MIZORAM PUBLIC SERVICE COMMISSION

TECHNICAL COMPETITIVE EXAMINATIONS FOR RECRUITMENT TO THE POST OF JUNIOR GRADE OF MIZORAM PLANNING, ECONOMICS & STATISTICAL SERVICE OCTOBER, 2015

ECONOMICS
PAPER – I

Time Allowed : 3 hours | Full Marks : 100

PART – A

(20×1=20)

Attempt all questions.

1. Zero substitutability between the inputs is assumed by

(a) Input-output Isoquant (b) Convex Isoquant

(c) Kinked Isoquant (d) Concave Isoquant

2. If the Cobb-Douglas function is of the form X=2L^2K, then what is MP_L at L=10 and K=20?

(a) 1000 (b) 800

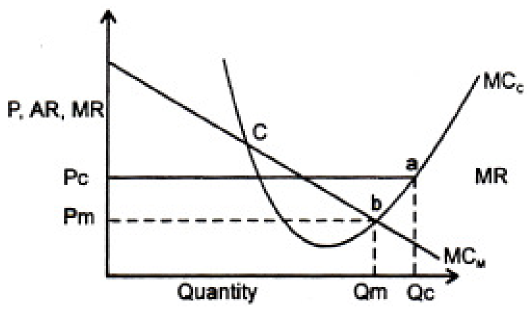
(c) 1200 (d) 600

3. If price is Rs.10 and supply is 20 and if price increases by Rs.2 as a result of which supply increases by 5, then elasticity of supply is

(a) 1 (b) 1.25

(c) 1.5 (d) 1.75

4. In the figure, the equilibrium of the firm in case of perfect competition is at point



(a) a (b) b

(c) c (d) none of these

5. The difference between GNP_{FC} and GDP_{FC} is equal to

(a) Net Factor Income From Abroad
(b) Export-Import
(c) Net Foreign Direct Investment
(d) Net Indirect Tax

6. If $C = 500 + 0.8Y$, then what is the national income at $I = 500$?

(a) 4000
(b) 4500
(c) 4750
(d) 5000

7. IS-LM theory is

(a) Opposed to Keynes and Classical theory
(b) Synthesis to Keynes and Classical theory
(c) Closer to Keynes theory
(d) Closer to Classical theory

8. Investment curve is downward sloping because of decrease in

(a) Marginal efficiency of capital
(b) Marginal productivity of capital
(c) High capital output ratio
(d) None of these

9. Match List I and List II and select the correct answer code.

List-I	**List II**
(i) Marshall	a) Kinked Demand Curve
(ii) Robinson	b) Monopolistic Competition
(iii) Sweezy	c) Oligopoly
(iv) Cournot	d) Perfect Competition

Codes

(a) i—d, ii—c, iii—b, iv—a
(b) i—d, ii—b, iii—c, iv—a
(c) i—d, ii—b, iii—a, iv—c
(d) i—b, ii—c, iii—d, iv—a

10. Match List I and List II and select the correct answer code.

List-I	**List II**
(i) Investment Multiplier	a) J.M.Clark
(ii) Consumption Function	b) J.M.Keynes
(iii) Accelerator Principle	c) R.F.Kahn

Codes

(a) i—a, ii—b, iii—c
(b) i—a, ii—c, iii—b
(c) i—b, ii—a, iii—c
(d) i—c, ii—b, iii—a

11. A situation where the amount spent by consumers on commodity is constant when price changes is known as:

(a) equilibrium
(b) perfect elasticity
(c) unitary elasticity
(d) backward sloping demand

12. The substitution effect works to encourage a consumer to purchase more of a product when the price of the goods is falling because

(a) other products are now less expensive than before

(b) the product is now relatively less expensive than before

(c) the consumer's real income has increased

(d) the consumer's real income has decreased

13. When average product increases, the marginal product is

(a) less than the average product

(b) equal to the average product

(c) more than the average product

(d) none of these

14. Consider the following statements about an isoquant

1. it slopes downwards to the right
2. it is convex
3. two isoquants can never intersect each other

Which of the above statements is/are correct?

(a) 1 alone

(b) 1 and 2

(c) 1 and 3

(d) 1, 2 and 3

15. If an individual seller in a perfectly competitive market wishes to double his sales, he would

(a) simply offer double the quantity for sale

(b) improve the quality of his product

(c) lower his price to half

(d) advertise the superiority of his product

16. In Cournot's duopoly model there are two firms operating with

(a) marginal cost

(b) zero cost

(c) average cost

(d) fixed cost

17. If the citizens of a country are earning more from abroad than foreigners are earning in that country then

(a) GNP exceeds GDP

(b) GDP exceeds GNP

(c) GDP becomes equal to GNP

(d) None of these

18. According to the Keynes' Psychological Law of Consumption, while increase in income is accompanied by increase in consumption, yet the rate of increase in consumption is __________ the rate of increase in income.

(a) invariably more than

(b) often less than

(c) invariably less than

(d) equal to

19. Match *List I* with *List II* and select the correct answer using the codes given below the lists:

List I		*List II*	
i.	J.M.Keynes	(A)	Permanent income hypothesis
ii.	J.Duesenberry	(B)	Life cycle hypothesis
iii.	M.Friedman	(C)	Relative income hypothesis
iv.	F.Modigliani	(D)	Absolute income hypothesis

Codes:

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

20. Intersection of the saving and investment schedule will give the

(a) money rate of interest
(b) market rate of interest
(c) real rate of interest
(d) natural rate of interest

PART – B

(5×4=20)

Write short notes on the following

21. Concept of Consumer's Surplus.

22. Distinction between returns to a factor and returns to scale.

23. Autonomous Investment and Induced Investment.

24. Controlled and Administered prices.

25. Components of National Income.

PART –C

(6×10=60)

*Answer **any six** questions from the following*

26. What does consumer's equilibrium mean? Explain the equilibrium of a consumer under the cardinal utility analysis. **(3+7=10)**

27. What are the postulates and assumptions of Revealed Preference Hypothesis? Derive the demand curve based on this hypothesis. **(4+6=10)**

28. (i) Explain the law of variable proportions. **(5)**

(ii) Describe the basic properties of Cobb-Douglas Production Function. **(5)**

29. Why is short run average cost curve 'U' shaped? How is the long run average cost curve derived from the short run average cost curves? **(5+5=10)**

30. Explain diagrammatically the derivation of the short run and long run supply curve of a firm under perfect competition. **(10)**

31. What do you mean by discriminating monopoly? Describe the short run equilibrium of a firm under monopolistic competition. **(3+7=10)**

32. What are the various methods of measuring national income? Point out the difficulties in the computation of national income. **(5+5=10)**

33. Examine critically the Milton Friedman's Permanent Income hypothesis. **(10)**

34. Explain J.B.Say's Law of Market. Point out how J.M.Keynes criticised Say's Law of Market. **(5+5=10)**

35. Explain IS and LM curves and show how the interaction of IS and LM curves determine equilibrium rate of interest. **(10)**

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