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ECO401 Final Term Papers By Waqar (File 5)

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Question No : 1 of 60 Marks: 1 (Budgeted Time 1 Min)

If a simultaneous and equal percentage decrease in the use of all physical inputs leads to a larger percentage decrease in physical output, a firm's production function is said to exhibit:

Answer (Please select your correct option)

- Decreasing returns to scale.
- Constant returns to scale.
- Increasing returns to scale.
- Diseconomies of scale.

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Question No : 2 of 60 Marks: 1 (Budgeted Time 1 Min)

Which one of the following characteristics is common in monopolistic competition and oligopoly?

Answer (Please select your correct option)

- Free entry and exit from the industry.
- Strategic behavior.
- Standardized products.
- Advertising.

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Question No : 3 of 60 Marks: 1 (Budgeted Time 1 Min)

Unlike the classical economists, Keynes believed that the economy could get stuck in the short run for a significant period of time because of:

Answer (Please select your correct option)

- Insufficient aggregate supply.
- Insufficient aggregate demand.
- Quick self correcting mechanism.
- Government purchases of too many goods and services.

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Question No : 4 of 60 Marks: 1 (Budgeted Time 1 Min)

An assumption of classical economics is:

Answer (Please select your correct option)

- Prices and wages are inflexible.
- Self-correction takes a long time.
- Supply creates its own demand.
- Investment and saving are seldom equal.

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Question No : 5 of 60 Marks: 1 (Budgeted Time 1 Min)

The trend of unemployment over the last forty years is:

Answer (Please select your correct option)

- A decrease in unemployment.
- It has remained largely unchanged.
- An increase in unemployment.
- It is too difficult to tell so don't bother.

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Question No : 6 of 60 Marks: 1 (Budgeted Time 1 Min)

If the prices of all goods and services rise during the year:

Answer (Please select your correct option)

- Real GDP may fall.
- Nominal GDP must fall.
- Nominal GDP may increase.
- Real GDP must rise.

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Question No : 7 of 60 Marks: 1 (Budgeted Time 1 Min)

M1 component of money supply consists of:

Answer (Please select your correct option)

- Paper currency and coins.
- Paper currency, coins and check writing deposits.
- Paper currency, coins, check writing deposits and savings deposits.
- Paper currency, coins, check writing deposits, savings deposits and certificates of deposits.

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Question No : 8 of 60 Marks: 1 (Budgeted Time 1 Min)

Gross National Product (GNP) is:

Answer (Please select your correct option)

- Net National Product (NNP) plus depreciation.
- National income discounted by the GDP deflator.
- Income from foreign investments.
- Gross Domestic Product (GDP) minus depreciation.

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Question No : 9 of 60 Marks: 1 (Budgeted Time 1 Min)

Fixed exchange rates may be preferred to floating exchange rates because with fixed exchange rates:

Answer (Please select your correct option)

- There is greater stability of the exchange rate which encourages trade and investment.
- There is less likely to be a balance of payment deficit.
- There is less need for a country to hold large reserves of foreign currency.
- Interest rates can be used to meet domestic policy objectives such as keeping growth stable.

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Question No : 10 of 60 Marks: 1 (Budgeted Time 1 Min)

In the Keynesian cross model, the 45-degree line has a slope of:

Answer (Please select your correct option)

- 45.
- Infinity.
- 1.
- 0.

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Question No : 11 of 60 Marks: 1 (Budgeted Time 1 Min)

What is the effect of double counting in national income calculations?

Answer (Please select your correct option)

- Underestimation of national product.
- Overestimation of national product.
- Distortions in national product.
- Misleading conclusions about national product.

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Question No : 12 of 60 Marks: 1 (Budgeted Time 1 Min)

A major part of a country's output is normally used for:

Answer (Please select your correct option)

- Private consumption.
- Public consumption.
- Investment.
- Exports.

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Question No : 13 of 60 Marks: 1 (Budgeted Time 1 Min)

The relationship between hours provided by labor and wage rate is:

Answer (Please select your correct option)

- Positive.
- Negative.
- Ambiguous.
- Very strong.

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Question No : 14 of 60 Marks: 1 (Budgeted Time 1 Min)

The government supports research in basic science because:

Answer (Please select your correct option)

- It is a public good.
- External costs are created.
- Internal benefits are created.
- Free markets would do so otherwise.

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Question No : 15 of 60 Marks: 1 (Budgeted Time 1 Min)

The short run in macroeconomic analysis is a period:

Answer (Please select your correct option)

- In which wages and some other prices do not respond to changes in economic conditions.
- In which full wage and price flexibility and market adjustment have been achieved.
- Of less than 12 months.
- In which all macroeconomic variables are fixed.

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Question No : 16 of 60 Marks: 1 (Budgeted Time 1 Min)

The long run in macroeconomic analysis is a period:

Answer (Please select your correct option)

- In which wages and some other prices are sticky.
- In which full wage and price flexibility and market adjustment have been achieved.
- Greater than 12 months.
- In which the capital stock is held constant.

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Question No : 17 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is TRUE?

Answer (Please select your correct option)

- 1 - MPS = MPC
- 1 + MPS = MPC
- 1 / MPS = MPC
- 1 x MPS = MPC

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Question No : 18 of 60 Marks: 1 (Budgeted Time 1 Min)

The simple Keynesian aggregate supply curve is:

Answer (Please select your correct option)

- Upward sloping as real GDP increases.
- Horizontal at GDP levels below full employment.
- Based on the concept that all unemployment is voluntary.
- Downward sloping as real GDP increases.

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Question No : 19 of 60 Marks: 1 (Budgeted Time 1 Min)

The natural rate of unemployment is likely to fall if:

Answer (Please select your correct option)

- Unemployment benefits increase.
- Income tax increases.
- More training is available for the unemployed.
- Geographical immobility increases.

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Question No : 20 of 60 Marks: 1 (Budgeted Time 1 Min)

The Monetarist key to solve the inflation problem was:

Answer (Please select your correct option)

- Stable money supply.
- Stable output.
- Stable prices.
- Stable economic growth.

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Question No : 21 of 60 Marks: 1 (Budgeted Time 1 Min)

Development is impossible without:

Answer (Please select your correct option)

- Incentive to profit.
- Foreign aid.
- Domestic savings.
- Inflation.

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Question No : 22 of 60 Marks: 1 (Budgeted Time 1 Min)

Contractionary fiscal policy includes:

Answer (Please select your correct option)

- Increasing taxes and increasing government purchases.
- Raising interest rates, increasing taxes, and decreasing transfer payments.
- Increasing taxes and decreasing government expenditures.
- Raising interest rates, decreasing taxes, and decreasing government spending.

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Question No : 23 of 60 Marks: 1 (Budgeted Time 1 Min)

What will be the impact of an increase in the money supply?

Answer (Please select your correct option)

- It will shift the IS curve to the left and decrease both the interest rate and the level of income.
- It will shift the LM curve downward (to the right) and increase both the interest rate and the level of income.
- It will shift the IS curve to the right and increase the level of income but decrease the interest rate.
- It will shift the LM curve downward (to the right) and increase the level of income but decrease the interest rate.

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Question No : 24 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is the requirement of an industry to be perfectly competitive?

Answer (Please select your correct option)

- There are no restrictions on entry into or exit from the market.
- There are multiple restrictions on entry into or exit from the market.
- There are many firms selling different products.
- Sellers and buyers have imperfect information about prices.

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Question No : 25 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following statement describes decreasing returns to scale?

Answer (Please select your correct option)

- Increasing the inputs by 1/4% leads to a 1/2% increase in output.
- Increasing inputs by 1/2 leads to an increase in output of 1/8.
- Doubling the inputs used leads to double the output.
- None of the given options.

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Question No : 26 of 60 Marks: 1 (Budgeted Time 1 Min)

Consumers can make about the rational decision by using:

Answer (Please select your correct option)

- Total utility and marginal utility approach.
- Income and consumption analysis.
- Cost and benefit analysis.
- Working hours and leisure time.

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Question No : 27 of 60 Marks: 1 (Budgeted Time 1 Min)

Currently Pakistan is maintaining:

Answer (Please select your correct option)

- Fixed exchange rate.
- Floating exchange rate.
- Composition of fix and floating exchange rate.
- None of the given options.

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Question No : 28 of 60 Marks: 1 (Budgeted Time 1 Min)

Capital widening is a term used to describe the situation where:

Answer (Please select your correct option)

- Capital stock is increasing at the same rate as the labor force.
- Capital stock is increasing more than the rate of labor force.
- Labor force is increasing more than the capital stock.
- None of the given options.

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Question No : 29 of 60 Marks: 1 (Budgeted Time 1 Min)

If aggregate demand grows faster than the gap between actual and potential output:

Answer (Please select your correct option)

- Narrows.
- Widens.
- Remains same.
- Is unitary.

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Question No : 30 of 60 Marks: 1 (Budgeted Time 1 Min)

The developing countries often face two gaps, foreign exchange gap and:

Answer (Please select your correct option)

- Saving and investment gap.
- Income and consumption gap.
- Aggregate demand and aggregate supply gap.
- None of the given options.

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Question No : 31 of 60 Marks: 1 (Budgeted Time 1 Min)

Production possibilities frontier (PPF) will shift upward if there is:

Answer (Please select your correct option)

- An increase in unemployment.
- An increase in the production of capital goods.
- A reduction in discrimination.
- A decrease in investment.

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Question No : 32 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is a positive statement?

Answer (Please select your correct option)

- When the price of a good goes up, consumers buy less of it.
- When the price of a good goes up, firms produce more of it.
- When the Federal government sells bonds, interest rate rises and private investment is reduced.
- All of the given options.

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Question No : 35 of 60 Marks: 1 (Budgeted Time 1 Min)

We know that the demand for a product is elastic:

Answer (Please select your correct option)

- When price rises, total revenue rises.
- When price rises, total revenue falls.
- When income rises, quantity demanded rises.
- When income falls, quantity demanded rises.

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Question No : 36 of 60 Marks: 1 (Budgeted Time 1 Min)

If the price of a good X is increased by 15% and the quantity demanded of X reduced by 20%, then its price elasticity of demand is equal to:

Answer (Please select your correct option)

- 0.75.
- 1.
- Approximately -0.33
- Approximately -1.33.

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Question No : 37 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose that the total utilities corresponding to the first five units of a good consumed are 14, 20, 25, 29, and 32, respectively. The marginal utility of the third unit is:

Answer (Please select your correct option)

- 5.
- 6.
- 20.
- 25.

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Question No : 38 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose that 48 units of output are produced by using 12 units of labor. Which of the following is TRUE in this context?

Answer (Please select your correct option)

- The marginal product of labor is 4.
- The total product of labor is 1/4.
- The average product of labor is 4.
- None of the given options.

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Question No : 39 of 60 Marks: 1 (Budgeted Time 1 Min)

The total cost (TC) function is given as $TC = 200 + 5Q$. What will be the average total cost if four units of commodity are produced?

Answer (Please select your correct option)

- 20
- 55
- 50
- 220

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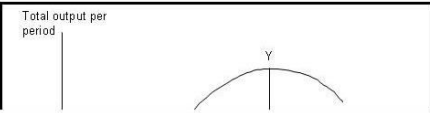
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Question No : 40 of 60 Marks: 1 (Budgeted Time 1 Min)

Total output per period



Answer (Please select your correct option)

- The marginal product of labor is rising.
- The marginal product of labor is negative.
- Total product is negative.
- Average product is negative.

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Question No : 41 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose a firm produces 10 units of output and incurs Rs.30 in average variable cost and Rs.5 in average fixed cost, total cost is:

Answer (Please select your correct option)

- Rs. 35.
- Rs. 50.
- Rs. 300.
- Rs. 350.

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Question No : 42 of 60 Marks: 1 (Budgeted Time 1 Min)

All other things being equal, an increase in investment expenditures will:

Answer (Please select your correct option)

- Shift the aggregate demand curve to the left.
- Make the aggregate demand curve steeper.
- Make the aggregate demand curve flatter.
- Shift the aggregate demand curve to the right.

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Question No : 43 of 60 Marks: 1 (Budgeted Time 1 Min)

Transfer payments refer to:

Answer (Please select your correct option)

- Income accruing to the capitalists.
- Income earned in transferable jobs.
- Income of the business enterprises.
- Income received by not doing any economic activity.

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Question No : 44 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following may cause an increase in national income?

Answer (Please select your correct option)

- Rise in exports.
- Rise in imports.
- Fall in consumer spending.
- Decrease in aggregate demand.

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Question No : 45 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose the balance of payment is in deficit in an economy. The government of that economy will take all of the following actions EXCEPT:

Answer (Please select your correct option)

- Devalue the currency.
- Reduce the interest rates.
- Restrict the consumer spending.
- Restrict the imports.

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Question No : 46 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose a country has flexible exchange rate and has more rapid inflation rate than other countries. What will happen to its currency in this situation?

Answer (Please select your correct option)

- Its currency will appreciate.
- Its currency will depreciate.
- There will be no effect on its currency.
- All of the given options can be possible.

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Question No : 47 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following will happen by an increase in net exports all other things being equal?

Answer (Please select your correct option)

- It will result in a movement downward along the aggregate demand curve.
- It will increase aggregate demand.
- It will increase aggregate supply.
- It will not change aggregate demand or aggregate supply in the domestic economy.

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Question No : 48 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is an example of a bank's assets?

Answer (Please select your correct option)

- Reserves borrowed from the central bank
- Loans issued to customers
- Checkable deposits
- Savings deposits

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Question No : 49 of 60 Marks: 1 (Budgeted Time 1 Min)

If the required reserve ratio is 20% then what will be the value of money multiplier?

Answer (Please select your correct option)

- 1
- 2.5
- 5
- 7

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Question No : 50 of 60 Marks: 1 (Budgeted Time 1 Min)

How an economy will be affected if money supply is increased in the country?

Answer (Please select your correct option)

- Interest rate increases, investment and GDP reduces.
- Interest rate increases, investment increases and GDP reduces.
- Interest rate reduces, investment and GDP increases.
- Interest rate reduces, investment and GDP reduces.

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Question No : 51 of 60 Marks: 1 (Budgeted Time 1 Min)

An increase in government purchases will shift the:

Answer (Please select your correct option)

- LM curve downward (to the right) and increase the level of income but decrease the interest rate.
- IS curve to the left and decrease both the interest rate and the level of income.
- IS curve to the right and increase both the interest rate and the level of income.
- IS curve to the right and increase the level of income but decrease the interest rate.

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Question No : 52 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following will be TRUE if real income rose and the interest rate fell following an increase in government purchases?

Answer (Please select your correct option)

- IS curve must be vertical.
- LM curve must be vertical.
- Central Bank must have increased the money supply at the same time.
- Central Bank must have decreased the money supply at the same time.

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Question No : 53 of 60 Marks: 3 (Budgeted Time 6 Min)

Differentiate between actual GDP and potential GDP.

Answer (Please click here to Add Answer)

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Question No : 54 of 60 Marks: 3 (Budgeted Time 6 Min)

It is commonly said by policy makers that "Although Gross Domestic Product provide us a good estimate about the overall production of the economy, but still it has some flaws". Discuss those flaws.

Answer (Please click here to Add Answer)

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Question No : 55 of 60 Marks: 3 (Budgeted Time 6 Min)

Explain the shape of money supply curve with the help of diagram.

Answer ([Please click here to Add Answer](#))

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Question No : 56 of 60 Marks: 5 (Budgeted Time 10 Min)

Define pure inflation. How inflation can be measured?

Answer ([Please click here to Add Answer](#))

Start Time: 1:04 AM
109:00
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For Solved Visit **VU Answer**

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YU Examination System (CLIENT) VUTES 6.5 : Fall 2012 (Final Term) - Windows Internet Explorer

http://localhost/VUTES/client/Instructions.aspx

File Edit View Favorites Tools Help

Question No : 57 of 60 Marks: 5 (Budgeted Time 10 Min)

Explain the difference between new Classical and new Keynesian schools of thought.

Answer (Please click here to Add Answer)

Start Time: 1:04 AM
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57

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http://localhost/VUTES/client/Instructions.aspx

File Edit View Favorites Tools Help

Question No : 58 of 60 Marks: 5 (Budgeted Time 10 Min)

Compare the characteristics of oligopoly market structure and monopoly with the help of examples.

Answer (Please click here to Add Answer)

Start Time: 1:04 AM
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58

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Question No : 59 of 60 Marks: 5 (Budgeted Time 10 Min)

From the information given in the following table, calculate the unemployment rate.

Year	Size of Labor Force	Number of persons Employed	Number of Persons unemployed
1984	113544	105005	8539
1985	115461	107150	8311

Answer (Please click here to Add Answer)

Start Time: 1:04 AM
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Question No : 60 of 60 Marks: 5 (Budgeted Time 10 Min)

Country	Commodity	Amount that can be produced in 1 year
USA	Cotton	40 units
	Food	60 units
UK	Cotton	30 units
	Food	20 units

From the information given above, calculate:

Answer (Please click here to Add Answer)

Start Time: 1:04 AM
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The screenshot shows a web browser window titled "VU Examination System (CLIENT) VUTES 6.5 Fall 2012 (Final Term) - Windows Internet Explorer". The address bar shows "http://localhost/VUTES/client/Instructions.aspx". The page content includes:

Question No : 60 of 60 Marks: 5 (Budgeted Time 10 Min)

UK	Cotton	30 units
	Food	20 units

From the information given above, calculate:

- Opportunity cost of producing 1 unit of cotton in USA.
- Opportunity cost of producing 1 unit of food in USA.

(Marks: 2.5+2.5)

Answer (Please click here to Add Answer)

The answer area contains a rich text editor with a toolbar and a large empty text box.

Start Time: 1:04 AM
109:00
Time Left

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For Solved Visit **VU Answer**