities from the market

34. What kind of market failure is it, if a company producing medicines also pollutes the air?
a) Asymmetric Information.
b) Monopolies.
c) Negative Externality.
d) Open access property problem

35. Which answer below is an example of a positive externality?
a) Public immunizations.
b) Increase of corporate taxes.
c) Issuing extra permits for pollution.
d) All answers above are correct

36. Which answer below is not a market failure?
    a) Asymmetric Information.
    b) Monopolies.
    c) Externalities.
    d) Economies of scale
37. What is it when fishermen catch too many fish, which causes the fish populations to decrease to such a level that hurts future fish catching?
    a) Asymmetric Information.
    b) Monopolies.
    c) Negative Externality.
    d) Open access Property
38. How can government correct the problem with open access property, like over fishing?
    a) Allow one firm to control the resource.
    b) Create permit system.
    c) Prohibit access to the property.
    d) All answers above are correct
39. What is another name for an open access property?
    a) Tragedy of the Commons.
    b) Greenhouse effect.
    c) Social marginal cost.
    d) All answers above are correct
40. Which one of the following is not a source of market failure?
    a) Public goods b) Product is both rival and excludable
    c) Presence of externalities d) Asymmetric information
41. Market failure can occur when
    a) Monopoly power exists in the market.
    b) Properties rights are not well-defined.
    c) Moral hazard and adverse selection exist
    d) All of the above
42. Which of the following is an example of a public good?
    a) Having hot dogs at a picnic.
    b) Whales swimming in the ocean.
    c) National defense protecting a nation.
    d) Apples on a tree in a public park
43. Access to the broadcast signal from a radio station is a
    a) A private good, but the station itself is a public good.
    b) A public good, but the station itself is a private good.
    c) Both the radio station and broadcast signal are private goods.
    d) Both the radio station and broadcast signal are public good
44. Goods such as hamburgers and French fries are examples of
    a) Rival goods. b) Non-rival goods. c) Public goods. d) Nonexclusive goods
45. A situation in which a buyer and a seller possess different information about a transaction is called
    a) Adverse selection b) Asymmetric information c) Market signaling d) Moral hazard
46. What is the problem of prohibiting or outlawing pollution?
    a) The prohibition lowers firms' costs.
    b) New firms enter the market to supply the outlawed products.
    c) The prohibition creates job losses as industry shuts down.
    d) Firms may purchase or sell permits in a market
47. Which answer below causes an industry to relocate to another country and to export goods back to the original country?
    a) Pollution prohibition.
    b) The public protests.
    c) The original country offers tax breaks and subsidies.
    d) Escape earthquakes and other natural disasters
48. What is a leakage?
    a) Government uses laws and regulations that dictate the standards and/or technology used to reduce pollution.
    b) Disputing parties work out a private agreement that is efficient for society.
    c) The government uses price or quantity mechanisms to internalize the externalities.
    d) The manufacturing firms flee to developing countries with weak environmental laws
49. What is the problem of pollution lawsuits?
    a) Courts are slow   b) Litigation is costly   c) All answers are correct
    d) Need to know both who causes the harm and what the damages are.
50. What allows a nation's courts to intervene in a market to address externalities?

a) Protocols.
b) Lawsuits.
c) Command-and-control regulations.
d) Open access property

51.   The functional distribution of income shows, how national income is divided between
   a) Employees
   b) The population
   c) Factors of production
   d) The working population

52.   When the market is contestable, incumbent firms must---------------- to avoid the entry of new competitors.
   a)   Behave like competitive firms
   b) Agree to act together
   c) Differentiate their products
   d) Practice price discrimination

53.   Natural monopoly has a declining ------------ over a long range of output
   a) Long-run marginal cost
   b) Short-run marginal cost
   c) Long-run average cost
   d) Short-run average cost

54.   A monopolist will never produce at point where
   a) Demand is price inelastic
   b) Demand is price elastic
   c) Marginal cost is positive
   d) Marginal cost is increasing

55.   The elasticity of substitution for Cobb-Douglas production function is
   a) Less than one
   b) Equal to one
   c) Greater than one
   d) Unidentified

56.   Which of the following is a pareto-improvement?
   a) Redistribute initial endowments from the rich to poor
   b) Redistribute initial endowments to equate the MRS for all consumers
   c) Introduce rationing to ensure food supplies for the poor
   d) None of above

57.   The utility of different commodities can be ranked or ordered but not measured called
   a) Cardinal utility
   b) Ordinal utility
   c) Additive utility
   d) Transitivity of preference utility

58.   At the point of inflection, where MPP is rising and APP is also rising then
   a) MPP < APP
   b) MPP = APP
   c) MPP = 0
   d) MPP > APP

59.   A line which shows the different combinations of two inputs which produces the same output level called
   a. Indifference curve
   b. Production possibility curve
   c. Isoquant
   d. Isorevenue line

60.   For------------, an increase in income leads to decrease in quantity demanded
   a. Normal goods
   b. Inferior goods
   c. Luxury goods
   d. Giffen goods

61.   The demand curve which includes the substitution and income effects called
   a. Derived demand curve
   b. Ordinary demand curve
   c. Compensated demand curve
   d. Marshillian demand curve

62.   Trade-off between the growth rate and valuation ratio for the firm
   a. Utility maximization model
   b. Linear programming technique
   c. Growth maximization model
   d. Sales maximization model

63. The monopolist is able to charge several different prices for different ranges or groups of output called---------------
a. First degree of price discrimination
b. Second degree of price discrimination
c. Third degree of price discrimination
d. Perfect price discrimination

64. When two inputs are close substitutes of each other, then price elasticity of demand will be
a. Less elastic
b. Perfectly elastic
c. More elastic
d. Inelastic

65. Profit maximization factor demand function depends on
a. Factor and output prices
b. Factors prices only
c. Output prices and level of input use
d. Factor prices and level of output

66. When we substitute Marshillian demand function into utility function, we obtain
a. Profit function
b. Cost function
c. Production function
d. Indirect utility function

67. In monopolostistic competition, firms desire to sell more output at equilibrium because
a. Price is equal to marginal revenue
b. Price is greater than average variable cost
c. Price is greater than average cost
d. Price is greater than marginal cost

68. Marginal rate of substitution for two goods can be obtained from
a. Slope of indifference curve
b. Slope of budget line
c. Ratio of 1st derivatives of utility function
d. None of the above

69. The marginal propensity to consume (MPC) is the amount by which consumption changes with the increase in
a. Net income
b. Total income
c. Disposable income
d. None of the above

70. If consumers think that there are many substitutes for a good, then
a. Supply would tend to be price elastic.
b. Demand would tend to be price elastic.
c. Demand would tend to be price inelastic.
d. None of these answers

71. Producer surplus is the area
a. below the supply curve and above the price.
b. below the demand curve and above the supply curve.
c. below the demand curve and above the price.
d. above the supply curve and below the price.

72. Economics is the study of
a. How society manages its unlimited resources
b. How to reduce our wants until we are satisfied
c. How society manages its scarce resources
d. How to fully satisfy our unlimited wants

73. Which of the following is an example of a price floor?
a. The minimum wage
b. Wheat support price
c. Wheat flour price
d. Both a and b

74. When the market is contestable, incumbent firms must---------------- to avoid the   entry of new competitors.
a. Behave like competitive firms
b. Agree to act together
c. Differentiate their products
d. Practice price discrimination

75.   Marginal Propensity to Consume (MPC) is always ……………..
a.   Greater than zero
b.   Greater than one
c.   Equal to one
d.   None of them

76.   The GDP deflator is also called
  a. Explicit price deflator for GDP
  b. Implicit price deflator for GDP
  c. Both "a" and "b"
  d. None of the above

77.   Okun's law describes the relationship between
  a. Employment and GDP
  b. Unemployment and GDP
  c. Government spending and GDP
  d. All of the above

78.   Which is the most liquid asset
a. Bonds
b. Shares
c. Fixed deposits
d. Saving accounts deposit

79.   The investment on those goods that businesses put aside in storage is called
a. Inventory investment
b. Residential investment
c. Business fixed investment
  d. None of the above

80.   The Mundell-Fleming model is the IS-LM model for a
 a. Large open economy
b. Small open economy
 c. Small close economy
  d. Large close economy

81. Expansionary monetary policy
a. Raises interest rate and raises income
b. Raises interest rate and lowers income
c. Lowers interest rate and raises income
d. Lowers interest rate and lowers income

82. The amount households, firms and the government would like to spend on goods and services is termed as:
a. Planned expenditure
b. Actual expenditure
c. Unplanned expenditure
d. All of the above

83. Aggregate demand curve shifts due to changes in the
a. Cost of production
b. Output prices
c. Money supply
d. None of the above

84. Aggregate supply is the relationship between the quantity of goods and services   supplied and the:
a. Price level
b. Output level
c. Real interest rate
    d. Level of input use

85. An externality is
a. The benefit that accrues to the buyer in a market.
b. The cost that accrues to the seller in a market.
c. The compensation paid to a firm's external consultants.
    d. None of them

86. The graph that shows the positive relationship between quantity supplied of a resource   and its price is known as a
a. Supply curve
b. Demand curve
c. Indifference curve
    d. Leisure curve

87. Government purchases and taxes are the exogenous variables of
a. Price policy

b. Monetary policy
<mark>c. Fiscal policy</mark>
d. None of the above
88.   The equilibrium in the money market determines the
a. Output level
<mark>b. Price level</mark>
c. Both "a" and "b"
d. None of the above
89.   In an open economy, when net exports are greater than zero, it shows
a. Trade deficit
b. Balanced trade
<mark>c. Trade surplus</mark>
d. None of the above
90.   According to the Philips curve, policy makers who control aggregate demand faces a   short-run tradeoff between:
<mark>a. Inflation and unemployment</mark>
b. Inflation and employment
c. Both "a" and "b"
d. None of the above
91.   According to the Solow model, technological progress causes the value of many   variables to rise together in the steady state. This property is called:
a. Upward growth
b. Downward growth
<mark>c. Unbalanced growth</mark>
d. Balanced growth
92.   The marginal propensity to consume (MPC) is the amount by which consumption changes with the increase in
a. Net income
b. Total income
<mark>c. Disposable income</mark>
d. None of the above
93.   When saving is positively related to the interest rate, a rightward shift in the   investment schedule increases:
a. Interest rate and government spending
b. Interest rate and amount of investment
c. Interest rate and people saving
<mark>d. Both "b" and "c"</mark>
94.   Fisher effect describes the one-for-one relation between
<mark>a. Inflation rate and nominal interest rate</mark>
b. Inflation rate and real interest rate
c. Both "a" and "b"
d. None of the above
95.   If the real exchange rate is high, the
a. Domestic goods are relatively cheap
b. Foreign goods are relatively cheap
c. Domestic goods are relatively expensive
<mark>d. Both "b" and "c"</mark>
96.   In the mixed economy
<mark>a. Economic problems are solved by the government and market.</mark>
b. Economic decisions are made by the private sector and free market.
c. Economic allocation is achieved by the invisible hand.
d. Economic questions are solved by government departments.
97.   Natural resources and capital in the economy depreciate overtime. If we subtract   depreciation from GDP, we get ….....
a. <mark>NNP</mark>
b. NI
c. GNP
d. None of above
98.   A reasonable measure of the standard of living in a country is
<mark>a. Real GDP per person.</mark>
b. Nominal GDP per person.
c. Real GDP.
d. The growth rate of nominal GDP per person.
99.   National saving (or just saving) is equal to
a. Direct investment + consumption expenditures.
b. Private saving + public saving + foreign investment.
c. GDP + consumption expenditures + government purchases.

100.   Trade-off between the growth rate and valuation ratio for the firm
a. Utility maximization model
b.   Linear programming technique
c. Growth maximization model
d.   Sales maximization model

101.   Data on one or more variables collected at the same point in time is called---------
a. Time series data
b.   Longitudinal data
c. Pooled data
d.   Cross sectional data

102.   Population regression curve is simply the locus of conditional means of the dependent
         variables for the fixed values of the ----------------- variables
a.   Explanatory
b.   Independent
c.   Predictor
d.   All of the above

103.   The fit of the model is said to be "better" the close is R^2 to _____?
  a. 0.5
  b. 1
  c. -0.5
  d. 1.5

104.   Coefficient of determination R^2 is calculated by
  a. RSS/TSS
  b. ESS/TSS
  c. RSS/ESS
  d. 1- ESS/TSS

105.   When sample size "n" is zero then _____ micronumerocity exist?
  a.   Exact
  b. Near
  c. Zero
  d. Same

106.   In the case of perfect mulicolliniarity the variance and standard error of OLS   estimators
individually are _____?
  a. Finite
  b. Zero
  c. Infinite
  d. One

107.   When there is perfect collinearity, Tolerance (Tol) is equal to
  a. 1
  b. 0
  c. -1
  d. Infinity

108.   High R^2 but few siginificant "t" ratios indicate
a.   Heteroscedasticity
b.   Multicollinearity
c.   Zero Multicollinearity
d.   Micronumerosity

109.   _____ is most common problem in cross sectional data
  a. Multicollinearity
  b. Association
  c. Autocorrelation
  d. Heteroscedasticity

110.   Spearman's Rank correlation test is used to detect _____
  a.   Autocorrelation
  b. Heteroscedasticity
  c. Zero Muticollinerity
  d. Coefficient of determination

111.   If there is specification bias (some variables are excluded) then there is
  a. Correlation
  b. Multicollinearity
  c. Zero Correlation
  d. Homoscedasticity

112.   The test used to detect auto-correlation is _____
  a. Park Test
  b. Glejser Test

c. Spearman's Rank Correlation Test
d. Durbin-Watson d Test
113.   If $\sum(\mu_i\, \mu_j) = 0$, $i \neq j$ it means that
a. High Autocorrelation
b. No Autcorrelation
c. Zero Autocorrelation
d. Zero Multicollinearity
114.   ------------------- is the most common problem in time series data
a.   Autocorrelation
b.   Homoscedasticity
c.   Heteroscedasticity
d.   Multicollinearity
115. In the regression specification $y = \alpha + \beta\, x + \varepsilon$
a. y is called the dependent variable or the regressand, and x is called the   regressor
b. y is called the dependent variable or the regressor, and x is called the regressand
c. y is called the independent variable or the regressand, and x is called the regressor
d. y is called the independent variable or the regressor, and x is called the regressand
116. In the regression specification $y = \alpha + \beta\, x + \delta\, z + \varepsilon$ the parameter α is called
a. The slope coefficient
b. The intercept
c. The constant term
d. Both b) and c) above
117. The terminology ceteris paribus means
a. All else constant
b. Changing everything else by the amount by which they usually change
c. Changing everything else by equal amounts
d. None of the above
118. R-square is the fraction of
a. The dependent variable explained by the independent variables
b. The variation in the dependent variable explained by the independent variables
c. The variation in the dependent variable explained linearly by the   independent variables
d. None of the above
119. You have regressed y on x to obtain yhat = 3 + 4x. If x increases from 7 to 10, what is   your forecast of y?
a. 12
b. 31
c. 40
d. 43
120. The explanatory variables, X_i should not linearly correlate or affect each others; if   they do, the problem is referred to as
a. Autocorrelation
b. Misspecification error
c. Heteroscedasticity
d. Multicollinearity
121. Multicollinearity occurs when
a. The dependent variable is highly correlated with all of the explanatory variables
b. An explanatory variable is highly correlated with another explanatory   variable
c. The error term is highly correlated with an explanatory variable
d. The error term is highly correlated with the dependent variable
122. In general, omitting a relevant explanatory variable creates
a. Bias and increases variance
b. Bias and decreases variance
c. No bias and increases variance
d. No bias and decreases variance
123. The regression model includes a random error or disturbance term because of
a. Measurement errors in the observed variables
b. Omitted influences on Y (other than X)
c. Both a and b
d. None of these
124. Which of the following assumptions about the error term is part of the "Standard   assumptions"
of Least-Square estimation techniques?
a. It has a mean of zero
b. It has a constant variance
c. It has a normal distribution
d. All of these

125. In a simple linear regression model the slope coefficient measures
a. The elasticity of Y with respect to X
b) ΔY/ΔX
c) ΔX/ ΔY
d) None of these
126. Human development index comprises of
a. Income index
b. Life expectancy index
c. Education and income index
d. Income, life expectancy and education index
127. Harrod-Domar growth model is also referred as
a. AS model
b. AK model
c. AP model
d. Kuznet's model
128. In Harrod-Domar growth model s/k is equal to-------------------, where 's' is national   saving ratio and 'k' is national capital output ratio
a. GDP growth rate
b.   HDI growth rate
c. GNP growth rate
d.   CPI growth rate
129. The ------------------------ shows the actual quantitative relationship between the percentage of income recipients and the percentage of total income they in fact receive during a given year
a. Production possibility curve
b. Lorenz curve
c. Kuznet curve
d. Demand curve
130. Gini coefficient was first constructed by Italian statistician in
a. 1913
b. 1912
c. 1911
d. 1910
131. Gini coefficient may vary between
a. 1-2
b. 0-1
c. 1-10
d. 1-5
132. In trade theory, the limits on the quantity of imports is called
a. Tariffs
b. Quotas
c. Subsidies
d. ' a' and 'b'
133. Vent-for-surplus theory of International Trade was first formulated by
a. David Recardo
b. John Staurt Mill
c. Adim Smith
d. Hecksher-Ohlin
134. -------------------------- addresses technological spillovers that may be present in the   process of industrialization
a. Romer-endogenous growth model
b. Harrod-Domar growth model
c. Lewis-two sector model
d. False-paradigm model
135. In rural areas of Pakistan, women play a major role in
a. Agricultural production
b. Livestock raising
c. Cottage industry
d. All of the above
136. Local government and rural development department was established in Pakistan in
a. 1978-79
b. 1983-84
c. 1986-87
d. 1975-76
137. The aim of rural development is to
a. Increase the rural population

b.	Increase income disparity between rural and urban areas
c.	Frame projects of local importance and complete them with village labor
d.	None of the above
138.	Which one is not the main objective of land reforms ?
a.	Wealth accumulation
b.	Social
c.	Political
d.	Economics
139.	--------------------- is not used to measure the level of rural development
a.	Physical quality of life index
b.	Human development index
c.	Per capita real gross national product
d.	Housing index
140.	A ------------- -- is to ensure growth with social equity or justice
a.	Private policy
b.	Public policy
c.	Monopoly policy
d.	Foreign policy
141.	The budget is a tool for applying the principle of opportunity cost in using
a.	Unlimited resources most profitability
b.	Unlimited resources less profitability
c.	Limited resources most profitability
d.	None of the above
142.	Economic development refers to
a.	Economic growth.
b.	Economic growth plus changes in output distribution and economic structure.
c.	Improvement in the well-being of the urban population.
d.	Sustainable increases in Gross National Product
143.	Dual economies are countries
a.	With double capital and labor/
b.	With a modern manufacturing sector as well as traditional agriculture sector.
c.	That specialize in labor-intensive products more than capital-intensive products.
d.	With foreign-owned and domestically-owned capital.
144.	Criticisms of Rostow's stages of development include
a.	The difficulty of testing the stages scientifically.
b.	Conditions for takeoff are contradicted by historical evidence.
c.	Characteristics of one stage are not unique to that stage.
d.	All of the above are correct.
145.	"Development" is different from "growth", because development takes into account
a.	Inter-temporal shifts in production possibility curves.
a.	Output per unit of capital
b.	Income distribution.
c.	Efficiency gains resulting from the use of new capital.
146.	In Rostow's model, a "take off" stage is reached when a nation
a.	Reaches the full employment level of GDP.
b.	Has a surplus on its Current Account (that is, exports of goods and services exceed imports of goods and services).
b.	Is able to fund most of its domestic investment from domestic savings.
c.	Is able to avoid running Budget deficits
147.	In low-income countries, the average agricultural family produces a surplus
a.	Enough to supply only a small non-agricultural population.
b.	Of zero.
c.	Large enough to feed five other families.
d.	Large enough to feed 25 other families
148.	_____is below the income that secures the bare essentials of food, clothing,	and shelter.
a.	Income inequality.
b.	Absolute poverty.
c.	Sen's poverty index.
d.	Purchasing-power poverty.
149.	Which of the following could be considered critical questions in development	economics?
a.	How do the poorest 2/3 of the world live?
b.	What are the major theories of economic development?
c.	What factors affect labor skills in the third world?
d.	all of the above are correct.
150.	PPP is

a. A theory that tells us that exchange rates between currencies are in equilibrium when their purchasing power is the same in both countries.
b. GDP divided by exchange rate.
c. A measure of income inequality.
   d. A measure of infant mortality in developing countries.

151. Person's maximum willingness to pay for something is the:
a) Equilibrium price   b) reservation price   c) market price   d) normal price

152. If an allocation allows for an economic improvement it is called:
a) Pareto inefficient   b) Pareto efficient   c) economic efficient   d) none of these

153. Slope of the budget line measures:
a) Marginal cost   b) consumer purchasing power   c) opportunity cost   d) consumer preferences

154. If two goods are substitute at constant rate with one another are called:
a) Perfect substitutes   b) Perfect compliments   c) Normal goods   d) Inferior goods

155. The slope of indifference curve of perfect substitutes is:
a) Increase   b) decreasing   c) -1   d) 1

156. MRS is the numerical number which is always:
a) Negative   b) positive   c) constant   d) Neither

157. MRT is the slope of:
a) Budget line   b) Indifference curve   c) Iso-cost line   d) Isoquant

158. After relax the assumption of quantity and quality of resources and technology; the production possibility curve will:
a) Rotates   b) shift   c) not shift   d) move

159. The long run supply curve contains:
a) Horizontal intercept   b) vertical intercept   c) zero intercept   d) none of these

160. A particular set of institutional arrangements and a coordinating mechanism is a:
a) Social system   b) economical system   c) socio-economical system   d) market system

161. A minimum price fixed by the government is known as
a) Floor price   b) ceiling price   c) equilibrium price   d) Normal price

162. Support price of agriculture products is the example of:
a) Ceiling price   b) floor price   c) market price   d) none of these

163. Ceiling prices are those which are:
a) Above the equilibrium   b) below the equilibrium   c) determined by market forces
       d) determined by government

164. If a price increase will increase total revenue; demand will be:
a) Inelastic   b) more elastic   c) less elastic   d) unit elastic

165. An organization that converts input into output is called:
a) Industry   b) Firm   c) company   d) Cooperatives

166. When total product curve is at its point of inflexion then marginal product will be:
a) Minimum   b) maximum   c) negative   d) zero

167. The value of the best alternative use of a resource is:
a) Economic cost   b) opportunity cost   c) both a & b   d) Explicit cost

168. After price change but before quantity adjustment occurs the time period is considered as:
a) Short run   b) long run   c) market period   d) none of these

169. A good has a positive income elasticity of demand is called:
a) Normal good   b) inferior good   c) Giffen good   d) common good

170. Income elasticity of a necessity is:
a) Below unity   b) above unity   c) zero   d) infinite

171. The effect of a price change is the adjustment of demand to the relative price change alone is:
a) Substitution effect   b) income effect   c) Price effect   d) none of these

172. A business is jointly owned by two or more people sharing the profit and loss jointly
a) Sole trader   b) partnership   c) cooperative societies   d) joint stock company

173. In decreasing return to scale LAC curve will be:
a) Increasing   b) decreasing   c) constant   d) None

174. The price below which the firm cuts its losses by making no output in the short run is called:
a) Shutdown price   c) minimum price   c) equilibrium price   d) market price

175. When economic profits are zero the firm makes
a) Normal profit   b) abnormal profit   c) marginal profit   d) zero profit

176. A monopolist always determines the price of its product where:
a) E=1   b) E>1   c) E<1   d) E=infinite

177. An industry with few producers each recognizing their interdependence is called:
a) Monopoly   b) oligopoly   c) duopoly   d) monopolistic competition

178. When the total supply of wheat increases the total income of farmers fall then supply curve will be:
a) Inelastic   b) elastic   c) Unit elastic   d) perfectly elastic

179. Production function relates:
a) Cost to inputs   b) wages to profit   c) cost to output   d) Input to output

180. Short run cost curves are influenced by:

a) Law of variable proportions   b) principle of return to scale   c) internal economies
                    d) none of these

181. In the short period when production increases then AFC curve:
a) Increases   b) Decreases   c) remains constant   d) None of these
182. All of the following curves are U-shaped except:
a) AVC   b) AFC   c) AC   d) MC
183. All costs in monetary term can be regarded as:
a) Social cost   b) opportunity cost   c) Explicit cost   d) Implicit cost
184. Law of diminishing returns to factors is relevant to:
a) Short period   b) long period   c) intermediate period   d) none of these
185. The equilibrium of a firm is determined by the equality of MR and MC only under:
a) Perfect competition   b) monopoly   c) monopolistic competition   d) all of these
186. Under monopoly the cross elasticity of a product will be:
a) Equal to one   b) greater than one   c) Zero   d) less than one
187. Marginal physical product, multiplied by price given:
a) MR   b) Marginal output   c) Marginal revenue product   d) marginal income

188. The modern theory of rent has been developed by:
a) J.M. Keynes   b) A. Marshall   c) Joan Robinson   d) D.H. Robertson
189. The Ricardian theory considers rent as:
a) A gross surplus   b) Net surplus   c) Differential surplus   d) None
190. Quasi-rent is:
a) Price-AVC   b) Price-AFC   c) Price-MC   d) Price-ATC
191. Quasi-rent has been popularized by:
a) Marshall   b) Robertson   c) Pigou   d) Robinson
192. Interest is a reward for parting with liquidity, according to:
a) J.M. Keynes   b) Marshall   c) G. Haberler   d) B. Ohlin
193. If a firm can fund as investment from its own resources the opportunity cost is:
a) Less than zero   b) Zero   c) More than zero   d) Neither
194. Slope of demand curve in case of Giffen good is:
a) Negative   b) Vertical   c) Positive   d) None of these
195. In which market structure marginal revenue is discontinuous:
a) Monopoly   b) Oligopoly   c) Duopoly   d) Monopolistic competition
196. At higher output level the difference between ATC and AVC will be:
a) Higher   b) smaller   c) constant   d) none of these
197. When no direct payment is made, the value of resources used considered as:
a) Implicit cost   b) Explicit cost   c) opportunity cost   d) variable cost
198. Reductions in minimum AC that come about through increases in the plant size:
a) Economies of scale   b) constant returns to scale   c) Diseconomies of scale   d) Neither
199. The basic motive for producing goods and services is supposed to be:
a) Profit maximization   b) cost minimization   c) Higher output   d) increase sales
200. Costs of production that don't change when the rate of output is altered:
a) Fixed cost   b) Variable cost   c) Total coat   d) explicit cost
201. The law of variable proportions is another name of:
a) Law of diminishing marginal utility   b) law of supply and demand   c) The law of diminishing returns   d) The law of returns
202. The price of good is really the money equivalent of it's:
a) Utility   b) Value in exchange   c) Value in use   d) Market value
203. Price discrimination is undertaken with the aim of:
a) Increasing sales and maximizing profit   b) Raising prices   c) Maximizing cost and maximizing revenue   d) serving the market
204. A demand curve regressive at the lower end depicts the case of:
a) Normal good   b) public good   c) an inferior good   d) goods commonly demanded
205. Any straight line supply which cuts the X-axis will have:
a) Zero elasticity   b) an elasticity greater than one   c) unitary elasticity of supply
          d) An elasticity less than one
206. In case of inferior goods the income effect is:
a) Positive   b) Negative   c) Zero   d) none of these
207. A cost that is beyond recovery is called:
a) Explicit cost   b) sunk cost   c) Implicit cost   d) financial cost
208. The value taken by the dependent variable when the independent variable equals zero shows:
a) Vertical intercept   b) Horizontal intercept   c) no intercept   d) None of them
209. A maximum price specified by law is a:
a) Ceiling price   b) Normal price   c) Floor price   d) market price
210. When price is less than ATC in the short run the firm experiences:
a) Abnormal Loss   b) Normal Loss   c) Normal Profit   d) Abnormal Profit

211. Producer surplus is the area which is:
a) Under supply curve and below the price line
b) Above supply curve and below the price line
c) Under demand curve and above the price line
d) None of these

212. During monopoly the equilibrium condition is:
a) MC=P   b) MC > MR   c) MC = MR   d) MR > MC

213. When MC is equal to AC, then AC will:
a) Increases   b) Decreases   c) Constant   d) None of these

214. In case of imperfect competition the sellers are:
a) Two   c) Few   c) Very large   d) Five

215. Price consumption curve in case of complementary good is:
a) Downward sloping   b) Vertical   c) Upward sloping   d) Horizontal

216. The law of Diminishing Returns according to the modern view, applies to:
a) Agriculture   b) All fields of production   c) Industry   d) Services

217. For a firm the demand curve for a factor is:
a) It's ARP   b) It's MRP curve   c) Both A and B   d) None of these

218. The marginal productivity theory of distribution is an explanation of:
a) Factor Pricing   b) National income distribution   c) Personal income distribution
          d) Wage rate

219. Price discrimination is possible under:
a) Perfect competition b) Monopoly c) Monopolistic competition d) Market structure

220. In a perfectly competitive market firm is the:
a) Price maker   b) Price taker   c) Both A+B   d) None of these

221. Increase in total revenue resulting from the employment of an additional unit of the variable factor is known as:
a) MRP   b) MPP   c) MR   d) Marginal output

222. According to Ricardian Theory the receipt from produce and its cost will be equal for:
a) Sub-marginal land b) The marginal land c) The super marginal land d) None of these

223. The demand for factor is a:
a) Direct Demand   b) Cross Demand   c) Derived Demand   d) None of these

224. Resources allocation is optimum under:
a) Monopoly b) Oligopoly   c) Imperfect Competition   d) Perfect Competition

225. Buyer's ability to affect the price of a good is called:
a) Monopsony   b) Oligopsony   c) Monopoly   d) Duopoly

226. Set of actions in which each firm does the best it can give its competitors actions is:
a) Firm's Equilibrium   b) Market Equilibrium   c) Nash Equilibrium   d) None of these

227. In which model each firm faces a kinked demand curve:
a) Oligopsony   b) Monopoly   c) Oligopoly   d) Bilateral Monopoly

228. Method of extensive cultivation is adopted in those countries where:
a) Land is more   b) Land is scarce   c) Capital is more   d) Labor is scarce

229. Supply curve changes due to better techniques of production:
a) Shift Rightward   b) Shift Leftward   c) Rotates   d) does not change

230. Unit method to measure elasticity of supply is presented by:
a) Adam Smith   b) Robbins   c) Marshall   d) Farguson

231. If there is slight change in price and demand it is called:
a) Arc elasticity   b) Point elasticity   c) Income elasticity   d) Cross elasticity

232. Analysis describing relationships of cause and effect is a:
a) Positive Science   b) Normative Science   c) Social Science   d) All of these

233. Practice of buying at a low price at one location and selling at a higher price in another, is called:
a) Arbitrage   b) Price Discrimination   c) Price Distortion   d) None of these

234. Kinds of market with respect of time are:
a) One   b) Two   c) Three   d) Four

235. Marginal productivity theory is presented by:
a) Marshall   b) Hicks   c) Keynes   d) Adam Smith

236. Who did work on profit as a surplus value?
a) Marshall   b) Karl Marx   c) Cannon   d) Crowther

237. Speculative demand for money is function of:
a) Income   b) Saving   c) Investment   d) Interest

238. Which one of the following is not included in gross interest?
a) Reward of risks   b) Reward of difficulties bearing   c) Expenditures of counting
          d) Expenditures of transport

239. The capital which has many uses is called:
a) Circulating Capital   b) Floating Capital   c) Fixed capital   d) Sunk capital

240. Which type of tax is more beneficial for the government when prices get higher and higher?

a) **Specific tax**   b) Ad valorem tax   c) Direct tax   d) None of these

241. In corner solution the slope of budget line is:
a) Equal to MRS   **b) Not equal to MRS** c) greater than MRS   d) less than MRS
242. Payment reducing the buyer's price below the seller's price is known as:
a) Tax   b) Negative Tax   c) Subsidy   **d) Both B+C**
243. Industry whose long run supply curve is horizontal is called:
a) Constant Cost industry   b) Increasing cost industry   c) Decreasing cost industry
            d) None of these
244. Law of variable proportions is based on the assumption of:
a) Short period of time   **b) Long period of time**   c) Timeless production relationship
            d) None of these
245. Monopolistic can fix:
a) Both price and output **b) Either price or output** c) Neither price nor output
            d) None
246. Incremental cost is the same concept as _____ cost
a) Average   **b) Marginal**   c) Fixed   d) Variable
247. Producer surplus for the whole market can be thought of as
a) Total profit   b) Variable operating profit plus factor rentsc) Total profit minus factor rents
    earned by lower cost firms   **d) Total profit plus factor rents earned by lower cost firms**
248. Cost-output elasticity can be written and calculated as
a) **MC/AC**   b) AC/MC   c) (AC)(MC) d) (AC)2(MC)
249. Economies of scope refer to
a) **Changes in technology**   b) The very long run c) Multiproduct firms d) Single product firms that
    utilize multiple plants
250. The cost-output elasticity is used to measure:
    a) Economies of scope   **b) Economies of scale**
    c) The curvature in the fixed cost curve   d) Steepness of the production function
 251. If a market is efficient, then
    a.   There is no surplus
    b.   There is no shortage
    c.   **Neither surplus nor shortage**
    d.   Either of them
252.   A monopolist will never produce at point where
a.   **Demand is price inelastic**
b.   Demand is price elastic
c.   Marginal cost is positive
d.   Marginal cost is increasing
253.   The graph that shows the positive relationship between quantity supplied of a resource   and its
    price is known as a
a.   **Supply curve**
b.   Demand curve
c.   Indifference curve
d.   Leisure curve
254.   Which of the following is not a factor of production?
a. Labour
b. Land
c. **Money**
d.   Capital
255.   Which of the following is a pareto-improvement?
a.   Redistribute initial endowments from the rich to poor
b.   **Redistribute initial endowments to equate the MRS for all consumers**
c.   Introduce rationing to ensure food supplies for the poor
d.   None of above
256.   The utility of different commodities can be ranked or ordered but not measured is called:
a.   Cardinal utility
b.   **Ordinal utility**
c.   Additive utility
d.   Transitivity of preference utility
257.   Which of the following statements is true?
a. All costs are fixed in the long run.
b. **All costs are variable in the long run.**
c.   All costs are variable in the short run.
d.   All costs are fixed in the short run.

258.   At the point of inflection, where MPP is rising and APP is also rising then

a. MPP < APP
b. MPP = APP
c. MPP = 0
d. **MPP > APP**

259.   Slope of isoquant curve is known as ………………
a. Marginal rate of substitution
b. **Marginal rate of technical substitution**
c. Marginal rate of transformation
d. None of the above

260.   For------------, an increase in income leads to decrease in quantity demanded
a. Normal goods
b. **Inferior goods**
c. Luxury goods
d. Giffen goods

261.   A middlemen who sells the services to their principal is known as
a. **Commission man**
b. Tehsildar
c. None of these
d. both of these

262.   When two inputs are close substitutes of each other, then price elasticity of demand   will be:
a. Less elastic
b. Perfectly elastic
c. **More elastic**
d. Inelastic

263.   The level of output for perfectly competitive firm is given by the point where
a. MR=AC
b. **MR=MC**
c. MR exceed MC by greatest amount
d. MR=MC and MC is rising

264.   Profit maximization factor demand function depends on
a. **Factor and output prices**
b. Factors prices only
c. Output prices and level of input use
d. Factor prices and level of output

265.   A market
a. **Necessarily refers to a meeting place between buyers and sellers**
b. Does not necessarily refer to a meeting place between buyers and sellers.
c. Extends over entire nation.
d. Extends over a city

266.   When we substitute Marshillian demand function into utility function, we obtain
e. Profit function
f. Cost function
g. Production function
d. **Indirect utility function**

267.   At the shut down point
a. **P<AVC**
b. TR=TVC
c. the total losses of firm>=TFC
d. all of the above

268.   When total utility increases, marginal utility is _____
a. Negative and increasing
b. Negative and declining
c. Zero
d. **Positive and declining**

269.   If the slope of a supply curve is less than one, supply is:
a. Elastic
b. **Inelastic**
c. Unitarily elastic
d. Can't tell

270.   When marginal costs are below average total costs,
a. Average fixed costs are rising.
b. **Average total costs are falling.**
c. Average total costs are rising.
d. Average total costs are minimized

271.   Which of the following statements is true?

a. All variables are fixed in the short run.
b. <mark>All factors are variable in the long run.</mark>
c. All factors are variable in the short run.
d. All variables are fixed in the long run

272. If consumers think that there are many substitutes for a good, then
a. Supply would tend to be price elastic.
b. <mark>Demand would tend to be price elastic.</mark>
c. Demand would tend to be price inelastic.
d. None of these answers

273. The consumption of good decreases due to decrease in its price, the good is Known as
a. Giffen Good
b. <mark>Normal Good</mark>
c. Perishable Good
d. Inferior Good

274. Points on the production possibilities frontier are
a. Inefficient.
b. Normative.
c. Unattainable.
d. <mark>Efficient</mark>

275. A completely elastic supply curve is:
   a. Vertical.
   b. <mark>Horizontal</mark>.
   c. Positively sloped.
   d. None of the above

276. "Wealth of nations" was published in 1776, which was written by
a. <mark>Adam Smith</mark>
b. Maynard Keynes
c. Jhon Struass
d. Harrod Domar

277. Floating exchange rates are _____ in the short run
   a. Stable
   b. Predictable
   c. <mark>Volatile</mark>
   d. Depreciating

278. Central bank prefer to fix the_____ and accept the resulting:
   a. Demand for money, interest rate
   b. <mark>Interest rate, equilibrium money supply</mark>
      c. Demand for money, equilibrium money supply
   d. Interest rate, Demand for money

279. When demand pull inflation occurs, what type of policy may help to control it?
   a. Expansionary Fiscal Policy
   b. <mark>Contractionary Fiscal Policy</mark>
   c. Expansionary Monetary Policy
   d. Contractionary Monetary Policy

280. What impact of expansionary fiscal policy at home on the real exchange rate?
   a. <mark>Real exchange rate increases</mark>
   b. Real exchange rate decreases
   c. Real exchange rate remains constant
   d. None of the above

281. Import duties, excise duties, sales taxes, etc are the various forms of _____ on agriculture.
   a. Direct taxes
   b. <mark>Indirect taxes</mark>
   c. Costs
   d. a and b

282. Monetary Policy that leads to lowering of interest rate is
   a. <mark>Contractionary</mark>
   b. Expansionary
   c. Moderate
   d. Deflationary

283. If income were to double and prices were to double, the budget line would
   a. <mark>Stay the same.</mark>
   b. Rotate inward.
   c. Shift outward in a parallel fashion.
   d. Rotate outward.

284. If an economy is experiencing a balance of payment deficit and high inflation, the appropriate policy would be
a. Increase Money Supply
b. Decrease direct taxes
c. Remove import tariffs
d. Increase interest rate

285. Fiscal deficit may be financed by:
a. External resources
b. Bank borrowing
c. Borrowing from Central Bank exclusively
d. All of the above

286. The amount of unemployment that the economy normally experiences is known as
a. The natural rate of unemployment.
b. Cyclical unemployment.
c. Efficiency wage unemployment.
d. Frictional unemployment.

287. The most satisfactory way of curving a deficit on current account is
a. To impose a credit squeeze
b. To expand exports
c. To expand imports
d. To impose import quotas

288. Federal budget deficit may be financed by
a. Provincial resources
b. Private bank borrowing
c. Borrowing from Central Bank exclusively
d. All of the above

289. Value of money multiplier depends on
a. High powered money only
b. Reserve ratios
c. Both of the above
d. None of the above

290. All of the following statements about a central bank are true except
a. Accepts personal deposits
b. Is a lender of last resort
c. Supervises financial institutions
d. Conduct monetary policy

291. All of the following statements about a central bank are true except
a. Accepts personal deposits
b. Is a lender of last resort
c. Supervises financial institutions
d. Conduct monetary Policy

292. A type of unemployment in which workers are either under-qualified or over-qualified for the jobs that are vacant is called _____ unemployment:
a. Frictional
b. Cyclical
c. Structural
d. Turnover

293. The period of the business cycle in which Real GDP is increasing is called the:
a. Expansion
b. Peak
c. Recession
d. Trough

294. Which of the following is not an automatic stabilizer?
a. Defence spending
b. Unemployment benefits
c. Welfare spending
d. The progressive income tax

295. The trade-off between unemployment and inflation is
a. The haffer curve
b. The say's curve
c. The cash balance effect
d. The Phillips curve

296. Which of the following is most likely to benefit a debtor?
a. Unanticipated deflation
b. Anticipated deflation
c. Unanticipated inflation
d. Anticipated inflation

297. Real GNP is a crude measure of national welfare because it excludes
a. Consumption
b. Investment
c. Exports
d. **Work in the home**

298. Study of inflation is part of
a. Normative economics
b. Microeconomics
c. **Macroeconomics**
d. Descriptive economics

299. The GDP deflator is also called
  a. Explicit price deflator for GDP
  b. **Implicit price deflator for GDP**
  c. Both "a" and "b"
  d. None of the above

300. Okun's law describes the relationship between
  a. **Employment and GDP**
  b. Unemployment and GDP
  c. Government spending and GDP
  d. All of the above

301. ------------------ is the most common problem in time series data
a. Autocorrelation
b. Homoscedasticity
c. Heteroscedasticity
d. **Multicollinearity**

302. If $\sum(\mu_i \mu_j) = 0$, $i \neq j$ it means that
  a. High Autocorrelation
  b. **No Autcorrelation**
  c. Zero Autocorrelation
  d. Zero Multicollinearity

303. The test used to detect auto-correlation is _____
  a. Park Test
  b. Glejser Test
  c. Spearman's Rank Correlation Test
  d. **Durbin-Watson d Test**

304. What is the number of degrees of freedom for a simple linear regression with 20 observations?
  a. **18**
  b. 33
  c. 20
  d. 2

305. Durbin Watson is used for
  a. Checking autocorrelation in regression model
  b. An indication of misspecification error
  c. **Both a and b**
  d. None of these

306. Co-efficient of determination R^2 is calculated by
  a. RSS/TSS
  b. **ESS/TSS**
  c. RSS/ESS
  d. 1- ESS/TSS

307. When sample size "n" is zero then _____ micro-numerocity exist?
  a. **Exact**
  b. Near
  c. Zero
  d. Same

308. In the case of perfect multicollinearity the variance and standard error of OLS estimators individually are _____?
  a. Finite
  b. Zero
  c. **Infinite**
  d. One

309. High R^2 but few significant "t" ratios indicate
  a. Heteroscedasticity
  b. **Multicollinearity**
  c. Zero Multicollinearity
  d. Micronumerosity

310. If $\sum(\mu_i \mu_j) = 0$, $i \neq j$ it means that
   a.   High Autocorrelation
   b.   No Autcorrelation
   c.   Zero Autocorrelation
   d.   Zero Multicollinearity

311. What do you mean by "heteroscedasticity"?
   a.   The variance of the errors is not constant
   b.   The variance of the dependent variable is not constant
   c.   The errors are not linearly independent of one another
   d.   The errors have non-zero mean

312. The correlation coefficient is used to determine:
   a.   A specific value of the y-variable given a specific value of the x-variable
   b.   A specific value of the x-variable given a specific value of the y-variable
   c.   The strength of the relationship between the x and y variables
   d.   None of these

313. Regression modeling is a statistical framework for developing a mathematical equation that describes:
   a.   One explanatory and one or more response variables are related
   b.   Several explanatory and several response variables response are related
   c.   One response and one or more explanatory variables are related
   d.   All of the above

314. In the Multiple regression, number of explanatory variables is more than
   a.   Two
   b.   One
   c.   Three
   d.   None of the above

315. OLS stands for _____.
   a.   Ordinal Least Square
   b.   Ordinary Least Square
   c.   Ordered Linear Square
   d.   None of the above

316. The Durban-Watson d or DW statistic ranges between _____ and _____.
   a.   0 and 2
   b.   0 and 3
   c.   0 and 1
   d.   0 and 4

317. BLUE parameters mean _____
   a.   Best Logarithmic Used Estimators
   b.   Best Linear Undefined Estimators
   c.   Best Linear Useful Estimators
   d.   Best Linear Unbiased Estimators

318. In OLS, error term is Normally distributed with
   a.   Zero mean, zero Variance
   b.   Constant mean, Zero Variance
   c.   Constant Variance
   d.   Constant Variance, zero mean

319. In regression analysis, the variable that is being predicted is the
   a.   Response, or dependent, variable
   b.   Independent variable
   c.   Intervening variable
   d.   Is usually x

320. Descriptive Statistic is used to summarize a set of
   a.   Numbers
   b.   The sample average
   c.   Sample median
   d.   All of the above

321. In least squares regression, which of the following is not a required assumption about the error term e?
   a.   The variance of the error term is the same for all values of x.
   b.   The values of the error term are independent.
   c.   The error term is normally distributed.
   d.   The expected value of the error term is one

322. If the coefficient of determination is 0.81, the correlation coefficient
   a.   Is 0.6561
   b.   Could be either + 0.9 or - 0.9
   c.   Must be positive
   d.   Must be negative

323. When multicollinearity exists, the following can happen:
a.   The estimated regression coefficient of any one variable depends on which other   predictors are included in the model
b.   The precision of the estimated regression coefficients decreases as more   predictors are added to the model
c.   The marginal contribution of any one predictor variable in reducing the error   sum of squares depends on which other predictors are already in the model
d.   All of the above

324.   In regression analysis, the variable that is used to explain the change in the outcome of an experiment, or some natural process, is called
a.   The independent variable
b.   The predictor variable
c.   The explanatory variable
d.   All of the above

325.   Data on one or more variables collected at the same point in time is called---------
a.   Time series data
b.   Longitudinal data
c.   Pooled data
d.   Cross sectional data

326.   The three measure of welfare indicators "INFANT MORTALITY, LIFE   EXPECTANCY, ADULT LITERACY RATE" comprise the
a.   Purchasing Power Parity.
b.   Physical Quality of Life Index.
c.   Human Development Index.
d.   The Laspeyres index.

327.   Longevity is a proxy for _____ in the Human Development Index
a.   Health and nutrition.
b.   Living standard
c.   Infant mortality
d.   Purchasing Power Parity

328.   As economic development proceeds, income inequality tends to follow a(n)   _____ curve
a.   Convex.
b.   Inverted U-shaped.
c.   L-shaped.
d.   S-Shaped.

329.   In low-income countries, the average agricultural family produces a surplus
a.   Enough to supply only a small non-agricultural population.
b.   Of zero.
c.   Large enough to feed five other families.
d.   Large enough to feed 25 other families

330.   Criticisms of Rostow's stages of development include
a.   The difficulty of testing the stages scientifically.
b.   Conditions for takeoff are contradicted by historical evidence.
c.   Characteristics of one stage are not unique to that stage.
d.   All of the above are correct.

331.   Surplus labor theories assume that
a.   LDCs are overpopulated.
b.   Labor contributes nothing to output in LDCs.
c.   The marginal product of labor is close to zero in LDCs.
d.   Urban unemployment is high in LDCs.

332.   _____is below the income that secures the bare essentials of food, clothing,   and shelter.
a.   Income inequality.
b.   Absolute poverty.
c.   Sen's poverty index.
d.   Purchasing-power poverty.

333.   Income inequalities are often shown on a
a.   Production possibility curve.
b.   Marginal inequality curve.
c.   Sen curve.
d.   Lorenz curve

334.   The Lorenz curve shows
a.   Patterns of poverty between developed and developing countries.
b.   The change in GDP per capita over time.
c.   The poorest's income shares fall in the early stages of growth.
d.   Income concentration relative to a 45-degree line.

335. About _____ of the world's population lives in LDCs.
a. 80%.
b. 50%.
c. 25%.
d. 35%.

336. The development of high-yielding varieties (HYVs) of wheat and rice is known as
a. The agribusiness revolution.
b. Farming system theory.
c. The Green Revolution.
d. Agri-R&D.

337. Population growth rates are high in developing nations mainly because
a. Death rates have declined since 1950 while birth rates have remained high.
b. Death rates and birth rates, since 1950, have remained high.
c. The ability for people to migrate to less populated nations has decreased since 1950.
d. Traditional attitudes favour daughters more than sons.

338. The world's population is approximately
a. 4,000,000,000 people
b. 5,000,000,000 people
c. 6,000,000,000 people
d. 7,400,000,000 people

339. The charts below show the relative importance of the different sectors in four economies. Which is the most likely to refer to one of the world's poorer, less developed countries?
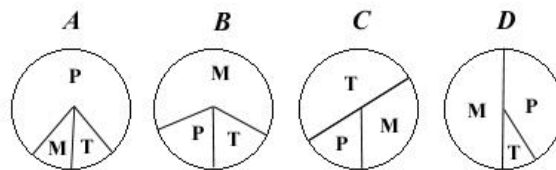
where: M = manufacturing sector, P = primary sector, T = tertiary sector

A

340. The diagram below represents the production possibility frontiers for a developing country (LDC) and a developed country (MDC).
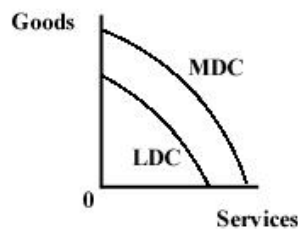
The production possibility curve of the developed country is to the right of the production possibility curve of the developing country because the developed country is likely to have.
a. Less resources for use in production.
b. Higher levels of productivity per unit capital.
c. A comparative advantage in production.
d. More stable governments.

341. "Development" is different from "growth", because development takes into account
a. Intertemperal shifts in production possibility curves.
b. Output per unit of capital
c. Income distribution.
d. Efficiency gains resulting from the use of new capital.

342. One criticism of rapid economic growth is that it often results in
a. Negative externalities.
b. A better quality of life.
c. Lessening income inequality.
d. Social benefits.

343. An increase in productivity means
a. An increase in the output / capital ratio
b. An increase in the output / labour ratio
c. An increase in the capital / output ratio
d. An increase in the labour / output ratio

344. Which of the following is not a typical feature of a developing country?
a. A steady migration from urban to rural areas since the 1950's.
b. High rates of population growth.
c. High dependence on primary products as a major component of total production.
d. An agricultural sector that is a large employer of the total labour force.

345. Each of the following is included in the Human Development Index except
a. Life expectancy.
b. Disposable income.
c. Social costs.
d. Adult literacy rates
346. In Rostow's model, a "take off" stage is reached when a nation
a. Reaches the full employment level of GDP.
b. Has a surplus on its Current Account (that is, exports of goods and services exceed imports of goods and services).
c. Is able to fund most of its domestic investment from domestic savings.
d. Is able to avoid running Budget deficits.
347. Per capita income statistics, which are based on a simple average, can be criticised because:
a. They give an objective and unbiased view of general living standards in a developing country.
b. They indicate how much more food the poor can consume.
c. Increases in the incomes of the rich "skew" the measure, making it look like the poor are better off than they really are.
d. They do not take into account the effects of inflation
348. The Lewis model explains how growth gets started in a less developed economy
a. With an average product of labor in agriculture that is negative.
b. With a downward-sloping supply curve of labor.
c. With a marginal productivity of labor zero or negligible in industry.
d. With a traditional agricultural sector and an industrial capitalist sector
349. Sen's welfare theory relies on
a. Individuals' accomplishments.
b. Individuals' capabilities.
c. Individuals' wealth.
d. Individuals' education.
350. A value of 1 in Gini index represents
a. Low inequality.
b. Maximum inequality.
c. 10/10, 000% inequality.
d. 1% inequality.
351. Macroeconomics is the branch of economics that deals with
a) the economy as a whole.
b) imperfectly competitive markets.
c) only the long run adjustments to equilibrium in the economy.
d) the functioning of individual industries and the behavior of individual decision-making units - business firms and households.
352. GDP falls severely in
a) Recession
b) Depression
c) Boom
d) None of these
353. To see what is going in economy, economists use
a) Theory
b) Models
c) Equations
d) None of these
354. A variable whose value is determined by factors or variables outside model is called
a) Exogenous
b) Dependent
c) independent
d) Endogenous
355. Demand curve's –ve slope means
a) ↑in P leads to ↓in Qd
b) ↑in P leads to ↑ in Qd
c)↓ in P leads to ↓in Qd
d) None of the above
356. Upward shift in demand curve with constant supply curve causes
a) Increase in Q
b) increase in P
c) decrease in Q
d) decrease in P
e) a and b
357. the prices that are negotiable are called
a) rigid prices

b) sticky prices
c) flexible prices
d) none of these
358. GDP is the value of a country's overall output of goods and services in a fiscal year at market prices
a) Excluding net income from abroad
b) including net income from abroad
c)excluding income from abroad
d) including income from abroad
359. Changes in the price level of a market basket of consumer goods and services purchased by households.
a) WPI
b) PPI
c) SPI
d) CPI
360. GDP does not includes the values of
a) Finished goods
b) stored goods
c) used goods
d) none of these
361. Nominal GDP changes over years because of
a) changes in prices
b) changes in quantity
c) changes in quality
d) a & b
362. Real GDP is equal to
a) nominal GDP – GDP deflator
b)nominal GDP + GDP deflator
c) nominal GDP ÷ GDP deflator
d) GDP deflator ÷ nominal GDP
363. Adam smith was a……….. Economist
a) Keynesian
b) neo-classical
c) classical
d) none of these
364. According to classical economists, quantity of inputs and the production function determines the
a) Total inputs require for production
b) quality of goods and services
c) Total production of goods and services
d) total quantity and prices of goods and services
365. Transformation of inputs into output is called
a) Consumption function
b) production function
c) utility function
d)saving function
366. Amount of output the firm gets from one extra unit of labor, holding the amount of capital fixed is called
a) MPK
b) APK
c) MPL
d) APL
367. The increase in revenue from an additional unit of labor depends on
a) Marginal product of labor
b) price of output
c) marginal product of capital
d) a & b
368. Investment is a ……………. Relationship with interest rate
a) positive
b) negative
c) constant
d) no relationship
369. Y-C-G is the output that
a) Consumed by consumers and government
b) consumed by consumers and investors
c) Remains after the satisfaction of consumers and government
d) Remains after the satisfaction of consumers and investors

370. National income accounting:
a) Provides a set of rules for determining macroeconomic policy.
b) Provides a set of rules and definitions for measuring economic activity in the aggregate economy.
c) Is a useful tool for microeconomics
d) can be used to measure a nation's output but not its production or consumption.
371. If net capital outflow and trade balance are positive, we
a) are Importing more and exporting less
b) are importing less and exporting more
c) increased both import and export
d) decreased both import and export
372. World's interest rate is determined by
a) world's savings and investment
b) World's deposits and money demand
c) World's demand for money and supply od money
d) None of these
373. When in a small open economy national savings decreases due to a cut in taxes by government, it results in
a) Trade deficit
b) trade surplus
c) trade balance
d) increased tariff rate
374. Exchange rates for one currency against another currency are known as
a) Real exchange rate
b) Nominal exchange rate
c) Superfluous exchange rate
d) None of the above
375. If real exchange rate is high
a) Foreign goods are relatively cheap
b) Foreign goods are relatively expensive
c) Foreign goods are absolutely cheap
d) Foreign goods are absolutely expensive
376. What is the impact of expansionary fiscal policy of a country on its exchange rate?
a) Real exchange rate rises
b) Real exchange rate falls
c) Nominal exchange rate rises
d) Nominal exchange rate falls
377. Real exchange rate Not rises in case of
a) Rise in government purchases at home
b) Increased domestic investment
c) Increased domestic consumption
d) Increased world interest rate
378. The link between inflation and unemployment is called:
a) Okun's law
b) the Lucas curve
c) the Phillips curve
d) the replacement ratio

379. A person is in labor force if he/she is
a) Working at home
b) retired from job   .
c) working at a firm
d) a high school student
380. A person is out labor for force if she/he
a) Is employed but currently looking for better job
b) Is laid off and looking for working
c) Is retired
d) Voluntarily quit and looking for work
381. Cyclical unemployment increases when
a) There is a mismatch between job openings and job applicants.
b) More skilled persons are looking for jobs
c) Total demand for goods and services falls in economy
d) All of above
382. The growth model that shows hoe growth in capital, labor force and technology affect the national output is known as
a) Rostow stages of growth
b) Lewis growth model

c) Solow growth model
d) endogens   growth model
383. The Solow growth model describes
a) How output is determined at a point in time.
b) How output is determined with fixed amounts of capital and labor
c) How saving, population growth, and technological change affect output over time
d) The static allocation, production, and distribution of the economy's output
384. At the golden rule of capital
a) MPL=depreciation rate
b) MPK= depreciation rate
c) MRTS= depreciation rate
d) none of these
385. If population growth rate decreases, steady state capital stock
a) Increases
b) decreases
c) remains unchanged
d) becomes unachievable
386. "Poor countries grow faster on average than rich countries" states by
a) Divergence hypothesis
b) convergence hypothesis
c) endogens model
d) none of these
387. The aggregate production function for the Solow growth model assumes …………returns to scale
and ………….marginal productivity of labor and capital.
a) increasing, diminishing
b) constant, diminishing
c) decreasing, increasing
d) increasing, constant
388. When marginal product of labor is equal to depreciation, with n=0, technological change=0
a) Investment is at lowest point
b) Interest rate is very high
c) Consumption is at greatest possible point
d) All of above
389. The convergence hypothesis implies that
a) There are no differences across economies in the long run
b) Rich countries grows faster
c) In equilibrium, the growth rate is zero
d) None of these

390. The main difference between Solow growth model and endogenous growth model is that
a) Only endogenous growth theory allows for technological progress
b) Returns to capital in Solow model are diminishing but constant in endogenous model
c) In Solow model L is the only FOP and in endogenous model k is the only FOP
d) All of above
391. According to Solow growth model, an increase in savings leads to
a) Temporarily growth
b) Persistent growth
c) Long run growth
d) Short run growth
392. According to which growth model, savings and investment can leads to persistent growth
a) Exogenous growth model
b) Lewis model
c) neo-classical growth model
d) endogenous growth model
393. Business cycle shows short run fluctuations in
a) GDP and GNP
b) interest rate and investment
c) employment and output
d) Aggregate demand and suppl
394. Which of the following marks as beginning of business cycle?
a) trough
b) peak
c) recovery
d) recession
395. Which one is not the main concern of macroeconomics?
a) Full employment

b) price stability

c) economic growth

d) prices of regulated utilities

396---------- equation states that supply of money balances is equal to the demand and that demand is proportional to output.

a) $M/P=(M/P)=Y$

b) $M/I=(M/I)^d=kY$

c) $M/P=(M/P)^d=kY$

d) $M/P=kY$

397. The aggregate demand shows

a) Total demand for goods in the economy

b) Partial demand for goods in the economy

c) Total demand for goods and services in the economy

d) Partial demand of goods and services in the economy

398. In $M/P= (M/P)^d=Y$ equation, when prices increases

a) Real balance increases

b) real balance decreases

c) real balance remains unchanged

d) real balance fluctuate

399. Any change in money supply or its velocity would results in

a) up-word movement in AD

b) down-word movement in AD

c) shifts in AD

d) none of these

400. When nominal value of output increases, AD

a) Shifts upward

b) shifts downward

c) an up-word movement occurs

d) A down-ward movement occurs

401. What does the aggregate supply curve show?

a) The supply of goods in an economy

b) The supply of services in an economy

c) The total demand for goods and services in an economy

d) The total supply of goods and services in an economy

402. Which of the following depend upon time horizon for its slope?

a) Aggregate demand

b) aggregate supply

c) both AD & AS

d) none of these

403. Why is the long-term aggregate supply curve vertical?

a) In the short run, output never changes

b) In the short run, output is fixed by the factors of production

c) In the long run, output never changes

d) In the long run, output is fixed by the factors of production

404.Which of the following curves does not appear in the AS-AD model?

a) Short run AS

b) long run AS

c) AD

d) long run AD

405. The level of output is called full employment level in

a) Long run

b) short run

c) both in long run and short run

d) none of these

406. In the long run, any shift in AD results in

a) An increase in output

b) decrease in output

c) increase in prices   d) decrease in prices

407. How long run aggregate supply curve can shift?

a) Due to a short run change in investment

b) Due to a short run change in demand

c) Due to a long run change in consumption

d) Due to a long run change in investment

408. In the long run equilibrium in market, when LRSC and SRDC intercut each other

a) SRSC crosses them from above side

b) SRSC crosses them from below that point

c) SRSC crosses them at the same point of intersection

d) SRSC don't cross them

409. In the long run equilibrium when a prices decrease
a) Economy reaches at peak of business cycle
b) Economy moves from recovery to recession
c) Economy recovers from recession
d) None of these

410. Demand and supply shocks occurs due to
a) Exogenous change
b) endogenous changes
c) changes in domestic fiscal policy
d) changes in foreign fiscal policy

411 Stabilization policy refers to the actions taken to
a) Sharpen the severity of long-run economic fluctuations
b) Reduce the severity of long-run economic fluctuations
c) Sharpen the severity of short-run economic fluctuations
d) Reduce the severity of short-run economic fluctuations

412 Alternative of classical theory is presented by
a) Adam Smith
b) mercantilist economists
c) John Maynard Keynes
d) marshal

413 Which theory means different things to different people?
a) Keynesian
b) classical
c) mercantilist
d) none of these

414 Which school of thought worked with the assumptions of constant velocity and highly flexible wages and prices?
a) Keynesian
b) classical
c) mercantilist
d) none of these

415 A group of modern economists who believe that price and wage rigidities do not provide the only rationale for macroeconomic policy activism are called:
a) New-Keynesians
b) Keynesians.
c) Monetarists.
d) The Classical school.

416 The relationship between the interest rate and the level of income that arises in the money market showed through
a) IS-curve
b) LM-curve
c) offer curve
d) Lorenz curve

417 at the Keynesian cross
a) Actual investment=planned investment
b) Government expenditures= revenue
c) Export=imports
d) All of above

418 To achieve equilibrium, firms changes their
a) Production technique
b) level of inputs
c) inventories
d) none of these

419 When government expenditures increases output of economy
a) Increases with more extent
b) increases with less extent
c) remains unchanged
d) Decreases with more extent

420 The multiplier of Government expenditures explains through
a) $\Box Y/\Box G = 1 / 2$- MPC
b) $\Box Y/\Box G = 1 / 1$- MPC
c) $\Box\Box Y/\Box G = 1 / 1$- MPS
d) $\Box Y/\Box T = 1 / 1$- MPS

421 The goods market and the money market are linked together by
a) monetary policy
b) fiscal policy

c) interest rate
d) labor market
422 We can expect the IS-curve to get flatter as
a) Money demand becomes less sensitive to changes in the interest rate
b) The MPS decrease
c) The MPC decreases
d) In government expenditures multiplier decreases
423 Which of these policy measures will make the IS-curve steeper and shift it to the left?
a) A decrease in money supply
b) a decrease in transfer payments
c) an increase in government expenditures
d) an increase in income tax rate
424 The LM-curve becomes flatter if
a) Money demand becomes less sensitive to changes in the interest rate
b) Money demand becomes less sensitive to changes in income
c) Money demand becomes more sensitive to changes in income
d) The monetary policy multiplier becomes larger
425 If money demand becomes less sensitive to interest rate changes, the LM-curve will
a) Shift to the right
b) Shift to the left
c) Becomes steeper
d) Becomes falter
426 If the marginal propensity to consume increases,
a) The expenditures mulitipiler increases
b) The IS-LM becomes steeper
c) The IS curve remains unchanged
d) All of above
427 In an IS-LM model, a decrease in the income tax rate will
a) Increase output and the interest rate
b) Increase consumption and decrease the interest rate
c) Make the IS-curve steeper
d) Decrease the expenditure multiplier
428 A movement along the AD-curve from left to right is equivalent to
a) A shift of the IS-curve to the right due to a decrease in interest rates
b) A shift of the LM-curve to the right due to an increase in real money balances
c) A shift of the LM-curve to the right due to an increase in nominal money supply
d) A movement along the LM-curve from left to right due to lower real money balances
429 The increase in demand for money due to an increase in income is called
a) Precautionary demand
b) speculative demand
c) transactions demand for money
d) all of above
430 When one of the curve in IS-LM model shifts,
a) Short run equilibrium of the economy changes
b) Long run equilibrium of the economy changes
c) Both short run and long run equilibrium of the economy changes
d) Economy remains in equilibrium
431 A reduction in government purchases cause
a) Interest rate to increase
b) Output to decrease
c) Interest rate and output to decrease
d) Interest rate and output to increase
432 When money supply increases in economy
a) Interest rate falls and investment drops
b) Interest rate rises and investment decreases
c) Interest rate falls and investment increases
d) Interest rate rises and investment decreases
433 Monetary transmission mechanism refers to
a) Cut in spending on goods and services induced by monetary contraction
b) Greater spending on goods and services induced by monetary contraction
c) Cut in spending on goods and services induced by monetary expansion
d) Greater spending on goods and services induced by monetary expansion
434 A positive change in government spending would shifts the
a) Aggregate supply curve upward
b) Aggregate supply curve downward
c) Aggregate demand curve upward
d) Aggregate demand curve downward

435 If there is an increase in govt. spending, AD curve shifts upward and output market clears then
a) Real value of money decreases
b) Real value of money increases
c) Nominal value of money decreases
d) Nominal value of money increases
436 If government spending increases in short run, there would be positive impact on
a) Y, P & r
b) Y, C & r
c) Y, I & C
d) Y, P & I
437 If government spending increases in short run, which one remains unchanged?
a) Output
b) prices
c) interest rate
d) investment
438 If government spending increases in long run, ------ and ------ remains unchanged.
a) Output and investment
b) interest rate and investment
c) output and consumption
d) prices and consumption
439 Effect on prices and interest rate when government spending increases in long run
a) is positive
b) is negative
c) no effect
d) positive on prices and negative on interest rate
440 If money supply increases in short run, there would be positive impact on
a) Y, P & r
b) Y, C & r
c) Y, I & C
d) Y, P & I
441 If money supply increases in long run, there would be positive impact on
a) Output
b) prices
c) investment
d) all of above
442 If money supply increases in long run, there would be no impact on
a) Output
b) interest rate
c) consumption
d) investment
e) All of above
443 The expected deflation causes
a) Interest rate to rise
b) IS curve to shift downward
c) Investment to decline
d) All of above
444 Which of the following is not an assumption of mundell-fleming model?
a) Domestic interest rate is equal to world interest rate
b) Prices are fixed exogenously
c) Money supply is fixed
d) All factors of production are fully employed
445 The mundell-fleming model has three components
a) The full employment curve, AD curve and AS curve
b) IS curve, LM curve and purchasing power parity
c) IS curve, LM curve and AD curve
d) IS curve, LM curve and NX curve
446 Exchange can be define as
a) Amount of one currency that must be paid in order to obtain one unit of another currency.
b) Difference between total exports and total imports within a country
c) Price at which the sales and purchases of foreign goods takes place
d) Ratio of import prices to export prices for a particular country
447Under a dirty float regime
a) The exchange rate is determined by market forces.
b) The exchange rate is unofficially controlled by the central bank
c) The exchange rate is fixed
d) The exchange rate can move between a minimum and maximum level only

448 Under flexible exchange rate, if government purchases increases
a) IS and LM curves shift rightward and output increases
b) IS and LM curves shift downward and output increases
c) IS and LM curves shift rightward and output decreases
d) IS and LM curves shift downward and output decreases

449 Under flexible exchange rate, if money supply increases
a) There would be a decrease in output
b) There would be an increase in output
c) Output remains unchanged
d) None of above

450 Under fixed exchange rate
a) Fiscal policy and Monetary policy are powerful
b) Fiscal policy and Monetary policy are powerless
c) Monetary policy is powerless and fiscal policy is powerful
d) Monetary policy is powerful and fiscal policy is powerless

451 The Mundell-Fleming model shows that effect of any economic policy on small open economy depends upon
a) Prevailing interest rate of economy
b) Where economy exist in business cycle
c) Type of exchange rate
d) Output of economy

452 The Mundell-Fleming model shows that the power of monetary and fiscal policy to influence aggregate demand depends
a) Exchange rate regime
b) Interest rate
c) Aggregate supply
d) None of these

453 People hesitate to lend money to people from less developed countries because of
a) Their low income level
b) Country risk
c) Exchange rate expectation
d) All of above

454 To incorporate interest-rate differentials, Mundell-Fleming model assumes that
a) Domestic interest rate is equal to world interest rate plus exchange rate
b) Domestic interest rate is equal to world interest rate plus risk premium
c) Domestic interest rate is equal to world interest rate plus interest rate of neighbor country
d) Domestic interest rate is equal to world interest rate plus deposits of the country

455 In the mundell-fleming model, risk premium is determined
a) By world interest rate
b) Domestic interest rate
c) Endogenously
d) Exogenously

456 A decrease in risk premium of a country leads to
a) An depreciate in its interest rate
b) A appreciate in its interest rate
c) An appreciate in world interest rate
d) An depreciate in world interest rate

457 The price of Levi Jeans will be equal across the UK and US under
a) Fixed exchange rate
b) Floating exchange rate
c) Perfect competition
d) Purchasing power parity

458 The accumulation of all past annual deficit is called
a) National Debt
b) Government debt
c) National loan
d) Government loan

459 The government budget deficit is equal to
a) An amount that government needed to issue new security bounds
b) An amount of past loan that government needed to finance its operations
c) An amount of new debt that government needed to finance its operations
d) An amount of loan that government needed to made payment of past debts

460 Which of the following is not a characteristic of meaningful deficit?
a) It subtracts government assets from government debt
b) Includes hidden liabilities

c) Both a and b
d) Neither a not b
461 According to the traditional view of government debt, when government introduces a tax cut
a) It results in budget surplus and appreciation in currency
b) It results in budget deficit and appreciation in currency
c) It results in budget surplus and depreciation in currency
d) It results in budget deficit and depreciation in currency
462 "Crowding out" means that
a) government budget deficit lowers interest rates and causes investment spending to rise
b) an increase in marginal tax rates lowers production
c) a government budget deficit raises interest rates and causes investment spending to fall
d) a government budget deficit raises American exports and lowers American imports
463 Whenever the government spends more than it collects through revenue, the resulting imbalance is known as
a) Public deficit
b) Government deficit
c) Budget deficit
d) Market deficit
464 The idea that irrespective of how a government chooses to increase spending, either by debt financing or tax financing, the outcome will be the same and demand will remain unchanged, is popularly known as
a) Ricardian theory of equivalence
b) Ricardian theory of competitive advantage
c) Ricardian theory of stability
d) None of the above
465 Which theory assumes that consumers are myopic
a) Ricardian theory
b) Traditional theory
c) Consumer theory
d) None of these
466 The total social cost of taxes can be reduced by
a) Minimizing the tax amount
b) Maximizing the tax amount
c) Making tax rates stable
d) Maximizing them at some point of time and minimizing them otherwise
467 What could a government do to correct its current account deficit
a) Reduce the deficit on the balance of trade
b) Reduce the debt
c) Reduce the surplus on the capital account
d) Increase the volume of imports
468 which of the following refers to inventory investment
a) the equipment and structures that businesses buy to use in production
b) the new housing that people buy to live in and that landlords buy to rent out
c) those goods that businesses put aside in storage
d) purchasing of government securities
469 which of the following variable does not shifts the investment
a) the marginal product of capital
b) the exchange rate
c) the interest rate
d) tax rules

470 Other things being equal, Quantity Theory of Money states that economies is known as
a) Double the quantity of taxes, double would be the price level
b) Double the quantity of bonds, double would be the price level
c) Double the quantity of money, double would be the price level
d) None
471 Which of the following IS a function of money?
a) medium of exchange
b) store of value
c) unit of accounting
d) all of the above
472 Which of the following is a component of M-1?
a) savings deposits
b) credit card
c) checkable deposits
d) gold
473 Which of the following is a NOT component of M-2?

a) small time deposits
b) money market mutual funds
c) stocks
d) checkable deposits
474 An increase in the money supply will cause interest rates to
a) rise
b) fall
c) remain unchanged
d) None of them
475 The limitations of Gresham's law are except
a) if the total money in circulation , including, both good and bad money, exceeds the actual monetary demand of the public.
b) If the public is prepared to accept and circulate bad money.
c) if the good money is full-bodied legal tender whose face value equals its intrinsic value.
d) None of the above
476 Which of the following is not a merit of the branch banking
a) Spreading of risk
b) Economy in reserves
c) Monopoly banking
d) Advances on merits
477 Which of the following is not an objective of portfolio management?
a) Liquidity
b) Safety
c) Profitability
d) None of the above
478 One of the sources of liabilities management theory is ---------
a) Analysis credit worthiness
b) Liquidity
c) Raising capital funds
d) None of the above
479 All are the functions of a central bank except:
a) Regulator of currency
b) Regulator of taxes
c) Advisor to the Government
d) Custodian of cash reserves of commercial banks
480 Central banks objectives to control credit are, except:
a) To stabilize the internal price level
b) To stabilize the rate of foreign exchange
c) To protect the outflow of gold
d) To protect the indirect taxation policy
481 The determinants of money supply are:
a) The required reserve ratio
b) the level of bank reserve
c) public's desire to hold currency
d) None of the above
e) a, b and c
482 The following are all examples of demand pull inflation except:
a) Lower taxes.
b) Higher unemployment benefits.
c) An increase in the interest rate.
d) An increase in net exports.
483 Cost push inflation can be caused by:
a) Higher labour costs.
b) Lower taxes.
c) An increase in private investment.
d) Higher private consumption.
484 An increase in inflation and GDP is likely to reflect _____.
a) Cost push inflation
b) Demand pull inflation
c) Rising input prices
d) Unemployment
485 A rise in inflation and a fall in GDP are likely to reflect _____.
a) Cost push inflation
b) Demand pull inflation
c) Structural unemployment
d) Frictional unemployment
486 Central bank's rate of lending to commercial banks is called

a) Interest rate
b) Money rate
c) Control rate
d) Discount rate
487 State Bank of Pakistan is run by:
a) Government of Pakistan
b) Board of governors
c) Board of Managers
d) Board of Directors
488 Every country establishes central bank to:
a) Issue notes
b) Supervise commercial banks
c) Give loans to business
d) Both a & b
489 It is not an instrument of monetary policy
a) Bank rate
b) open market operations
c) Issue notes
d) Change in reserve ratio
490 The market operation is:
a) Buying and selling govt. securities
b) Buying and selling bills of exchange
c) Buying and selling share of companies
d) Buying and selling foreign exchange
491 Public finance economists analyze effects of _____
a) actual government taxes
b) government spending
c) aims and goals of above activities
d) none of the above
e) all of the above
492 Public expenditures on the basis of benefits are classified into _____ types
a) four
b) three
c) five
d) two
493 There are generally _____ types of non-developmental expenditures:
a) four
b) three
c) five
d) two
494 Which one is not the source of public debt?
a) borrowing from individuals
b) borrowing from non-bank financial institutions
c) borrowing from central bank
d) All of the above
e) none of the above
495 Following are the merits of direct taxes, except
a) create civic sense
b)discourage unequal distribution
c) cumbersome procedures
d) flexible in nature
496 Government budget can be classified into _____ categories
a) four
b) three
c) five
d) two
497 External budget receipts are of _____types.
a) four
b) three
c) five
d) two
498 Instruments of fiscal policy are:
a) Govt Expenditures
b) Taxes
c) Deficit financing
d) none of the above
e) all of the above

499 Which one is not the merit of bank borrowing
a. The govt does not face more inconveniences while borrowing
b. The borrowing will not have a negative effect
c. The repayment and interest has to be paid in local currency
d. double borrowing

500. A financial intermediary is a middleperson between
   a. buyers and sellers.
   b. husbands and wives.
   c. borrowers and lenders.
   d. labour unions and firms.

501 National saving (or just saving) is equal to
   a. none of these answers.
   b. investment + consumption expenditures.
   c. private saving + public saving.
   d. GDP - government purchases.

502 Which of the following statements is true?
   a. Long-term bonds tend to pay less interest than short-term bonds.
   b. Government bonds pay less interest than comparable corporate bonds.
   c. Investment funds are riskier than single stock purchases because the performance of so many different firms can affect the return of a mutual fund.
   d. A stock index is a directory used to locate information about selected stocks.

503 If government spending exceeds tax collections,
   a. there is a budget deficit.
   b. public saving is positive.
   c. there is a budget surplus.
   d. private saving is positive.

504 If GDP = PKR 1,000 billion, consumption = PKR 600 billion, taxes = PKR 100 billion, and government purchases = PKR 200 billion, how much is saving and investment?
   a. saving = PKR 300 billion, investment = PKR 300 billion
   b. saving = PKR 200 billion, investment = PKR 100 billion
   c. saving = PKR 100 billion, investment = PKR 200 billion
   d. saving = PKR 200 billion, investment = PKR 200 billion

505 If the public consumes PKR 100 billion less and the government purchases PKR100 billion more (other things unchanging), which of the following statement is true?
   a. Saving is unchanged.
   b. There is an increase in saving and the economy should grow more quickly.
   c. There is a decrease in saving and the economy should grow more slowly.
   d. There is not enough information to determine what will happen to saving.

506 In order for the allocations of commodities and inputs in an economy to be Pareto efficient:
a. the total quantities consumed must be on the production possibilities curve.
b. the allocation of the commodities must be on the contract curve.
c. the marginal rate of substitution for all consumers must equal the marginal rate of transformation
d. All of the above are correct

507 A decrease in the supply of a product would most likely be caused by
a. an increase in business taxes
b. an increase in consumer incomes
c. a decrease in resource costs for production
d. a decrease in the price of a complementary good

508 You attend opening of a new movie, paying PKR 100 for the ticket. You could have spent the two hours working at PKR 1000 per hour, attending a baseball game for PKR 150, or renting a movie for PKR 40. Your **opportunity cost** of attending the play is:
a. PKR 100, because this is the price of the ticket
b. PKR 2000, because this is the value of the time sacrificed
c. PKR 190, because this is the value of everything that was sacrificed
   PKR 150, because the baseball game is a substitute for the movie
d. $PKR 40, because this is the minimum cost of an alternative action

509 Slope of isoquant curve is known as ………………
   a. Marginal rate of substitution
   b. Marginal rate of technical substitution
   c. Marginal rate of transformation
   d. None

510 If we add exports and subtract imports of a country from its GDP, we get …......
   a. NNP
   b. NI
   c. GNP
   d. None

511 Other things being equal, Quantity Theory of Money (QTM) states that ………
a. Double the quantity of taxes, double would be the price level
b. Double the quantity of bonds, double would be the price level
c. Double the quantity of money, double would be the price level
d. None

512. Sources of profit are:
a. Innovations
b. Risk
c. Monopoly
d. All of the above
e. None of the above

513 PPP is
a. Theory that tells us that exchange rates between currencies are in equilibrium when their purchasing power is the same in both countries.
b. GDP divided by exchange rate.
c. Measure of income inequality.
d. Measure of infant mortality in developing countries.

514 The Human Development Index (HDI) summarizes a great deal of social performance in a single composite index, combining
a. Disparity reduction rate, human resource development rate and the composite index.
b. Longevity, education and living standard.
c. Minimum schooling, adult literacy and tertiary educational attainment.
d. Human resource training, development and R&D.

515 As economic development proceeds, income inequality tends to follow a(n) _____ curve
a. Convex.
b. Inverted U-shaped.
c. L-shaped.
d. S-Shaped.

516 According to Lewis's model, the dual economy grows only when
a. The modern sector increases its output share relative to the traditional sector.
b. Agricultural sector uses modern equipment.
c. Agricultural sector hires labor economically.
d. Modern manufacturing sector is labor-intensive.

517 Heavy export duties on agricultural exports:
a. Raise the domestic prices
b. Lower the domestic prices
c. Do not have any impact on commodity prices
d. None of above.

518 A matrix having 1_s in its principal diagonal and 0_s, anywhere else is called ---
a. Identity Matrix
b. Idempotent matrix
c. Inverse Matrix
d. Null Matrix

519 ----------------------------------- is concerned with the comparison of different equilibrium states that are associated with the different sets of values of parameters and exogenous variables.
a. Dynamic analysis
b. Comparative static analysis
c. Static analysis
d. all of above

520 Aggregate supply shocks that produce severe cost-push inflation cause:
a. Increase in employment level
b. Decrease in employment level
c. Stagflation
d. Disinflation

521 Deliberate change in government spending and tax collections to achieve socio-economic goals is known as
a. monetary policy
b. direct control
c. Fiscal policy
d. policy rules

522 Multicolinarity is detected by using.
a. r^2
b. VIF
c. Gold field Quandt test

d. Disturbance terms

523 If model is $\text{Ln } Y_i = B_0 + B_1 \text{ Ln } X_i + U_i$ then B_1 is.
a. Slope Coefficient
b. Partial Slope coefficient
c. Elasticity
d. Partial elasticity

524 The Harrod-Domar growth model suggests that growth is
a. directly related to savings and inversely related to the capital/output ratio.
b. directly related to the capital/output ratio and inversely related to savings.
c. indirectly related to savings and the capital/output ratio.
d. directly related to savings and the capital/output ratio.

525 Foreign trade
a) increases the scarcity of resources.
b) makes a country more equitable.
c) allows a country to have a greater variety of products at a lower cost than if it tried to produce everything at home.
d) allows a country to avoid trade-offs.
e) none of these answers.

526 Since people respond to incentives, we would expect that, if the average salary of accountants increases by 50% while the average salary of teachers increases by 20%, then
a. fewer students will take degree courses in accounting and more will take education courses.
b. fewer students will take degree courses in education and more will take accounting courses.
c. fewer students will attend university.
d. none of these answers.

527 High and persistent inflation is caused by
a. unions increasing wages too much.
b. OPEC raising the price of oil too much.
c. governments increasing the quantity of money too much.
d. regulations raising the cost of production too much.

528 The Phillips curve shows that
a. the business cycle has been eliminated.
b. an increase in inflation temporarily increases unemployment.
c. inflation and unemployment are unrelated in the short run.
d. a decrease in inflation temporarily increases unemployment.
e. none of these answers.

529 Which of the following is not a factor of production?
a. Labour
b. land
c. money
d. capital
e. All of these answers are factors of production.

530 Points on the production possibilities frontier are
a. inefficient.
b. normative.
c. unattainable.
d. efficient.
e. none of these answers.

531 . Refer to following table. Which of the following statements about absolute advantage is true?

	Food	Electronics
Australia	20	5
Korea	8	4

a. Australia has an absolute advantage in the production of food while Korea has an absolute advantage in the production of electronics.
b. Korea has an absolute advantage in the production of food while Australia has an absolute advantage in the production of electronics.
c. Australia has an absolute advantage in the production of both food and electronics.
d. Korea has an absolute advantage in the production of both food and electronics.

532 All of the following shift the supply of watches to the right except
a. an advance in the technology used to manufacture watches.
b. an increase in the price of watches.
c. All of these answers cause an increase in the supply of watches.
d. a decrease in the wage of workers employed to manufacture watches.
e. manufacturers' expectation of lower watch prices in the future.

533 The following table shows the amount of output a worker can produce per hour in Germany and Poland.

	Pens	Pencils
Germany	8	4

Poland	8	2

Which of the following statements about free trade between Germany and Poland is true?

a. <mark>Germany will export pencils and Poland will export pens.</mark>
b. Germany will export pens and Poland will export pencils.
c. Germany will export both pens and pencils.
d. Germany will export pencils but there will be no trade in pens because neither country has a comparative advantage in the production of pens.

534 Refer to the following exhibit. If free trade is allowed, consumer surplus is the area

Exhibit 5
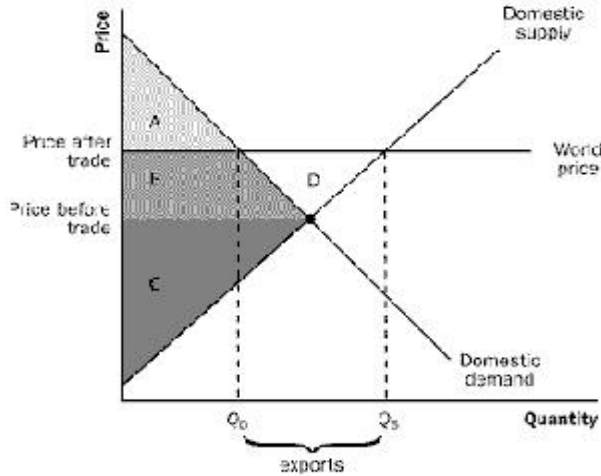
a. A + B + C + D.
b. <mark>A.</mark>
c. A + B + D.
d. A + B + C.
e. A + B.

535. If a production function exhibits diminishing marginal product, the slope of the corresponding total-cost curve
a. is linear (a straight line).
b. could be any of these answers.
c. <mark>becomes steeper as the quantity of output increases.</mark>
d. becomes flatter as the quantity of output increases.

536 Which of the following statements is true?
a. All costs are fixed in the short run.
b. <mark>All costs are variable in the long run.</mark>
c. All costs are variable in the short run.
d. All costs are fixed in the long run.

537 . Which of the following markets would most closely satisfy the requirements for a competitive market?
a. electricity
b. cable television
c. cola
d. <mark>milk</mark>
e. All of these answers represent competitive markets.

538 . Refer to the following exhibit. The profit-maximizing monopolist will choose the price and quantity represented by point
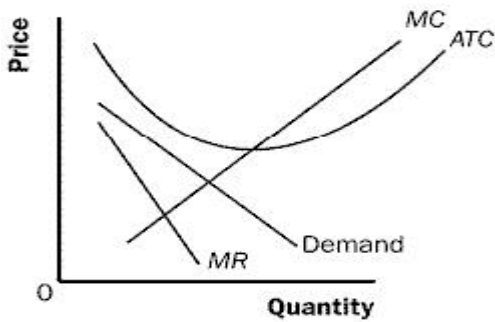
ibit 4
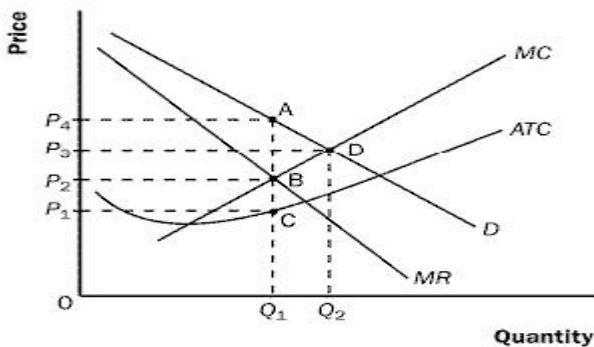
a. <mark>A</mark>.
b. B.
c. C.
d. D.
e. none of these answers.

539.

it 3

The monopolistically competitive market shown in the above exhibit will, in the long run,
a. attract new producers into the market, which will shift the demand faced by incumbent firms to the left.
b. attract new producers into the market, which will shift the demand faced by incumbent firms to the right.
c. cause producers to exit the market, which will shift the demand faced by incumbent firms to the left.
d. cause producers to exit the market, which will shift the demand faced by incumbent firms to the right.

540.
Exhibit 4
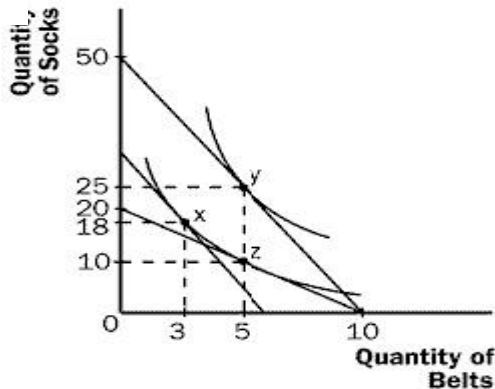
Refer to the above exhibit. Suppose that the consumer must choose between buying socks and belts. Also, suppose that the consumer's income is PKR 100. Suppose that the price of a pair of socks falls from PKR 5 to PKR 2. The substitution effect is represented by the movement from point
a. Z to point X.
b. X to point Y.
c. X to point Z.
d. Y to point X.

541. If a cobbler buys leather for PKR 100 and thread for PKR 50 and uses them to produce and sell PKR 500 worth of shoes to consumers, the contribution to GDP is
a. PKR 50.
b. PKR 100.
c. PKR 650.
d. PKR 500.
e. PKR 600.

542. The following table contains information about an economy that produces only pens and books. The base year is 2003.

Year	Price of pens (PKR)	Quantity of pens	Price of books (PKR)	Quantity of books
2003	3	100	10	50
2004	3	120	12	70
2005	4	120	14	70

Refer to the above table. What is the value of the GDP deflator in 2004?
a. 119
b. 138
c. 116
d. 113
e. 100

543 If we add exports and subtract imports of a country from its GDP, we get …......
a. NNP
b. NI

c. GNP
d. None

544. When the SBP extends a discount loan to a bank,
a. Both the monetary base and reserves increase.
b. The increase in the monetary base equals the increase in the borrowed base.
c. The monetary base changes one-for-one with the change in borrowings.
d. All of the above occur.

545 Which of the following is true of a nation's central bank?
a. It makes important decisions about the nation's tax and public spending policies
b. It is responsible for conducting the nation's monetary policy
c. It has many interactions with the nation's citizens and businesses
d. It lends only to the nation's largest and most important business firms

546 The creation of credit by commercial banks will
a. Reduce the level of overdrafts given by the bank
b. Increase deposits, which can help in further credit creation
c. Reduce the bank assets
d. Increase special deposits

547 The excess reserves held by the banks tend to
a. Increase during periods of recession
b. To be stable during periods of prosperity
c. Fall during the periods of recession
d. Fall when interest rates fall.

548 Heavy export duties on agricultural exports:
a. Raise the domestic prices
b. Lower the domestic prices
c. Do not have any impact on commodity prices
d. None of above

549 As economic development proceeds, income inequality tends to follow a(n) _____ curve
a. Convex.
b. Inverted U-shaped.
c. L-shaped.
d. S-Shaped.

550 Lowering the cut-score value would affect the number of eligible applicant
a. increase
b. Decrease
c. Remain same
d. Both, increase and decrease

551 If supply of labor force exceeds than the demand, the result would be
a. Recruitment
b. Selection
c. De-recruitment
d. Training and Development

552 The master goal of economic policy is to promote
a. Social welfare
b. Cultural welfare
c. General welfare
d. Both a &b

553 Removal of quantitative restrictions on international trade is expected to promote
a. Imports of agri. Commodities
b. Exports of agricultural commodities
c. Both imports and exports & production inputs
d. None of above

554 Servitude in any form reflects a state of
a. Emergency
b. Dependency
c. Underdevelopment
d. None of above

555. Which of the following could be considered critical questions in development economics?
a. How do the poorest 2/3 of the world live?
b. What are the major theories of economic development?
c. What factors affect labor skills in the third world?
d. All of the above are correct.

556 In low-income countries, the average agricultural family produces a surplus
a. Enough to supply only a small non-agricultural population.
b. Of zero.
c. Large enough to feed five other families.

d. Large enough to feed 25 other families.

557 Dual economies are countries
a. with double capital and labor/
b. With a modern manufacturing sector as well as traditional agriculture sector.
c. That specializes in labor-intensive products more than capital-intensive products.
d. With foreign-owned and domestically-owned capital.

558 Criticisms of Rostow's stages of development include
a. The difficulty of testing the stages scientifically.
b. Conditions for takeoff are contradicted by historical evidence.
c. Characteristics of one stage are not unique to that stage.
d. All of the above are correct.

559. In balance if liabilities are more than assets then the situation is called
a. Net worth
b. Equity
c. Deficit
d. Net deficit

560 When the farmer fails to repay the loan in the event of natural calamities, he is a case of
a. Willful default
b. Non-wilful default
c. Sheer willful default
d. None of above

561 An input (X_2) can be defined as a technical _____ for another input (X_1) if an increase in the use of X_2 causes the marginal product of X1 to increase.
a. Complements
b. Competitive
c. Interdependence
d. Independence

562 A _____ curve represents the range of options open to a society given the resources that are available to the society.
a. Product transformation
b. Total physical product
c. Production elasticity
d. Indifference

563 The production possibilities curve at the firm level is called ----------------------------
a. Production transformation curve
b. Physical production curve
c. Production possibility frontier
d. a+b

564 Isoquant will be bowed inward and convex to the origin if the product of each input is.
a. Positive & declining
b. Negative & declining
c. Positive & increasing
d. Negative & increasing

565 A line that connects all points of profit maximization is _____.
a. Ridge line
b. Isocline
c. Pseudoscale line
d. Expansion path

566 _____ is the proportional change in the output ratio divided by the proportional change in the rate of product transformation.
a. Output elasticity
b. Output elasticity of substitution
c. Product transformation
d. Marginal substitution

567 For profit maximization, MVP curve must intersect _____ from above.
a. MFC
b. MC
c. TVP
d. MPP

568 The MC curve that lies above average variable cost is the_____for the firm.
a. Supply curve
b. Demand curve
c. Average variable cost curve
d. Any other

569 The snapshot comparison of prices and quantities that would prevail under the old and new levels of consumer incomes is.

a. Comparative statistics
b. Inverse price ratio
c. Slope
d. Any other

570 A Pigouvian tax is a tax that should be set equal to
a. The divergence between private and social benefits.
b. The divergence between private and social costs.
c. The marginal benefit associated with the good or service.
d. None of the above.

571. A marginal damage function represents
a. The costs associated with reducing pollution to a lower level.
b. The increase in damage that results from an increase in the level of pollution.
c. The opportunity costs associated with production of a good or service.
d. Includes the costs of labor, capital and energy needed to lessen the emission of pollution.
e. Both a and d.

572. If the NPW of a project is zero, it means that the cost of a project has been_____
a. Fully recovered
b. Partially recovered
c. Both a and b
d. None

573. A Deliberate changes in government spending and tax collections to achieve socio-economic goals is known as
a. monetary policy
b. direct controls
c. Fiscal policy
d. policy rules

574. Multicolinarity is detected by using.
a. r^2
b. VIF
c. Gold field quandt test
d. Disturbance term

575 High and persistent inflation is caused by
a. unions increasing wages too much.
b. OPEC raising the price of oil too much.
c. governments increasing the quantity of money too much.
d. regulations raising the cost of production too much.

576 The method to valuate the assets at what it would cost to reproduce them at present prices and under present method of production is called.
a. Valuation at cost minus depreciation
b. Valuation at cost or market price
c. Valuation at net selling price
d. Valuation by replacement cost minus depreciation.

577 Under perfectly competitive market equilibrium difference between Expected future price (Pf) and current Price (Pc) is equal to _____
a. Storage Cost
b. Transportation cost
c. Processing Costs
d. All of them

578 Which factor is not part of the external environment influencing consumer behavior
a. Culture
b. Social class
c. Personality
d. Family

579. Consumer decision process begins with_____
a. Information search and Evaluation
b. Problem recognition
c. Purchasing process
d. all of these

580 The process of dividing a total market into market groups so that persons within each group have relatively similar product needs is called:
a. segmenting
b. differentiating
a. Target marketing
b. concentrating

581 Building a strategic marketing plan involves a careful assessment of the opportunities, threats & objective evaluation of the firm's strengths & weakness through _____ analysis
a. Economic

b. SWOT
c. MAN
d. None of these

582. Agricultural markets are inefficient when there are _____
a. Imperfect competition
b. Large marketing margins
c. Higher losses
d. All of these

583 Market _____refers to the pattern of behaviour that enterprises follow in adapting to the market in which they buy or sell.
a. Structure
b. Conduct
c. Performance
d. Function

584 McDonald's uses a segmentation strategy for its sandwiches based on characteristics such as age and gender. It is using which group of segmentation variables?
a. Demographic
b. Psychographic
c. Geographic
d. Education

585 _____function involves those activities that are concerned with the transfer of ownership in marketing system
a. Exchange
b. physical
c. facilitating
d. None of these

586 _____ is the data needed by producers, wholesalers and consumers to help them make decisions.
a. Market information
b. Market research
c. Market intelligence
d. None of them

587 Tariff Duty,_____, Import Embargo and Voluntary Export Restrained are important Anti-dumping measures.
a. Import Quota
b. Import Licenses
c. Export Subsidy
d. None of them

588 Information about the speculative demand is needed by _____ to make decisions.
a. Government
b. Stock holders
c. Exporters
d. Importers
e. None o them

589 A dairy farm produces 100 kg milk, domestic consumption, feeding and payment in kind accounts for 10 kg milk, another 10% of total milk is lost during transporting it to the market, so marketed surplus will be
a. 70 kg
b. 85 kg
c. 60 kg
d. none of these

590 A middlemen who sells the services to their principal is known as
a. Commission man
b. broker
c. None of these
d. both of these

591 Points on the production possibilities frontier are
   a. inefficient.
b. normative.
c. unattainable.
d. efficient.
e. none of these answers.

592 An amount recorded on the left side of an account is called……………. entry.
a. Debit
b. Credit
c. Any one
d. Any other

593 Which of the following is not covered under the category of conscious control on fertility?

a. Fixing minimum marriage age
b. Forbidding
c. ==Encouraging widow re-marriage==
d. Fixing maximum marriage age

594. Aim of social research is
a. theoretical
b. practical
c. utilitarian
d. ==a and c==

595 In theoretical field social research aims:
a. ==finding problems of human being.==
b. identifying delinquent behavior.
c. reducing social conflicts.
d. none of above.

596 Density of population is very much related to.
a. ==Climate==
b. Cultural background
c. Political system
d. Form of government

597 One important cause of increase in world population is that the society?
a. Has made technological advancement
b. Has become more modernized
c. Is changing from rural to urban phase
d. ==Has controlled death rate==
e. Has controlled fertility

598 A Likert scale emphasis
a. Reproducibility
b. ==un-idimensionality==
c. None of these

599. "The process of selecting the sample from the population" is called
a. Scale
b. ==Sampling==
c. Standard error
d. Statistics

600. Suppose a decrease in product demand occurs in a decreasing-cost industry. Compared to the original equilibrium the new long-run competitive equilibrium will entail:
A. A higher price and a higher total output
B. A lower price and a lower total output
==C. A higher price and a lower total output==
D. A lower price and a higher total output

601. Combined consumer and producer surplus is maximized in a competitive market:
==A. At the quantity corresponding to the intersection of the market supply and demand curves==
B. If the market price exceeds minimum average total cost
C. At any output level at least as large as the market equilibrium quantity
D. Provided price exceeds marginal cost

602. In the long run, competitive markets achieve:
A. Allocative efficiency because P is equal to min ATC but not productive efficiency because P greater than min AVC
==B. Allocative efficiency because P is equal to MC and productive efficiency because P is equal to min ATC==
C. Productive efficiency because P is equal to min ATC but not allocative efficiency because P greater than MR
D. Neither productive nor allocative efficiency

603. Compared to a competitive firm, a monopolistically competitive firm:
==A. Faces a less elastic demand curve==
B. Is less likely to advertise its product
C. Faces a more elastic demand curve
D. Can earn positive profits in the long run

604. Suppose several firms in a purely competitive industry begin to experiment slightly with their product designs. This product differentiation allows them to modestly increase their prices and increase their short-run profits. The industry now more closely resembles:
A. Pure monopoly
B. Oligopoly
C. Monopolistic competition
D. Competitive monopoly

605. At a monopolist's current output, ATC = $11, P = $12, MC = $12 and MR = $11. This firm is realizing:
A. An economic profit that could be increased by producing more output
==B. An economic profit that could be increased by producing less output==
C. An economic loss that could be reduced by producing more output

D. An economic loss than could be reduced by producing less output

606. In long run equilibrium, both competitive firms and a monopolistic firms that maximize profits:
A. Earn zero economic profits
B. Set price equal to marginal revenue
C. Produce at minimum average total cost
D. Produce the output at which marginal revenue equals marginal cost

607. Suppose a monopolist could segment its market into two distinct submarkets and prevent resale between them. Its profits would increase if it charged a higher price to the group whose:
A. Demand is more elastic
B. Demand is more inelastic
C. Demand is greater
D. Cost is lower

608. The economic profits of firms in long-run competitive equilibrium are:
A. Negative
B. Positive
C. Zero
D. Zero if it is a constant cost industry, positive otherwise

609. Which of the following is a characteristic of equilibrium in long-run competitive markets?
A. Consumer surplus is minimized
B. Producer surplus exceeds consumer surplus
C. Combined consumer and producer surplus is maximized
D. The difference between producer surplus and consumer surplus is maximized

610. The long-run industry supply curve will be horizontal:
A. In a decreasing cost industry
B. If resource prices rise at the same rate as industry demand rises
C. If resource prices fall at the same rate as industry demand rises
D. If resource prices remain constant as industry demand rises or falls

611. Suppose a decrease in product demand occurs in a decreasing-cost industry. Compared to the original equilibrium the new long-run competitive equilibrium will entail:
A. A higher price and a higher total output
B. A lower price and a lower total output
C. A higher price and a lower total output
D. A lower price and a higher total output

612. Combined consumer and producer surplus is maximized in a competitive market:
A. At the quantity corresponding to the intersection of the market supply and demand curves
B. If the market price exceeds minimum average total cost
C. At any output level at least as large as the market equilibrium quantity
D. Provided price exceeds marginal cost

613. The slope of an isoquant is referred by
A. Marginal rate of substitution (MRS)
B. Marginal rate of technical substation (MRTS)
C. Rate of technical substitution (RTS)
D. All of above

614. Two ridge lines intersect at the single point of
A. Maximum profit
B. Maximum output
C. Maximum production
D. Minimum cost

615. . Isoquant might be right angles, and the corresponding production surface is shaped like a pyramid. This can occur when
A. One input substitute other in fixed proportion
B. Two inputs substitute each other at constant rate
C. Two inputs must be used in fixed proportion with each other
D. Two inputs used at their corners

616. A diminishing marginal rate of substitution between two inputs normally occurs if
A. Marginal Product of both inputs is positive
B. Marginal product of both inputs is negative
C. MRS is positive
D. None of above

617. A ridge line can be drawn that connects points of
A. Zero and infinite slopes on the isoquant map
B. Finite slope on the isoquant map
C. Infinite and constant slope on the isoquant map
D. Negative slope on the isoquant map

618. At higher levels of output, the isoquant rings become smaller and smaller to a single point, representing
A. Global point of maximum profit
B. Global point of highest input
C. Global point of maximum output
D. Producers most preferred point of operation

619. Assuming the FOC have been met, the SOC for a maximum requires that
A. The principal minors H1 and H2 alternate in sign, starting with positive sign
B. The principal minors H1 and H2 alternate in sign, starting with negative sign
C. The principal minors H1 and H2 must be negative
D. The principal minors H1 and H2 must be positive

620. At point of profit maximization VMP should be equal to MFC, which also implies ratio of VMP to MFC for each input is 1 saying that
A. Last dollar spent on each input must return exactly $1 and most of previous inputs have returned less than a dollar
B. Last dollar spent on each input must return exactly $1 and most of next inputs will return more than a dollar
C. Last dollar spent on each input must return exactly $1 and most of next inputs will return same
D. Last dollar spent on each input must return exactly $1 and most of previous inputs have returned more than a dollar

621. The single profit maximization point will require -------------than would be required to maximize output, unless one or both of inputs are free
A. Less of both x1 and x2
B. More of both x1 and x2
C. Same amount of x1 and x2
D. Undefined

622. To be at maximum output, the last dollar spent on each input must produce
A. No additional output or yield and revenue of 1 dollar
B. No additional output, yield or revenue
C. Positive output, yield or revenue
D. Negative additional output or yield

623. Which of the following statements is true about a country with a trade deficit
A. Net exports are negative
B. Net capital outflow must be positive
C. Exports exceed imports
D. Net exports are positive

624. If Japan exports more than it imports
A. Japan's net exports are negative
B. Japan is running a trade deficit
C. Japan's net capital outflow must be positive
D. Japan's net capital outflow must be negative

625. If the exchange rate changes from 3 Brazilian reals per dollar to 4 reals per euro,
A. The euro has appreciated
B. The euro has depreciated
C. The euro could have appreciated or depreciated depending what happened to relative prices in Brazil and the Eurozone countries
D. None of these

626. If the nominal exchange rate between UK pounds and US dollars is 0.5 pound per dollar, how many dollars can you get for a pound
A. 1.5 dollars
B. 0.5 of a dollar
C. 1 dollar
D. 2 dollars

627. Suppose the nominal exchange rate between the Japanese yen and the UK pound is 100 yen per pound. Further, suppose that a kilogram of rice costs £2 in the UK and 250 yen in Japan What is the real exchange rate between Japan and the UK
A. 2.5 kilograms of Japanese rice per kilogram of UK rice
B. 0.5 kilograms of Japanese rice per kilogram of UK rice
C. 1.25 kilograms of Japanese rice per kilogram of UK rice
D. 0.8 kilograms of Japanese rice per kilogram of UK rice

628. Which of the following products would likely be the least accurate if used to calculate purchasing power parity
A. Diamonds
B. Gold
C. Cars
D. Dental services

629. . If the marginal propensity to consume MPC is 0.75, the value of the multiplier is
A. 4

B. 7.5
C. 5
D. 0.75
630. How is your purchase of a €40,000 BMW automobile that was produced entirely in Germany recorded in the UK GDP accounts
A. Net exports increases by €40,000
B. There is no impact because this transaction does not involve domestic production
C. Investment increases by €40,000 and net exports increases by €40,000
D. Net exports decreases by €40,000
631. Which of the following statements about economic fluctuations is true?
A. Depression is a mild recession.
B. A variety of spending, income, and output measures can be used to measure economic fluctuations because most macroeconomic quantities tend to fluctuate together.
C. A recession is when output rises above the natural rate of output.
D. Economic fluctuations have been termed the "business cycle" because the movements in output are regular and predictable.
632. According to the interest rate effect, aggregate demand slopes downward (negatively) because
A. Lower prices increase money holdings, decrease lending, interest rates rise, and investment spending falls.
B. Lower prices increase the value of money holdings and consumer spending increases.
C. Lower prices decrease the value of money holdings and consumer spending decreases.
D. Lower prices reduce money holdings, increase lending, interest rates fall, and investment spending increases.
633. Which of the following would not cause a shift in the long-run aggregate supply curve?
A. An increase in the available capital
B. An increase in the available labour
C. An increase in the available technology
D. An increase in price expectations
634. Which of the following is not a reason why the aggregate demand curve slopes downward?
A. The exchange-rate effect
B. The wealth effect.
C. The classical dichotomy/monetary neutrality effects.
D. The interest-rate effect
635. . In the model of aggregate demand and aggregate supply, the initial impact of an increase in consumer optimism is to
A. Shift the short-run aggregate supply curve to the left.
B. Shift the aggregate demand curve to the right.
C. Shift the short-run aggregate supply curve to the right.
D. Shift the aggregate demand curve to the left.
636. Which of the following statements is true regarding the long-run aggregate supply curve?
A. The long-run aggregate supply curve is vertical because an equal change in all prices and wages leaves output unaffected.
B. Is positively sloped because price expectations and wages tend to be fixed in the long run.
C. Shifts right when the government raises the minimum wage.
D. Shifts left when the natural rate of unemployment falls.
637. According to the wealth effect, aggregate demand slopes downward (negatively) because
A. Lower prices increase the value of money holdings and consumer spending increases.
B. Lower prices decrease the value of money holdings and consumer spending decreases.
C. Lower prices reduce money holdings, increase lending, interest rates fall, and investment spending increases.
D. Lower prices increase money holdings, decrease lending, interest rates rise, and investment spending falls.
638. The natural rate of output is the amount of real GDP produced
A. When the economy is at the natural rate of unemployment.
B. When the economy is at the natural rate of investment.
C. When the economy is at the natural rate of aggregate demand.
D. When there is no unemployment.
639. Suppose the price level falls but because of fixed nominal wage contracts, the real wage rises and firms cut back on production. This is a demonstration of the
A. Sticky-wage theory of the short-run aggregate supply curve.
B. Classical dichotomy theory of the short-run aggregate supply curve.
C. Misperceptions theory of the short-run aggregate supply curve.
D. Sticky-price theory of the short-run aggregate supply curve.
640. Suppose the price level falls but suppliers only notice that the price of their particular product has fallen. Thinking there has been a fall in the relative price of their product, they cut back on production. This is a demonstration of the
A. Misperceptions theory of the short-run aggregate supply curve.
B. Classical dichotomy theory of the short-run aggregate supply curve.
C. Sticky-price theory of the short-run aggregate supply curve.
D. Sticky-wage theory of the short-run aggregate supply curve.

641. Suppose the economy is initially in long-run equilibrium. Then suppose there is a increase in military spending due to rising international tensions. According to the model of aggregate demand and aggregate supply, what happens to prices and output in the short run?
A. Prices fall; output rises.
B. Prices fall; output falls.
C. Prices rise; output falls.
D. Prices rise; output rises.
642. Suppose the economy is initially in long-run equilibrium. Then suppose there is a increase in military spending due to rising international tensions. According to the model of aggregate demand and aggregate supply, what happens to prices and output in the long run?
A. Output falls; prices are unchanged from the initial value.
B. Prices fall; output is unchanged from its initial value.
C. Output and the price level are unchanged from their initial values.
D. Prices rise; output is unchanged from its initial value.
643. . Suppose the economy is initially in long-run equilibrium. Then suppose there is a drought that destroys much of the wheat crop. According to the model of aggregate demand and aggregate supply, what happens to prices and output in the short run?
A. Prices rise; output falls.
B. Prices fall; output rises.
C. Prices rise; output rises.
D. Prices fall; output falls.
644. Suppose the economy is initially in long-run equilibrium. Then suppose there is a drought that destroys much of the wheat crop. If policymakers allow the economy to adjust to long-run equilibrium on its own, according to the model of aggregate demand and aggregate supply, what happens to prices and output in the long run?
A. Output rises; prices are unchanged from the initial value.
B. Output and the price level are unchanged from their initial values.
C. Output falls; prices are unchanged from the initial value.
D. Prices fall; output is unchanged from its initial value.
645. Stagflation occurs when the economy experiences
A. Rising prices and rising output.
B. Rising prices and falling output.
C. Falling prices and falling output.
D. Falling prices and rising output
646. If there is specification bias (some variables are excluded) then there is
A. Correlation
B. Multicollinearity
C. Zero Correlation
D. Homoscedasticity
647. The test used to detect auto-correlation is ------------------
A. Park Test
B. Glejser Test
C. Spearman's Rank Correlation Test
D. Durbin-Watson d Test
648. . If $\sum(\mu_i \, \mu_j) = 0$, i≠j it means that
A. High Autocorrelation
B. No Autcorrelation
C. Zero Autocorrelation
D. Zero Multicollinearity
649. The most common problem in time series data is ------------------
A. Autocorrelation
B. Homoscedasticity
C. Heteroscedasticity
D. Multicollinearity
650. What would be then consequences for the OLS estimator if heteroscedasticity is present in a regression model but ignored?
A. It will be biased
B. It will be inconsistent
C. It will be inefficient
D. All of the above.
651. In the regression specification y = α + β x + δ z + ε the parameter α is called
A. The slope coefficient
B. The intercept
C. The constant term
D. Both B & C.
652. If a Durbin Watson statistic takes a value close to zero, what will be the value of the first order autocorrelation coefficient?

A. Close to zero
B. Close to plus one
C. Close to minus one
D. Close to either minus one or plus one
653. R-square is the fraction of
A. The dependent variable explained by the independent variables
B. The variation in the dependent variable explained by the independent variables
C. The variation in the dependent variable explained linearly by the independent variables
D. None of the above
654. You have regressed y on x to obtain $Y^\wedge = 3 + 4x$. If x increases from 7 to 10, what is your forecast of y?
A. 12
B. 31
C. 40
D. 43
655. The explanatory variables, X_i should not linearly correlate or affect each others; if they do, the problem is referred to as
A. Autocorrelation
B. Misspecification error
C. Heteroscedasticity
D. Multicollinearity
656. _____is below the income that secures the bare essentials of food, clothing,   and shelter.
A. Income inequality.
B. Absolute poverty.
C. Sen's poverty index.
D. Purchasing-power poverty.
657. The increasing integration of national economies into expanding international markets called
A. Globalization
B. Sustainable Development
C. Free trade
D. None of the above
658. A tendency for per capita income or output to grow faster in higher income countries than in lower income countries so that income gap wider across countries over time called
A. Convergence
B. Divergence
C. Globalization
D. None of the above
659. A functional economic relationship in which the growth rate of GDP depends directly on the national net saving rate and inversely on the national capital output ratio is stated under
A. Rostow stages of growth
B. Structural change model
C. The Harrod-Domar Growth Model
D. None of the above
660. marginal utility provides a simple rational for the law of demand
A. Total
B. Diminishing
C. Steeper
D. Law
661. By providing insights on the income effect and substitution effects of a price decline, the utility maximization model explains
A. Supply curve slopes upward
B. Why supply curve should intersect Demand curve
C. Why demand curve slopes downward
D. Why quant demanded is different from demand curve
662. In ----------------------- a large number of firms produces a standardized product and there are no significant barriers to entry
A. Monopoly industry
B. Oligopoly industry
C. Purely competitive industry
D. Monopolistic industry
663. Marginal revenue curve is horizontal in pure competition in short run because
A. Product price falls as output increases
B. Law of diminishing MU is at work
C. The market demand for this product is perfectly elastic
D. The firm is price taker
664. The marginal cost curve first declines and then increase because of
A. Increasing then diminishing marginal utility
B. The decline in the gap between ATC and AWC as output expands

C. Constant marginal revenue
D. <mark>Increasing then diminishing marginal returns</mark>
665. The utility of a particular good
A. Is the same for everyone, even if its usefulness differs from person to person
B. Is a measure of the product's usefulness
C. <mark>Typically increases at a constant rate</mark>
D. Typically increases at a decreasing rate
666. Jamal enjoys having either a peanut butter sandwich or a sandwich for his lunch. A drop in the price of peanut butter increases the marginal utility per rupee of peanut butter and causes Jamal to buy more peanut butter and less sandwiches to restore maximum utility. This best illustrates the
A. Law of diminishing marginal utility
B. <mark>Income effect</mark>
C. Substitution effect
D. Law of increasing total utility
667. Kamal received 80 total units of utility from the first four chips he consumed. If the marginal utilities of the first, second, and third chips are 20, 25, and 20, respectively, the marginal utility of the fourth chip is:
A. 65 units of utility
B. 20 units of utility
C. <mark>15 units of utility</mark>
D. Unknown, since Kamal's utility does not conform to the usual rules
668. Suppose the prices of products X and Y are PKR5 and PKR10, respectively. For a specific consumer who is currently exhausting her total income, the total utility from X is 100, while the total utility from Y is 200. The marginal utility of X and Y are both equal to 8. From this information, we can conclude
A. She is maximizing total utility
B. <mark>She should purchase relatively more X</mark>
C. She should purchase relatively more Y
D. Nothing about whether she is maximizing total utility
669. If marginal product is positive but falling:
A. Marginal cost must also be falling
B. Average product must be falling
C. <mark>Total product is increasing at a decreasing rate</mark>
D. Total product is falling
670. Suppose that a business incurred implicit costs of $300,000 and explicit costs of PKR 1,300,000 over the past year. If the firm earned PKR1,400,000 in revenue, its:
A. Accounting profits were PKR400,000 and its economic profits were PKR100,000
B. Accounting losses were PKR200,000 and its economic profits were PKR100,000
C. Accounting profits were PKR100,000 and its economic profits were zero
D. <mark>Accounting profits were PKR100,000 and its economic losses were PKR200,000</mark>
671. Explicit costs and implicit costs:
A. <mark>Are alike in that both represent opportunity costs</mark>
B. Are alike in that both reflect an outlay of cash
C. Are alike in that both are deducted from revenue to find accounting profit
D. Differ in that only explicit costs are deducted from revenue to find economic profit
672. Compared to the downward sloping demand curve for the output of a competitive industry, a single firm operating in that industry faces:
A. A perfectly inelastic demand curve
B. <mark>A perfectly elastic demand curve</mark>
C. A unit elastic demand curve
D. A downward sloping marginal revenue curve
673. Competitive firms maximize:
A. Total profits by producing where price exceeds average total cost by the greatest amount
B. Per unit profits by producing where marginal revenue equals marginal cost
C. <mark>Total profits by producing where price equals marginal cost</mark>
D. Market share by producing where price equals average total cost
674. The allocative inefficiency of non-discriminating monopoly arises from the fact that:
A. <mark>Price exceeds marginal cost</mark>
B. Output falls short of the output at which average cost is minimized
C. Output exceeds that at which average cost is minimized
D. Price exceeds minimum average cost
675. Which of the following events shifts the short-run aggregate supply curve to the right?
A. A decrease in the money supply
B. <mark>A drop in oil prices</mark>
C. An increase in government spending on military equipment
D. None of these answers
676. According to the model of aggregate supply and aggregate demand, in the long run, an increase in the money supply should cause
A. Prices to rise and output to rise.

B. Prices to fall and output to remain unchanged.
C. Prices to fall and output to fall.
D. Prices to rise and output to remain unchanged

677. . Policy makers are said to "accommodate" an adverse supply shock if they
A. Fail to respond to the adverse supply shock and allow the economy to adjust on its own.
B. Respond to the adverse supply shock by decreasing aggregate demand, which lowers prices.
C. Respond to the adverse supply shock by decreasing short-run aggregate supply.
D. Respond to the adverse supply shock by increasing aggregate demand, which further raises prices

678. . Firm in the economy produces goods/services by using inputs like
A. Diagram, flow charts and equations
B. Revenue, taxes, households, services
C. Wages, buildings, machines, organizations
D. Labour, land, capital, entrepreneur

679. The resource market is the place where:
A. Households sell products and businesses buy products.
B. Businesses sell resources and households sell products.
C. Households sell resources and businesses buy resources.
D. Businesses sell resources and households buy resources

680. Which of the following would be determined in the product market?
A. A manager's salary.
B. The price of equipment used in a bottling plant.
C. The price of 80 acres of farmland.
D. The price of a new pair of athletic shoes.

681. In the circular flow diagram:
A. Households spend income in the product market.
B. Firms sell resources to households.
C. Households receive income through the product market.
D. Households produce goods.

682. Which of the following is the money flow that corresponds to the real flow of resources?
A. Income
B. Goods and services
C. Consumption
D. Factor of production

683. GDP excludes expenditure for
A. Addition to inventories
B. New housing
C. Government purchases of military equipment
D. Corporate stock

684. The income approach to GDP sums the total income earned by resource suppliers
A. Adds net transfer payments and personal taxes
B. Adds net investment and depreciation
C. Subtracts net foreign factor income but adds depreciation and taxes on production and imports
D. Net transfer payments, depreciation, and net foreign factor income

685. The change in real GDP is not an accurate measure of the change in economic welfare because, for example:
A. Improvements in product quality are overstated
B. Expenditures for personal services are excluded
C. The price level changes over time
D. Some production creates pollution

686. . "The market value of all final goods and services produced within a nation in a given year." This best describes:
A. Net domestic product
B. Gross domestic product
C. National income
D. Personal income

687. In calculating GDP:
A. Both exports and imports are added
B. Neither exports nor imports are added
C. Exports are added and imports are subtracted
D. Imports are added and exports are subtracted

688. Suppose nominal GDP in the base year was $380 billion. Five years later, nominal GDP was $480 and the GDP price index was 120. Over those five years, real GDP:
A. Increased by $20 billion
B. Increased by $96 billion
C. Increased by $80 billion
D. Did not change

689. Disposable income consists of:

A. Personal income plus personal taxes
B. Net domestic product minus personal taxes
C. GDP corrected for inflation
D. Consumption plus saving
690. If a nation's real GDP is growing at 2% per year, its real output will double in approximately:
A. 50
B. 40
C. 35
D. 33
691. If an economy's production possibilities curve has shifted out, we can unambiguously conclude that:
A. The supply of natural resources increased
B. The supply of labor increased
C. Potential GDP increased
D. Technology improved
692. Which of the following sources of economic growth is a demand-side factor?
A. Supply factors
B. Demand and efficiency factors
C. Increases in the quality of inputs
D. Technological change
693. Total real output can be determined by
A. Multiplying total hours of work times labor productivity
B. Multiplying total wages paid times output per hour of work
C. Dividing total wages paid by labor productivity
D. Dividing total hours of work by labor productivity
694. If real GDP was $5,000 billion last year and is $5,200 billion this year, the approximate rate of economic growth over the past year is:
A. 0.2 %
B. 0.4%
C. 4%
D. $200 Billion
695. Occasionally, rapidly rising prices for basic inputs such as energy result in higher prices for many goods and services. The resulting inflation is best categorized as:
A. Cost Pull
B. Cost Push
C. Demand pull
D. Demand Push
696. At the deepest point of the Great Depression, most unemployment consisted of:
A. Structural Unemployment
B. Cyclical Unemployment
C. Frictional Unemployment
D. Search Unemployment
697. Adil has just finished school and is searching for his first job. Adil is considered to be:
A. Arbitrarily redistributes income from creditors to debtors
B. Invariably leads to unemployment
C. Reduces the real incomes of all individuals
D. Has the same economic consequences as anticipated inflation
698. Population regression curve is simply the locus of conditional means of the dependent variables for the fixed values of the ----------------- variables
A. Explanatory
B. Independent
C. Predictor
D. All the above
699. Coefficient of determination R^2 is calculated by
A. RSS/TSS
B. ESS/TSS
C. RSS/ESS
D. 1- ESS/TSS
700. Which of the following assumptions are required to show the consistency, unbiasedness and efficiency of the OLS estimator?
A. E(ut) = 0
B. Var(ut) = σ2
C. Cov(ut, ut-j) = 0 ∀ j
D. All of the above
701. A prominent obstacle to rural development is the problem of
A. Mobilization of resources
B. Health
C. Skill

D. Labor

702. Health, education and housing are a type of _____
A. Social infrastructure
B. Economic infrastructure
C. Political infrastructure
D. None of the above

703. Sharecropping is inefficient, is a statement of
A. Marshallian hypothesis
B. Newton's law
C. Shaban's statement
D. William smith

704. Relative poverty is measured by
A. Gini coefficient
B. Cost of living
C. Poverty line
D. Calories intake

705. Which of the following statement about rural and agricultural development is true?
A. Both rural development and agricultural development are equivalent.
B. There should be full range of services like schools, banks, shops, hospitals for the agrarian economy
C. Household non-farm income is uncorrelated to farm productivity and household incomes.
D. Rural population receives little income from non-farm income

706. Credit rationing, which is refers to the situation where lenders limit the supply of additional credit to borrowers who demand funds, is due to the
A. Market imperfection
B. Limited information
C. Disequilibrium in the market
D. All of the above

707. Access to credit affects rural household welfare outcomes through:
A. Alleviation of the capital constraints.
B. Increase household's risk-bearing ability.
C. Consumption smoothing.
D. All of the above

708. Which of the following is a method to measure relative poverty?
A. Gini coefficient
B. Lorenz curve
C. Both A & B
D. Poverty line

709. A curve which shows the different combinations of two inputs which produces the same output level called
A. Indifference curve
B. Production possibility curve
C. Isoquant
D. Isorevenue line

710. In monopolostistic competition, firms desire to sell more output at equilibrium because
A. Price is equal to marginal revenue
B. Price is greater than average variable cost
C. Price is greater than average cost
D. Price is greater than marginal cost

711. The Returns to scale in the production function $Y = K0.5 L0.5$ are
A. Decreasing
B. Constant
C. Increasing
D. All of above

712. A competitive firm hires labor until the marginal product of labor equals the
A. Real wage
B. Rental price of capital
C. Price of output
D. Capital/labor ratio

713. Suppose that Jamal builds a new house, then he sells it to Sumair and then Sumair sells it to Waqas. The total net investment from these transactions is
A. Zero
B. One house
C. Two house
D. Three house

714. The government is running a budget deficit if
A. Government spending is greater than tax revenue
B. Tax revenue is greater than government spending
C. Tax revenue is greater than consumption spending

D. Tax revenue is greater than investment spending

715. An example of a transfer payment is
A. Profit
B. Rent
C. Unemployment benefits
D. Government purchases

716. The value of plant and equipment worn out in the process of manufacturing goods and services is measured by
A. Intermediate production
B. Net National Product
C. Investment
D. Depreciation

717. Gross Domestic Product can be measured as the sum of
A. Final goods and services, intermediate goods, transfer payments, and rent
B. Consumption, investment, government purchases, and net exports
C. Consumption, transfer payments, wages, and profits
D. Net National Product, Gross National Product, and Disposable personal income

718. If nominal GDP in 2005 exceeds nominal GDP in 2004, then the production of output
A. Must have fallen
B. Must have risen
C. Must have stayed the same
D. Not enough information to determine what happened to real output

719. If a cobbler buys leather for PKR100 and thread for PKR50 and uses them to produce and sell PKR500 worth of shoes to consumers, the contribution to GDP is
A. PKR50
B. PKR100
C. PKR650
D. PKR500

720. GDP would include which of the following?
A. The value of taking a day off from work
B. Consulting services
C. Intermediate sales
D. Illegal drug sales

721. Which of the following is not a function of money?
A. Hedge against inflation
B. Medium of exchange
C. Unit of account
D. Store of value

722. . Commodity money
A. Has no intrinsic value
B. Has intrinsic value
C. Is used exclusively in the economies of western Europe and north America
D. Is used as reserves to back fiat money

723. Real GDP is measured in ---------- prices while nominal GDP is measured in --------- prices.
A. Foreign; domestic
B. Current year; base year
C. Domestic; foreign
D. Base year; current year

724. If your grandparents buy a newly built retirement home, this transaction would affect
A. Investment
B. Net exports
C. Government purchases
D. Consumption

725. If Pakistan GDP exceeds Pakistan GNP, then
A. Intermediate production exceeds final production.
B. Foreigners are producing more in the Pakistan than Pakistani's are producing in foreign countries.
C. Real GNP exceeds nominal GDP.
D. Real GDP exceeds nominal GNP.

726. Which of the following is a type of open-market operation?
A. The government sells Treasury bills to the public
B. The government prints money and uses it to buy army uniforms
C. The State bank sells Treasury bills to the public
D. The State bank buys foreign currency in the exchange market

727. M2 does not include
A. Currency
B. Long-term government bonds
C. Traveler's checks

D. Demand deposits

728. The "basket" on which the CPI is based is composed of
A. Consumer production
B. Products purchased by the typical consumer
C. Raw materials purchased by firms
D. Total current production

729. If a production function exhibits constant returns to scale,
A. Doubling all of the inputs more than doubles output due to the catch-up effect
B. Doubling all of the inputs has absolutely no impact on output because output is constant
C. Doubling all of the inputs less than doubles output due to diminishing returns
D. Doubling all of the inputs doubles output

730. Gross Domestic Product is demarcated as the market value of the
A. Intermediate goods
B. Final goods and services
C. Manufactured goods
D. Inferior goods and services

731. Economic Models
A. Emphasize basic economic relationships by abstracting from complexities of the real world.
B. Are limited to variables that are positively related to one another
C. Are unrealistic as they cannot accurately predict the future
D. None of these

732. Statistics such as GDP, the unemployment rate, the rate of inflation and the trade balance are
A. Macro, since they tell us something about the entire economy
B. Neither macro nor Micro, but properly in realm of political science
C. Both Micro and Macro
D. Micro, since they affect individual households and firms

733. In the Multiple regression, number of explanatory variables should at least be more than
A. One
B. Two
C. Three
D. Four

734. The basic criterion of OLS estimation is that it
A. Maximizes R-square
B. Creates the best fit to the data
C. Minimizes the sum of squared errors
D. None of these

735. Durbin Watson is used for checking:
A. Autocorrelation
B. Misspecification error
C. Both A & B
D. none of these

736. The explanatory variables, $X_i(s)$ should not linearly correlate or affect each other; if they do, the problem is referred to as_____
A. Autocorrelation
B. Heteroscedasticity
C. Multicollinearity
D. None of these

737. The 'error term' of one observation should be independent of the error term of other observation i.e. μ_i and μ_j should not correlate; if they do, the problem is referred to as_____
A. Autocorrelation
B. Heteroscedasticity
C. Multicollinearity
D. None of these

738. Value of Durban-Watson test lies between _____and _____
A. -1, 1
B. 0, 1
C. 0, 4
D. None of these

739. $E(u_i^2) = \sigma^2$, if σ^2 is not constant, we face a problem referred to as _____.
A. Multicollinearity
B. Heteroscedasticity
C. Autocorrelation
D. None of these

740. The problem of heteroscedasticity is likely to be more common in _____ data.
A. Time Series
B. Panel
C. Cross Sectional

D. None of these

741. Park test is used to detect_____
A. Multicollinearity
B. Heteroscedasticity
C. Autocorrelation
D. None of these

742. Maximization of profit has two parts the first part requires
A. Ratio of VMP to corresponding MPP must be same, and second part require, this ratio must be equal to 1
B. Ratio of VMP to corresponding output price be same, and second part requires, this ratio must be equal to 1
C. Ratio of VMP to corresponding input price be same, and second part requires, this ratio must be equal to 1
D. All of above

743. Equimarginal return principle is
A. If farmer is not at profit maximization level, its the next best alternative to apply.
B. If farmer is not at revenue maximization level, its profit maximization rule to apply.
C. It's a profit maximization rule to apply.
D. All of above

744. As one moves outward along the expansion path, the value of $K = VMPx1/V1 = VMPx2/V2$ will
A. Increase
B. Decrease
C. Stay constant
D. Become infinite

745. A line connecting all points of profit maximization for one input assuming the other input to be fixed at some constant level, is called
A. An expansion path
B. A ridge line
C. A pseudo scale line
D. A ray line

756. Stage III for both inputs could be represented on expansion path with following value
A. $VMPx1/v1 = VMPx2/v2 = 0$
B. $VMPx1/v1 = VMPx2/v2 = 0 < --<1$
C. $VMPx1/v1 = 0$, $VMPx2/v2 < 0$
D. $VMPx1/v1 = VMPx2/v2 < 0$
ANSWER: D

757. $VMPx1/v1 = 0$, $VMPx2/v2$ not equal to 0 Represents conditions for
A. Ridge line 1 for input x1
B. Ridge line 2 for input x1
C. Ridge line 1 for input x2
D. Ridge line 2 for input x2

758. Langrange's method requires that all dollars available for the purchase of inputs
A. Must be saved
B. Must be spent on the inputs
C. Should equal to profit
D. None of above

759. Langrange's method rule out the possibility of
A. A substation of inputs
B. Changes in technology in which production can be increased
C. A corner solution in which production can be taken place in the absence of one of the inputs
D. Expansion of production on expansion path
ANSWER: C

760 Assume that $VMPx_1/v_1 = VMPx_2/v=2 >1$, To maximize profit farmer should
A. Farmer should decrease both inputs
B. Farmer should increase input 2
C. Farmer should decrease both inputs
D. Farmer should increase input 1

731. For the polynomial $y = 40x_1 - 12x_1^2 + 1.2x_1^2 - 1.2x_1^3 - 0.035x_1^4 + 40x_2 - 12x_2^2 + 1.2x_2^3 - 0.035x_2^4$,
And critical values of x1=6.93, x2=16.24, what will be value of y to get saddle point?
A. 295.0
B. 209.5
C. 29.5
D. 290.5

762. To achieve minimum cost at critical value of x1 =5 and x2 =5, which of the cost function will satisfy both necessary and sufficient conditions
A. $y = 10x1 + 10x2 + x12 - x22$
B. $y = 10x1 - 10x2 - x12 + x22$
C. $y = -10x1 - 10x2 + x12 + x22$
D. $y = 10x1 + 10x2 - x12 - x22$

763. Given, production function, $Y = x1^{0.5} + x2^{0.5}$, following will be MRSx2x1
A. MRSx2x1 = x1-0.5/x2-0.5
B. MRSx2x1 = x10.5/x2-0.5
C. MRSx2x1 = x20.5/x10.5
D. MRSx2x1 = x10.5/x20.5
764. Suppose y =f(x), and price of inputs is v0, then total cost of inputs expressed in terms of units of output will be
A. TFC = v0f-1(y)
B. TFC = v0f-1(x)
C. TFC = v0f1(y)
D. TFC = v0f1(x)
765. If the production function is y=axr, elasticity of production will be
A. b
B. r
C. a
D. x
766. Given the production function
Y =0.75x + 0.0042x2 – 0.000023x3,
 Output maximizing level of input use for this production function is
A. 183.595
B. 179.595
C. 181.595
D. 118.595
767. Given the following information,
$$Y = axb,$$
Price of output(y) fixed = p0
Price of input(x) is fixed = v0
Exact profit maximizing amount of input will be
A. x=[v0/(bp0a)](b-1)
B. x=[v0/(bp0a)]1/(b)
C. x=[v0/(bp0a)]1/(1-b)
D. x=[v0/(bp0a)]1/(b-1)
768. Value of last dollar spent on the input in terms of its contribution to revenue for farm is only half of its cost is written mathematically as
A. VMP/MFC = 0.5
B. VMP/MFC =1/0.5
C. VMP/MC = 1/2
D. MFC/VMP = 0.5
769. Given, Y =0.75x + 0.0042x2 – 0.000023x3, elasticity of production at x= 120 will be
A. 0.93
B. 0.83
C. 1.21
D. 0.38
770. Economic costs differ from accountant costs because accountant cost considers _____
A. Actual expenditures
B. Implicit cost
C. Explicit cost
D. Both A & C
771. A monopolistic market has
A. Many buyers and sellers.
B. Firms that are price takers.
C. Only one seller.
D. At least a few sellers.
772. Opportunity cost is used in estimating actual value of resources in _____
A. Explicit cost
B. Implicit cost
C. Accountant cost
D. Owned cost
773. Which cost is not the component of an economic cost?
A. Sunk cost
B. Salvage value
C. Implicit cost
D. Actual cost
774. If supply is price inelastic, the value of the price elasticity of supply must be
A. Infinite.
B. Zero.
C. Less than 1.

D. None of these answers.

775. Since Black Market and non-market measures are excluded from measures of GDP, the GDP measure tends to
A. Overestimate the total production of an economy
B. Lead one the conclusion that GDP measures are not very useful to anyone but market economist
C. Not make a significant difference in determining the total production of an economy
D. Underestimate the total production in an economy

776. Suppose that the prices of imported consumption goods rose from the base year, which is the most accurate statement about CPI and the GDP deflator
A. The CPI rises but the GDP deflator doesn't change
B. The GDP rises but the CPI does not change
C. Both the GDP deflator and CPI rise
D. Both the GDP deflator and the CPI don't change

777. Efficiency-wage theory suggests that to improve workers performance, firms should
A. Fire all existing workers and hire new ones
B. Give incentive pay to employees for dubbing in their fellow workers who are shirking
C. Spend more money and effort on monitoring
D. Raise wages above the market equilibrium level

778. Suppose all banks maintain a 100 percent reserve ratio. If an individual deposits PKR 1,000 of currency in a bank,
A. The money supply increases by more than PKR 1,000
B. The money supply increases by less than PKR 1,000
C. The money supply decreases by less than PKR 1,000
D. The money supply is unaffected

779. The three main tools of monetary policy are
A. Fiat, commodity, and deposit money
B. Open-market operations, reserve requirements, and the refinancing rate
C. The money supply, government purchases, and taxation
D. Government expenditures, taxation, and reserve requirements

780. Suppose the central bank purchases a government bond from a person who deposits the entire amount received from the sale in her bank, the money supply will
A. Rise by an amount that depends on the bank's reserve ratio
B. Rise by less than the amount of the deposit
C. Fall by exactly the amount of the deposit as long as the bank does not change its reserve ratio
D. Fall by exactly the amount of the deposit as long as the bank does not change its reserve ratio

781. If there is a general shortage of liquidity in the money market then
A. The banks will increase their lending
B. The short-term interest rate at which the economy's commercial banks lend to and borrow from each other will fall and the central bank may be expected to reduce the supply of liquidity to the banks
C. The short-term interest rate at which the economy's commercial banks lend to and borrow from each other will rise and the long-term interest rate may be expected to rise as a result
D. The short-term interest rate at which the economy's commercial banks lend to and borrow from each other will rise and the central bank may be expected to increase the supply of liquidity to the banks

782. When prices rise at an extraordinarily fast rate, it is called
A. Disinflation
B. Deflation
C. Hyperinflation
D. Inflation

783. . In the long run, the demand for money is most dependent upon
A. The level of prices
B. The interest rate
C. The availability of banking outlets
D. The availability of credit cards

784. The quantity theory of money concludes that an increase in the money supply causes
A. A proportional increase in prices
B. A proportional increase in real output
C. A proportional decrease in velocity
D. A proportional increase in velocity

785. An example of a real variable is
A. The wage rate in Euros
B. The ratio of the value of wages to the price of soda
C. The nominal interest rate
D. None of these

786. The quantity equation states that
A. Money * real output = velocity * price level
B. Money * velocity = price level * real output
C. Money * price level = velocity * real output

D. None of these

787. If the money supply grows 5 per cent, and real output grows 2 per cent, prices should rise by
A. 5 percent
B. More than 5 per cent
C. Less than 5 per cent
D. None of these answers

788. If the nominal interest rate is 6 percent and the inflation rate is 3 percent, the real interest rate is
A. 3 percent
B. 6 percent
C. 18 percent
D. 9 percent

789. Suppose the nominal interest rate is 7 percent while the money supply is growing at a rate of 5 percent per year. If the government increases the growth rate of the money supply from 5 per cent to 9 per cent, the Fisher effect suggests that, in the long run, the nominal interest rate should become
A. 9 percent
B. 11 percent
C. 4 percent
D. 16 percent

790. Countries that employ an inflation tax do so because
A. The government doesn't understand the causes and consequences of inflation
B. Government expenditures are high and the government has inadequate tax collections and difficulty borrowing
C. An inflation tax is the most progressive (paid by the rich) of all taxes
D. An inflation tax is the most equitable of all taxes

791. The velocity of money is
A. Highly unstable
B. The rate at which money loses its value
C. The rate at which inflation rises
D. The rate at which money changes hands

792. An inflation tax
A. Is usually employed by governments with balanced budgets
B. Is an explicit tax paid quarterly by businesses based on the amount of increase in the prices of their products
C. Is a tax borne only by people who hold interest bearing savings accounts
D. Is a tax on people who hold money

793. If actual inflation turns out to be greater than people had expected, then
A. No redistribution occurred
B. Wealth was redistributed to lenders from borrowers
C. The real interest rate is unaffected
D. Wealth was redistributed to borrowers from lenders

795. What is the meaning of the term "heteroscedasticity"?fv
A. The variance of the errors is not constant
B. The variance of the dependent variable is not constant
C. The errors are not linearly independent of one another
D. The errors have non-zero mean