Centre for Development Studies
Thiruvananthapuram

Integrated M. Phil/PhD Programme in Applied Economics

Admission Test 2014

Registration Number: 

Booklet Series B

Time: 10 am to 12 noon

Maximum Marks: 200

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Read the instructions carefully before answering the questions

- The question booklet is divided into two parts. Part One will have consist of 50 multiple choice questions. In Part two, TWO short answers (300 words maximum) need to be answered out of three questions.

- In Part One, each of the correct answers will attract 3 marks while wrong answer will attract a penalty of -1 (minus one). Part one will carry a maximum of 150 marks and part two will carry a maximum of 25 marks per answer. Total marks would be 200.

- Answer the objective questions by writing the alphabet (a, b, c, or d), corresponding to your answer, on the answer line provided at right bottom of each question.

- Answer to the short answer question should not exceed 300 words and neatly written in the ruled space provided.

- Write your Register Number in the space provided on the top of this booklet.

- You can use last page of this booklet for doing rough works.

- Mobile Phones and calculators are not allowed in the examination hall.
PART ONE

Answer all questions in Part One

1. Without adjusting for "purchasing power parity", Real GDP tends to understate income in developing economies by

   (a) Underestimating saving
   (b) Ignoring government deficit spending
   (c) Omitting non-market transactions
   (d) All of the above

   Answer: __________________________

2. Suppose you are plotting a normal good along the vertical axis and a neutral good along the horizontal axis. Then the indifference map will look like

   (a) Positively sloped straight lines
   (b) Negatively sloped straight lines
   (c) Vertical lines
   (d) Horizontal lines

   Answer: __________________________

3. In Real Business Cycle theory, fluctuations in the aggregate variables result from

   (a) Technology shocks
   (b) Interaction between the multiplier and the accelerator
   (c) Labour unions
   (d) Excess growth in money supply

   Answer: __________________________
4. According to the model proposed by Sargent and Wallace (1975), when agents have rational expectations and prices adjust instantaneously to clear markets,

(a) Monetary policy can systematically influence the level of output
(b) Anticipated money growth can exploit the trade-off between unemployment and inflation
(c) Monetary policy cannot systematically influence the level of output or employment
(d) None of the above

Answer:

5. A central bank, say RBI, is said to pursue a contractionary monetary policy when it

(a) Increases the repo rate
(b) Decreases the cash reserve ratio
(c) Keeps the interest rate and repo rate unaltered
(d) Buys bonds from the public through Open Market Operations

Answer:

6. Consider a closed economy whose the government expenditure, G = 150, nominal money supply, M = 4750 and the level of income Y = 1000. Let the desired levels of consumption (C^d) and investment (I^d), real money demand (L) be:

C^d = 200 + 0.5Y - 250r
I^d = 200 - 250r
L = 0.5Y - 250r

The equilibrium level of prices (P) and real interest rate (r) in the framework of IS-LM are

(a) 100 and 0.01
(b) 125 and 0.05
(c) 10 and 0.1
(d) 120 and 0.5

Answer:
7. Consider the following version of expectations-augmented Phillips curve
\[ \pi_t = \pi^e - \lambda(U_t - U^u) \] where \( \pi^e = \pi_t - 1 \) (adaptive expectations), \( \lambda = 2.5 \) and \( U^u = 0.05 \). NAIRO in the above equation is:

(a) 0.05  
(b) 0  
(c) 5  
(d) 0.075

Answer: _________________

8. The theory of interest rate determination that underlies Keynes' General Theory is

(a) Loanable funds theory  
(b) Liquidity preference theory  
(c) Both (a) and (b)  
(d) None of the above

Answer: _________________

9. Under constant returns to scale, which one of the following is the nature of the long -run average cost curve?

(a) Parallel to output axis  
(b) Upward rising  
(c) Downward sloping  
(d) Identical to short-run average cost curve

Answer: _________________

10. A positive monotonic transformation of a utility function:

(a) Change the preference ordering of the consumer  
(b) Keep the preference order intact.  
(c) Reverse the preference order of the consumer.  
(d) Can't say anything.

Answer: _________________
11. Given fixed exchange rate, a present expectation of future devaluation leads to

(a) Fall in domestic interest rate  
(b) Decline in expected return on foreign deposit  
(c) Buying of domestic currency for foreign currency  
(d) Depletion of foreign exchange reserve

Answer:______________________

12. You have some amount to save. You can buy dollar-bonds offering 12% return, euro-deposits offering 8% return or you can put that in a domestic bank offering 9.5% return. Dollar is expected to depreciate by 3% while Euro is expected to appreciate by 2%. Where will you invest?

(a) Euro-deposit  
(b) Dollar-bond  
(c) Domestic bond  
(d) Can’t say

Answer:______________________

13. The income offer curve for perfect compliments is

(a) A straight line through the origin  
(b) A vertical line  
(c) A horizontal line  
(d) Can’t say

Answer:______________________

14. As economic development proceeds, income inequality tends to follow a(n) ______ curve

(a) convex.  
(b) inverted U-shaped.  
(c) L-shaped.  
(d) S-Shaped.

Answer:______________________

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15. Given the doctrine of comparative cost advantage (Haberler), there can be no mutually beneficial trade if

(a) Absolute disadvantage of Home is same for both the goods
(b) Home has absolute advantage in both
(c) Home has absolute advantage in good-1
(d) Can’t answer, more information needed

Answer: _______________________

16. Consider the theory of protection (imposition of tariff on trade) and choose the correct option

(a) Effect on trade volume is indeterminate
(b) Consumption effect is positive
(c) Revenue effect is negative
(d) Production effect is positive

Answer: _______________________

17. A researcher is testing a null hypothesis regarding a population mean. The critical (two-tailed) Z value for alpha=0.05 is 1.96. The calculated Z value from the sample is 2.97. Based on this information, the researcher should _____ the null hypothesis, and the p-value for this test is _____.

(a) fail to reject; p-value = 0.03
(b) reject; p-value = 0.03
(c) fail to reject; p-value = 0.05
(d) reject; p-value = 0.05

Answer: _______________________

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18. According to which model does a one-unit change in \( x \) result in approximately a four percent increase in \( y \)?

(a) \( y = 7.8 + 0.04 \times \)
(b) \( y = 7.8 + 0.04 \ln(x) \)
(c) \( y = 7.8 + 0.04 \times \)
(d) \( \ln(y) = 7.8 + 0.04 \times \)

Answer:

19. In the model \( y_i = \beta_1 + \beta_2 \times + u_i \), assuming \( E(u_i|x_i) = 0 \), the conditional mean of \( y_i \) (that is, \( E(y_i|x_i) \)) is

(a) zero.
(b) \( \beta_1 \).
(c) \( \beta_2 \).
(d) \( \beta_1 + \beta_2 \times \).

Answer:

20. If \( x \) is a random variable following a normal distribution with mean 6 and variance 4, what is the probability \( P(x \leq 8) \)?

(a) zero.
(b) \( P(x \leq 2) \).
(c) \( P(z \leq 1) \).
(d) \( P(z \leq 2) \).

Answer:

21. The equation: \( y_i = 2.01 + 2.5 \times + 0.07 \times^2 \) implies that a one-unit increase in \( x_i \) will make \( y_i \) increase by about

(a) 4.58 units.
(b) 2.01 units.
(c) 2.5 units.
(d) \( (2.5 + 0.14x_i) \) units.

Answer:
22. As the sample size gets larger, the standard error of the sample mean will ______ and the probability of making a Type II error will ______. 

(a) increase; increase 
(b) decrease; decrease 
(c) increase; decrease 
(d) decrease; increase 

Answer: ________________________

23. According to which model is the elasticity of \( y \) with respect to \( x \) equal to 0.6? 

(a) \( y = 2.5 + 0.6 \times \) 
(b) \( y = 2.5 + 0.6 \times (1/x) \) 
(c) \( y = 2.5 + 0.6 \ln(x) \) 
(d) \( \ln(y) = 2.5 + 0.6\ln(x) \) 

Answer: ________________________

24. Which of the following is/are true about p-values? 

(a) A large p-value means that there is a lot of evidence against the null hypothesis. 
(b) As the test statistic \( t \) gets farther away from 0, the p-value gets smaller. 
(c) If the correlation coefficient is negative, then the p-value for the slope of the regression line is also negative. 
(d) All of the above are true about p-values. 

Answer: ________________________

25. Structural inflation in India is related to 

(a) Faster monetary expansion 
(b) Poor agricultural performance 
(c) Fiscal deficit 
(d) Balance of payments problems 

Answer: ________________________
26. If two regressors $x_{12}$ and $x_{13}$ are closely but not perfectly correlated, then the least-squares estimators of their coefficients

(a) will have large standard errors.
(b) will be zero.
(c) will be biased.
(d) will be inconsistent.

Answer: ______________________

27. If $X$ and $Y$ are random variables, (provided all the expectations exist) what is $E(X+Y)$?

(a) zero.
(b) $E(X) + E(Y)$.
(c) $E(X) + E(Y) + \text{Cov}(X,Y)$.
(d) $E(X) + E(Y) + E(XY)$.

Answer: ______________________

28. The concept of Sustainable Development is about meeting the current consumption

(a) Without causing excessive government expenditure
(b) Without compromising the ability of future generations to meet their needs
(c) Without compromising the ability of the present generations to meet their needs
(d) Without using exhaustible resources

Answer: ______________________

29. Which agency prepares estimates of State Domestic Product in India?

(a) National Sample Survey Organisation (NSSO)
(b) Indian council of social science Research (ICSSR)
(c) Central Statistical Office (CSO)
(d) Planning Commission

Answer: ______________________
30. Land reforms are considered important in increasing agricultural production because
   (a) It is fundamentally egalitarian and eradicates poverty
   (b) It removes intermediaries and provides market access to farmers
   (c) It transfers the control of productive assets into the hands of actual producer
   (d) It enables government to introduce supportive programmes

   Answer:______________________________

31. Which of the following is NOT a component of Human Development Index?
   (a) Life expectancy
   (b) GNP per capita
   (c) Infant mortality rate
   (d) Literacy rate

   Answer:______________________________

32. Emissions from which of the following fuel produce the largest share of CO2 in India?
   (a) Coal and lignite
   (b) Petroleum and Petrol Products
   (c) Natural gas
   (d) Crude Oil

   Answer:______________________________

33. If you want to calculate the real wages of Indian urban industrial workers which of the following price indices would you use?
   (a) CPIIW
   (b) CPIAL
   (c) CPI-UNME
   (d) GDP Deflator

   Answer:______________________________
34. If the RBI adopts an expansionist open market operations policy, this means that it will
   (a) Buy securities from non-government holders
   (b) Sell securities in the open market
   (c) Offer commercial banks more credit in the open market
   (d) Openly announce to the market that it intends to expand credit

   Answer: ____________________________

35. The Current Account Deficit (CAD) in India at present is
   (a) More than the balance of trade
   (b) Less than the balance of trade
   (c) Equal to the balance of trade
   (d) None of the above

   Answer: ____________________________

From the Table below answer the next two questions

**Table 1**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Decadal Employment Elasticity of Output 2001-2011</td>
<td>0.214</td>
</tr>
<tr>
<td>Decadal Real GDP Growth Rate 2001-2011</td>
<td>7%</td>
</tr>
<tr>
<td>Labour Force Participation Rate 2001</td>
<td>517 per 1000</td>
</tr>
<tr>
<td>Work Participation Rate 2001</td>
<td>507 per 1000</td>
</tr>
<tr>
<td>Population in 2001</td>
<td>10000</td>
</tr>
<tr>
<td>Decadal Population Growth Rate 2001- 2011</td>
<td>2%</td>
</tr>
</tbody>
</table>

36. From Table 1 What is the unemployment rate (in percent) in this economy in 2001?

   (a) 5%
   (b) 1%
   (c) 10%
   (d) 11%

   Answer: ____________________________
37. From Table 1 What is the decadal employment growth rate during 2001-2011 (in percent) in the economy?

(a) 2.14%
(b) 2%
(c) 1.49%
(d) 7%

Answer: ______________________

38. Match ‘labour force’ with the appropriate item from amongst the following

(a) Work force
(b) All educated
(c) Employed + Unemployed
(d) All rural workers

Answer: ______________________

39. “Kerala Model” of development is about

(a) High per-capita income and high human development
(b) High SDP and high human development
(c) Low per-capita income and high human development
(d) None of the above

Answer: ______________________

40. One of the eight ‘Millennium Development Goals (MDGs)’ to be achieved before 2015 is

(a) To achieve universal primary education
(b) To achieve universal higher education
(c) To achieve universal vocational education
(d) None of the above

Answer: ______________________
41. Point out the state that has the lowest female literacy rate in India according to Census 2011?
   (a) Assam
   (b) Madhya Pradesh
   (c) Kerala
   (d) Bihar

   Answer: ________________________________

From the Table below answer the next two questions

Table 2: Percent Share of Factor Payments in Net Value Added in India’s Organised Manufacturing Sector

<table>
<thead>
<tr>
<th></th>
<th>Wages</th>
<th>Rent</th>
<th>Interest</th>
<th>Profit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-1981</td>
<td>43.8</td>
<td>1.7</td>
<td>30.4</td>
<td>24.1</td>
<td>100</td>
</tr>
<tr>
<td>1990-1991</td>
<td>32.7</td>
<td>2.2</td>
<td>36.9</td>
<td>28.2</td>
<td>100</td>
</tr>
<tr>
<td>2001-2002</td>
<td>25.3</td>
<td>3.5</td>
<td>39</td>
<td>32.2</td>
<td>100</td>
</tr>
<tr>
<td>2010-2011</td>
<td>14.8</td>
<td>2.3</td>
<td>15.2</td>
<td>67.6</td>
<td>100</td>
</tr>
</tbody>
</table>

42. Which of the following can be inferred from the table 2?

1. Level of Wage per worker has declined during 1980-81 to 2010-11
2. Level of employment in the organised sector has declined during 1980-81 to 2010-11
3. Profit per employer has increased during 1980-81 to 2010-11

   (a) Only 1
   (b) 1 & 2
   (c) Only 3
   (d) None of the above

   Answer: ________________________________
43. To arrive at the share of factor payments in Gross Value of output from the above Table 2 what other information do you require?

(a) Share of payments made for Raw materials and intermediate goods
(b) Share of payments made for depreciation costs
(c) Share of payments made for Raw materials and depreciation costs
(d) Share of payments made for Raw materials, intermediate goods and depreciation costs

Answer: ______________________________

44. In India open unemployment can be estimated from the following activity status of individuals covered under the National Sample Survey

(a) Usual Principal Status
(b) Usual Subsidiary Status
(c) Current Weekly Status
(d) Current Daily Status

Answer: ______________________________

45. The Child Sex ratio as per 2011 census of India was

(a) 927 girl children per 1000 boy children
(b) 1032 girl children per 1000 boy children
(c) 914 girl children per 1000 boy children
(d) 1011 girl children per 1000 boy children

Answer: ______________________________

46. Complete the series DEF, HIJ, MNO, ?

(a) STU
(b) RST
(c) PQR
(d) TUV

Answer: ______________________________
47. Stratified samples may be distinguished from quota samples because with a stratified sample, sample elements are selected

(a) randomly
(b) proportionately.
(c) Sequentially
(d) Sample elements are selected in the same manner for both types of samples.

Answer: ________________________

48. Which of the following is not true about the Mahatma Gandhi National Rural Employment Guarantee Scheme

1. It provides a guarantee of 100 days of unskilled wage labour per individual
2. Only households living Below Poverty Line can demand work through this scheme
3. The main objective of the scheme is to impart skills to the rural poor

(a) Only 3
(b) Both 2 & 3
(c) Both 1 & 2
(d) 1, 2 & 3

Answer: ________________________

49. This procedure of sampling is useful when sampling frame is available in the form of a list. The selection process starts by picking some random point in the list and then every nth element is selected until the desired number is secured.

(a) Chance sampling
(b) Simple random sampling
(c) Probability sampling
(d) Systematic sampling

Answer: ________________________
50. “Human beings are made up of cells, Cats are made up of cells, trees are made up of cells, plants are made up of cells Therefore all living beings are made up of cells’. 

The reasoning used here is
(a) Inductive
(b) Deductive
(c) both a and b
(d) hypothetico-deductive

Answer: ______________________

PART TWO

Answer Any Two Questions

1. Give a brief account of the study proposal that you have submitted for admission at CDS. Clearly describe your motivation, objectives, sources of data and method of analysis.

2. Elucidate the debate on poverty measurement in India. Examine the poverty rate estimates in the light of the recent changes in poverty estimation methods.

3. Do you think that India’s economic growth is ‘exclusionary’ in character? Support your argument with evidence.