

Admission Test for MPhil Applied Economics Sample Paper

Instructions for Candidates:

1. Please write down your full NAME in BLOCK letters on cover page & on answer sheet as well.
2. Use ANSWER SHEET to answer the questions.
3. En-circle (i.e. ©) / Tick (i.e. ✓) ONLY ONE option.
4. Overwriting / cutting / duplication will be considered WRONG.
5. Each question carries ONE point.

NAME: _____

Marks Obtained: _____

Marked By: _____

Reviewed By: _____

Department of Economics
FORMAN CHRISTIAN COLLEGE (A Chartered University)

Section I: Microeconomics

- 1. Which of the following is not characteristic of the demand for a commodity that is elastic?**
 - a. The relative change in quantity demanded is greater than the relative change in price
 - b. Buyers are relatively sensitive to price changes
 - c. Total revenue declines if price is increased
 - d. The elasticity coefficient is less than one

- 2. If an economy is operating on its production possibilities curve for consumer goods and capital goods, this means that:**
 - a. it is impossible to produce more consumer goods
 - b. resources cannot be reallocated between the two goods
 - c. it is impossible to produce more capital goods
 - d. more consumer goods can only be produced at the cost of fewer capital goods

- 3. An economist for a bicycle company predicts that, other things equal, a rise in consumer incomes will increase the demand for bicycles. This prediction is based on the assumption that:**
 - a. There are many goods that are substitutes for bicycles.
 - b. there are many goods that are complementary to bicycles
 - c. there are few goods that are substitutes for bicycles
 - d. bicycles are normal goods.

- 4. In a certain plant marginal cost is \$2 at 400 units of output weekly, and it is \$2.5 at 500 units of output. Referring to output increases within this 400 – 500 range, average cost:**
 - a. Must rise
 - b. Must fall
 - c. Must remain constant
 - d. Information is incomplete

- 5. When total revenue is increasing:**
 - a. marginal revenue may be either positive or negative
 - b. the demand curve is relatively inelastic
 - c. marginal revenue is positive
 - d. marginal revenue is negative

- 6. When the price of a product rises, consumers shift their purchases to other products whose prices are now relatively lower. This statement describes:**

- a. an inferior good
 - b. the substitution effect
 - c. the rationing function of prices
 - d. the income effect
7. **Suppose a consumer has \$100 to spend on two goods, shoes and shirts. If the price of a pair of shoes is \$20 per pair and the price of a shirt is \$15 each, which of the following combinations is unaffordable to the consumer?**
- a. 0 pairs of shoes and 0 shirts
 - b. 2 pairs of shoes and 4 shirts
 - c. 5 pairs of shoes and 0 shirts
 - d. 0 pairs of shoes and 7 shirts
8. **If the price of factor A is \$6.00 per hour, and its marginal product is 10 units, and the price of factor B is \$5.00 and its marginal product is 9, the producer is likely to**
- a. Hire more of A and less of B
 - b. Hire more of B and less of A
 - c. Start paying factor A more
 - d. Try to use factor B more productively.

Section II: Macroeconomics

9. **GDP is:**
- a. The monetary value of all goods and services (final, intermediate, and non-market) produced in a given year
 - b. total resource income less taxes, saving, and spending on exports
 - c. the economic value of all economic resources used in the production of a year's output
 - d. the market value of all final goods and services produced within a nation in a specific year
10. **If Consumer Price Index (CPI) value in 2019 was 119 and it became 125 in 2020. Calculate rate of inflation in 2020:**
- a. 4.8%
 - b. 5.2%
 - c. 5.0%
 - d. None of the above
11. **Historically, real GDP has increased less rapidly than nominal GDP because:**
- a. price indices have not reflected improvements in product quality
 - b. the general price level has increased
 - c. technological progress has resulted in more efficient production

- d. the general price level has declined
- 12. If a nation's real GDP increases from 100 billion to 106 billion and its population jumps from 200 million to 212 million, its real GDP per capita will:**
- remain constant
 - fall by 6 percent
 - rise by 6 percent
 - fall by 12 percent
- 13. When the salary of Prime Minister of Pakistan was Rs. 100,000 per month the Consumer Price Index (CPI) was 125. Now the salary of the Prime Minister of Pakistan is Rs. 180,000 per month and the value of CPI is 250. The real wage of the Prime Minister of Pakistan has:**
- Gone up
 - Gone down
 - No change
 - Information is incomplete
- 14. Philips Curve shows the relationship between:**
- Rate of inflation and rate of unemployment
 - Rate of inflation and rate of growth
 - Rate of unemployment and rate of growth
 - Rate of unemployment and rate of deflation
- 15. Cost-push inflation may be caused by:**
- a decline in per unit production costs
 - a decrease in wage rates
 - a negative supply shock
 - an increase in resource availability
- 16. The Marginal Propensity to Consume can be defined as that fraction of a:**
- change in income that is not spent
 - change in income that is spent
 - given total income that is not consumed
 - given total income that is consumed

Section III: Econometrics

17. A variable that takes on the values of 0 or 1 and is used to incorporate the effect of qualitative variables in a regression model is called

- a. an interaction
- b. a constant variable
- c. a dummy variable
- d. None of the above

18. Which of the following assumptions are required to show the consistency, unbiasedness and efficiency of the OLS estimator?

- a. $E(u_t) = 0$
- b. $Var(u_t) = \delta^2$
- c. $Cov(u_t, u_{t-j}) = 0 \forall j$
- d. $u_t \sim N(0, \sigma^2)$

- a. II and IV only
- b. I and III only
- c. I, II and III only
- d. I, II, III and IV

19. By autocorrelation we mean that

- a. the residuals of a model are not independent
- b. the residuals of a model are related with one or more of the regressors
- c. the squared residuals of a model are not equally spread
- d. the variance of the residuals of a model is not constant for all observations

20. What is the meaning of the term "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

ANSWER SHEET

Forman Aptitude Test in Economics (FATE) for MPhil in Applied Economics

Sample Paper

NAME: _____

Father's Name: _____

Q #	Option			
1	A	B	C	D
2	A	B	C	D
3	A	B	C	D
4	A	B	C	D
5	A	B	C	D
6	A	B	C	D
7	A	B	C	D
8	A	B	C	D
9	A	B	C	D
10	A	B	C	D
11	A	B	C	D
12	A	B	C	D
13	A	B	C	D
14	A	B	C	D
15	A	B	C	D
16	A	B	C	D
17	A	B	C	D
18	A	B	C	D
19	A	B	C	D
20	A	B	C	D