

IIT JAM 2024 MSQ Model Questions

Subject - Economics (EN)

Q.1 Consider a 2-agent, 2-good economy with an aggregate endowment of 30 units of good X and 10 units of good Y . Agent i has utility function $u_i(x_i, y_i) = \max\{x_i, y_i\}$, $i = 1, 2$. Select the choices below in which the specified allocation of the goods to the agents is Pareto optimal for this economy

- (A) $(x_1, y_1, x_2, y_2) = (5, 5, 25, 5)$
- (B) $(x_1, y_1, x_2, y_2) = (10, 10, 20, 0)$
- (C) $(x_1, y_1, x_2, y_2) = (30, 0, 0, 10)$
- (D) $(x_1, y_1, x_2, y_2) = (0, 10, 30, 0)$

Q.2 Which of the following statements is/are CORRECT in the context of the Absolute Income Hypothesis?

- (A) The marginal propensity to consume (MPC) is a constant
- (B) As income increases, the average propensity to consume (APC) tends to approach the marginal propensity to consume (MPC)
- (C) Average propensity to consume (APC) increases as income increases
- (D) Current saving/dis-saving has no bearing on future consumption

Q.3 $GDPF$ = Gross Domestic Product at Factor Cost; $GDPM$ = Gross Domestic Product at Market Price; $NNPF$ = Net National Product at Factor Cost; C = Consumption; I = Investment; G = Government Expenditure; X = Export; M = Import; T = Tax; S = Saving; D = Depreciation; NIA = Net Income from Abroad Which of the following expressions is/are CORRECT?

- (A) $GDPF = C + I + G + X - M$
- (B) $GDPM = C + I + G + X - M$
- (C) $NNPF = C + I + G + X - M - T + S - D + NIA$
- (D) $NNPF = C + I + G + X - M - T + S - D$

Q.4 Which of the following major developments have been undertaken after the initiation of structural reforms in 1991 of the Indian Economy?

- (A) A general deregulation of interest rates and a greater role for market forces in the determination of both interest and exchange rates
- (B) The phase out of ad hoc Treasury Bill, which puts a check on the automatic monetization of the fiscal deficit
- (C) An exchange rate anchor under a Proportional Reserve System
- (D) A commitment to the Fiscal Responsibility and Budget Management (FRBM) which sought to put ceiling on the overall fiscal deficit

Q.5 An amateur singer has just recorded his first music album with a recording company. The demand for his album is given by $Q = 40000 - 800P$, where Q is the number of albums sold and

P is the price of each album. Furthermore, per unit cost of producing each album is given by Rs. 8. A profit maximising recording company has offered the following contract options to the singer

- (i) 20% of the revenue from the sales of the album
- (ii) Rs. 2 per album sold
- (iii) A fixed fee of Rs. 32,000

Which of the following is/are correct?

- (A) Contract (i) yields the highest payment to the singer
- (B) Contract (ii) yields the highest payment to the singer
- (C) Contract (iii) yields the highest payment to the singer
- (D) Contract (ii) and (iii) yield the same payment to the singer

Q.6 Which of the following statements is/are correct about the Indian economy during the colonial period?

- (A) The average annual growth of per capita income was lower during the period 1920-25 to 1947 than the period 1865 to 1920-25.
- (B) The colonial administration generated a large amount of revenue from peasants by raising the land revenue.
- (C) The British brought capital from England for the construction of Railways and passed on the burden of interest on it to the Indian tax payers.
- (D) Dadabhai Naoroji's estimates of the drain of wealth from India to England included, among other things, the home charges.

Q.7 In the context of Expectations Augmented Phillips Curve (EAPC), which of the following statements is/are correct?

- (A) An increase in the natural rate of unemployment shifts EAPC to the left.
- (B) An increase in the expected inflation shifts EAPC up and to the right.
- (C) If the actual unemployment rate equals the natural rate of unemployment, the unanticipated inflation equals zero.
- (D) As long as the actual unemployment rate exceeds the natural rate of unemployment, the actual inflation rate exceeds the expected inflation.

Q.8 The net inflow of foreign currency into a country on current account and capital account combined is negative in a particular year. The country could be following a fixed or a flexible exchange rate regime. Which of the following scenarios is/are possible for the country's economy in that year?

- (A) The country's foreign exchange reserves may increase
- (B) The country's exchange rate may appreciate
- (C) The country's foreign exchange reserves may decrease
- (D) The country's exchange rate may depreciate

Q.9 Let $k \in \mathbb{R}$. Which of the following statements is/are correct for the roots of the quadratic equation $x^2 + 2(k + 1)x + 9k - 5 = 0$

- (A) If $k \leq 1$, then the roots are real and positive
- (B) If $2 \leq k \leq 4$, then the roots are complex
- (C) If $4 < k < 6$, then the roots are real and opposite in sign
- (D) If $k \geq 6$, then the roots are real and negative

Q.10 There are two sellers, H and L , in a second-hand goods market where product quality varies. The sellers know the quality of their own product but the buyers cannot distinguish the product quality without further information. Sellers' valuation of their own product is based on the quality. H is willing to sell his product with quality QH at a price PH per unit and L is willing to sell the product with quality QL at a price PL per unit such that

$$QH > QL \text{ and } PH > PL$$

This market will suffer from

- (A) adverse selection
- (B) moral hazard
- (C) market failure
- (D) excess supply

Q.11 The real exchange rate is given by $e = EP/P^*$, where e is the price of domestic goods in terms of foreign goods, E is the price of domestic currency in terms of foreign currency, P is the domestic price level, P^* is the foreign price level. If the Indian Rupee depreciates vis-à-vis the Japanese Yen, and the Marshall-Lerner condition holds, then

- (A) India's imports will increase.
- (B) India's trade balance will improve.
- (C) foreign demand for Indian goods will increase.
- (D) foreign demand for Indian goods will decrease.

Q.12 Which of the following statements is/are CORRECT under the Keynesian Cross (Fixed Price) Model?

- (A) The product market and factor market independently determine the full-employment level of output.
- (B) Output is determined in the product market by the aggregate expenditure.
- (C) Money market determines the price level, given the quantity of money and the level of output.
- (D) Employment is determined in the factor market by the output level determined in the product market.

Q.13 In the context of Indian agriculture, which of the following statements is/are CORRECT?

- (A) NABARD was established in 1982.
- (B) One of the objectives of setting up the CACP was to ensure remunerative prices to farmers.
- (C) The APMC Act is related to institutional credit supply in agriculture.
- (D) The National Commission on Agriculture was chaired by V. M. Dandekar.

Q.14 Let a monopolist demand curve be given by $Q = P^e$, where Q is output, P is price, e is the price elasticity of demand ($e < -1$), and Marginal Cost = Average Cost = α . If P_C and P_M represent the price under perfect competition and monopoly, respectively, then which of the following is/are NOT correct? (CS_M and CS_C represent the consumer surplus under monopoly and perfect competition, respectively.),

- (A) $P_C = \alpha (e + 1)$
- (B) $P_M = \alpha (e / 1 + e)$
- (C) For $e = -2$, $CS_M = CS_C$
- (D) For e closer to -1 , the ratio CS_M/CS_C increases

Q.15 If the number of employed workers in a country increases while its population does not change, then the unemployment rate in the country

- (A) will always increase
- (B) will always decrease
- (C) may increase
- (D) may decrease

ANSWER KEY

Question No.	Question Type (QT)	Subject Name (SN)	Key/Range (KY)	Mark (MK)
1	MSQ	EN	C, D	2
2	MSQ	EN	A, B, D	2
3	MSQ	EN	Marks to all	2
4	MSQ	EN	A, B, D	2
5	MSQ	EN	A, D	2
6	MSQ	EN	A, B, C, D	2
7	MSQ	EN	B, C	2
8	MSQ	EN	C, D	2

9	MSQ	EN	B, D	2
10	MSQ	EN	A, C	2
11	MSQ	EN	B, C	2
12	MSQ	EN	B, D	2
13	MSQ	EN	A, B	2
14	MSQ	EN	A, C	2
15	MSQ	EN	C, D	2

