



NATIONAL UNIVERSITY OF MODERN LANGUAGES
Faculty of Management Sciences

ENTRY TEST
PhD Economics
ANSWER SHEET

| | |
|-----------------|--|
| Name | |
| Roll# | |
| Signature | |
| Sec A | |
| Sec B | |
| Sec C | |
| Subjective Part | |
| Total | |
| Checked By | |

Please fill in the right answer after confirming the question number against it. There would be no marks for cutting/overwriting:

SECTION-A- English **(15)**

| | | | | | | | | | | |
|------|---|---|---|---|--|-------|---|---|---|---|
| Q-1. | A | B | C | D | | Q-9. | A | B | C | D |
| Q-2. | A | B | C | D | | Q-10. | A | B | C | D |
| Q-3. | A | B | C | D | | Q-11. | A | B | C | D |
| Q-4. | A | B | C | D | | Q-12. | A | B | C | D |
| Q-5. | A | B | C | D | | Q-13. | A | B | C | D |
| Q-6. | A | B | C | D | | Q-14. | A | B | C | D |
| Q-7. | A | B | C | D | | Q-15. | A | B | C | D |
| Q-8. | A | B | C | D | | | | | | |

SECTION-B- Analytical Reasoning (15)

| | | | | | | | | | | |
|-------|---|---|---|---|--|-------|---|---|---|---|
| Q-16. | A | B | C | D | | Q-24. | A | B | C | D |
| Q-17. | A | B | C | D | | Q-25. | A | B | C | D |
| Q-18. | A | B | C | D | | Q-26. | A | B | C | D |
| Q-19. | A | B | C | D | | Q-27. | A | B | C | D |
| Q-20. | A | B | C | D | | Q-28. | A | B | C | D |
| Q-21. | A | B | C | D | | Q-29. | A | B | C | D |
| Q-22. | A | B | C | D | | Q-30. | A | B | C | D |
| Q-23. | A | B | C | D | | | | | | |

SECTION-C- Subject MCQs (70)

| | | | | | | | | | | |
|-------|---|---|---|---|--|-------|---|---|---|---|
| Q-31. | A | B | C | D | | Q-66. | A | B | C | D |
| Q-32. | A | B | C | D | | Q-67. | A | B | C | D |
| Q-33. | A | B | C | D | | Q-68. | A | B | C | D |
| Q-34. | A | B | C | D | | Q-69. | A | B | C | D |
| Q-35. | A | B | C | D | | Q-70. | A | B | C | D |

| | | | | | | | | | | |
|-------|---|---|---|---|--|--------|---|---|---|---|
| Q-36. | A | B | C | D | | Q-71. | A | B | C | D |
| Q-37. | A | B | C | D | | Q-72. | A | B | C | D |
| Q-38. | A | B | C | D | | Q-73. | A | B | C | D |
| Q-39. | A | B | C | D | | Q-74. | A | B | C | D |
| Q-40. | A | B | C | D | | Q-75. | A | B | C | D |
| Q-41. | A | B | C | D | | Q-76. | A | B | C | D |
| Q-42. | A | B | C | D | | Q-77. | A | B | C | D |
| Q-43. | A | B | C | D | | Q-78. | A | B | C | D |
| Q-44. | A | B | C | D | | Q-79. | A | B | C | D |
| Q-45. | A | B | C | D | | Q-80. | A | B | C | D |
| Q-46. | A | B | C | D | | Q-81. | A | B | C | D |
| Q-47. | A | B | C | D | | Q-82. | A | B | C | D |
| Q-48. | A | B | C | D | | Q-83. | A | B | C | D |
| Q-49. | A | B | C | D | | Q-84. | A | B | C | D |
| Q-50. | A | B | C | D | | Q-85. | A | B | C | D |
| Q-51. | A | B | C | D | | Q-86. | A | B | C | D |
| Q-52. | A | B | C | D | | Q-87. | A | B | C | D |
| Q-53. | A | B | C | D | | Q-88. | A | B | C | D |
| Q-54. | A | B | C | D | | Q-89. | A | B | C | D |
| Q-55. | A | B | C | D | | Q-90. | A | B | C | D |
| Q-56. | A | B | C | D | | Q-91. | A | B | C | D |
| Q-57. | A | B | C | D | | Q-92. | A | B | C | D |
| Q-58. | A | B | C | D | | Q-93. | A | B | C | D |
| Q-59. | A | B | C | D | | Q-94. | A | B | C | D |
| Q-60. | A | B | C | D | | Q-95. | A | B | C | D |
| Q-61. | A | B | C | D | | Q-96. | A | B | C | D |
| Q-62. | A | B | C | D | | Q-97. | A | B | C | D |
| Q-63. | A | B | C | D | | Q-98. | A | B | C | D |
| Q-64. | A | B | C | D | | Q-99. | A | B | C | D |
| Q-65. | A | B | C | D | | Q-100. | A | B | C | D |

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ENTRY TEST
PhD Economics

INSTRUCTIONS

1. The duration of the test is 180 Minutes (3 Hours).
2. Write your Roll Number on each page of the answer sheet.
3. This test has four Sections.
4. A candidate has to score minimum 70% marks in aggregate to pass the test.
5. After completion of the test, you have to return question paper & answer sheet both to the invigilator(s).
6. Calculators & mathematical tables are not allowed.
7. Answers to all sections are to be attempted on answer sheets, which are being provided separately with the question papers.
8. Make sure that you do not write or mark anything on the question paper otherwise this will lead to cancellation of your paper.
9. You have to make a choice of one answer out of four whatever is correct in your point of view. Make a circle around the right answer only on your answer sheet.

GAT - SUBJECT TEST
SECTION-A- English MCQs (1-15)

A: Choose from the following, the answer that is closest in meaning to the main word (Written in Capital letters)

1. ANOMALY

- (A) normal
- (B) straight
- (C) irregularity
- (D) integrity

2. ABSTRUSE

- (A) showy
- (B) evident
- (C) difficult to manage
- (D) difficult to understand

3. VACUOUS

- (A) stupid
- (B) truthfulness
- (C) ravenous
- (D) confused

4. PRAGMATIC

- (A) practical
- (B) magnetic
- (C) liar
- (D) arrogant

5. PROBITY

- (A) probability
- (B) honesty
- (C) peaceful
- (D) carelessness

B: Choose from the following, the answer that is opposite in meaning to the main word (Written in Capital letters)

6. CONSENSUS

- (A) agreement
- (B) disagreement
- (C) quality
- (D) special case

7. FECKLESS

- (A) weak

- (B) careless
- (C) careful
- (D) unlucky

8. EMINENT

- (A) imminent
- (B) happy
- (C) famous
- (D) unknown

9. PARTISAN

- (A) neutral
- (B) popular
- (C) biased
- (D) stubborn

10. NEPOTISM

- (A) query
- (B) favoritism
- (C) impartial
- (D) neophyte

C: Choose the pair of words that best expresses a relationship similar to that expressed in the pairs of words in capital.

11. DETERIORATE : IMPROVE

- (A) feckless : careless
- (B) evanescent : exigent
- (C) hope : hone
- (D) obstinate : tractable

12. AGGRAVATE : ALLEVIATE

- (A) later : precede
- (B) urbane : naive
- (C) evasive : wordy
- (D) feeble : worker

13. VINDICTIVE : MERCY

- (A) transient : fleeting
- (B) elated : happy
- (C) crestfallen : cognizant
- (D) skeptical : trustfulness

D: Fill in the blanks with suitable answer from the given options.

14. In Lahore, fares are _____ high.

- (A) fascinatedly
- (B) extraneously
- (C) exorbitantly
- (D) passionately

15. As a result of the _____, no one can trade with North Korea.

- (A) enigma
- (B) embargo
- (C) vicious
- (D) voracious

SECTION-B- Analytical Reasoning 16-30

16. Pointing to a man, a woman said, "His mother is the only daughter of my mother."
How is the woman related to the man?

- | | |
|----------------|-----------------|
| A. Sister | B. Grand Mother |
| C. Grandfather | D. Mother |

17. In the following question, select the odd word pair from the given alternatives.

- | | |
|-----------------|----------------|
| A. Petrol – Car | B. Oil - Lamp |
| C.Coal – Engine | D. Smoke_ Fire |

18. In the following question, select the odd word pair from the given alternatives.

- | | |
|----------------------|-----------------------|
| A. Debit-Credit | B. Profit-Gain |
| C.Income-Expenditure | D. Assets-Liabilities |

19. The day after tomorrow is three days before a Monday. What day is it today?

- | | |
|-------------|-------------|
| A. Monday | B. Tuesday |
| C.Wednesday | D. Thursday |

20. The Dean claimed that, as a result of continued cutbacks in the budget for pure science research, fewer students are choosing a career in physics, and therefore the number of postgraduate students studying physics is likely to decline.

Which of the following, if true, casts most doubt on the Deans conclusion?

- A. The number of students majoring in physics at the undergraduate level has been increasing steadily over the years, a trend that is expected to continue.
- B. The number of students studying chemistry declined even before cutbacks in research funding were noted.
- C. Most postgraduate students of physics move to careers in computer science and engineering.
- D. The Deans own university has recently increased the number of staff members teaching physics.

21. Photography is no longer an art form. Nowadays everyone has access to digital cameras that only need to be pointed at the subject in order to generate a perfect image.

The writer of the argument apparently assumes that

- A. the selection of the subject is not an important artistic factor in photography
- B. Digital cameras will continue to improve in quality
- C. Digital cameras can never go wrong
- D. Photography with all other types of camera is an art form

Question No 22 – 25

Six students—F, G, H, I, J, and K—are to be seated at a round table for group study. There are exactly six seats around the table. Each student sits facing the center of the table and is directly opposite a student across the table. The seating arrangement is subject to the following restrictions:

K cannot sit next to H.

J cannot sit next to F.

I must sit next to F.

22. If I sit next to J on J's right side, who must sit next to I on I's right side?

- A.) F
- B) G
- C) H
- D) J

23 Which of the following is an acceptable sequence of students around the table?

- A.) F, J, I, K, H, G
- B) F, J, K, H, I, G
- C) K, G, H, J, F, I
- D) K, I, F, H, J, G

24 If F sits next to H, which of the following is a complete and accurate list of those who can sit next to H on H's other side?

- A. G
- B. G, J
- C.G, J, I
- D. I, J, K

25. If K sits next to F and J sits next to I, which of the other students must sit next to J?

- A. F
- B. G
- C.H
- D. I

26. If K sits directly across the table from G, who must sit on either side of H?

- A. F and G
- B. F and J
- C.G and I
- D. G and J

Question No 27 - 30

A building has exactly six flats, numbered 1 through 6 from bottom to top. Each of exactly six

families—R, S, T, U, V, and W—must be assigned an entire flat for office space. The flats must

be assigned according to the following conditions:

R must be on a lower flat than S.

T must be either on the flat immediately above W's flat or on the flat immediately below W's flat.

U can be neither on the flat immediately above W's flat nor on the flat immediately below W's flat.

V must be on flat 4.

27. Which of the following is an acceptable assignment of families to flats, in order from flat 1 through flat 6?

- A. R, T, S, V, U, W
- B. S, T, W, V, R, U
- C.U, R, S, V, T, W
- D. U, W, T, V, R, S

28. If S is on flat 5, which of the following must be true?

A. R is on flat 1.

B. R is on flat 3.

C. T is on flat 1.

D. U is on flat 6.

29. If W is on flat 2, any of the following could be true EXCEPT:

A. R is on flat 3.

B. R is on flat 5.

C. T is on flat 1.

D. U is on flat 5.

30. If U is on flat 3, which of the following is a pair of families that must be on flats one of which is immediately above the other?

A. R and S

B. R and V

C. S and U

D. T and U

SECTION-C- Subject MCQs (70)

31. A perfectly competitive market has

- a. firms sets its price
- b. only one seller
- c. few sellers
- d. many buyers and sellers

32. If an increase in the price of good X leads to a decrease in the demand for good Y, then X and Y are

- a. complements
- b. inferior goods
- c. normal goods
- d. none of above

33. Law of demand state that increase in price of a good leads to

- a. increase the supply of that good
- b. decrease the quantity demanded of that good along its demand curve
- c. decrease the demand for that good
- d. increase the quantity supplied of that good along its supply curve

34. Law of supply states that an increase in the price of a good

- a. has no impact at all
- b. increase the quantity supplied of that good along its supply curve
- c. increase the supply of that good
- d. decrease the demand for that good

35. If an increase in consumer income cause a decrease in demand for good x, then good is

- a. a normal good
- b. none of these answers
- c. an inferior good
- d. a substitute good

36. Supply curve for good x is positively sloped shows that

- a. marginal cost of producing good x increases as more of good x is produced
- b. as the price of x increases
- c. opportunity cost of producing x fall
- d. none of the above

37. Which of the following shifts the demand curve for good x to the right

- a. an increase in price of x
- b. decrease in price of x
- c. a decrease in price of good y if good x and good y are compliments
- d. all of above

38. if price of good is above equilibrium price

- a. there is excess supply and price will rise
- b. there is excess demand and price will fall
- c. there is excess demand and price will rise
- d. there is excess supply and price will fall

39. Linear isoquant shows

- a. perfect substitution of factors
- b. imperfect substitution of factors
- c. perfect substitution of goods
- d. none of above

40. Vertical shape of isoquants show

- a. complete substitution of inputs
- b. zero substitution of inputs
- c. kink shapes isoquants
- d. none of above

41. Marginal product of input shows

- a. change in output due to change in employment of factors input
- b. change in output due to change in size of plant
- c. both of above
- d. none of above

42. A decrease in supply of a good will cause

- a. no change in level of output produced
- b. decrease in price of good
- c. increase in production level
- d. increase in price of good

43. Slope of indifference curve is measured by

- a. level of consumption
- b. marginal rate of technical substitution
- c. both of above
- d. marginal rate of substitution

44. Slope of isoquant is measured by

- a. level of output produced
- b. marginal rate of substitution
- c. level of inputs used
- d. marginal rate of technical substitution

45. A product curve is drawn

- a. independent of prices of output produced
- b. independent of size of plant
- c. independent of quantity of inputs available
- d. independent of prices of factors of production

46. A product line shows

- a. a movement along same isoquant
- b. are inverted lines
- c. two of the above
- d. a movement from one isoquant to another isoquant

47. Capital deepening technical progress shows that

- a. none of the above
- b. marginal product of labor increases more
- c. marginal product of capital increases more
- d. marginal product of capital increases more than marginal product of labor

48. Labor deepening technical progress shows that

- a. marginal product of labor increases more
- b. marginal product of labor increases more than marginal product of capital
- c. marginal product of capital increases more
- d. marginal product of capital increases equal to marginal product of labor

49. If isoquant are concave, the point of tangency of isoquant and isocost lines

- a. shows optimal position in output market
- b. none of the answer
- c. shows equilibrium
- d. does not show equilibrium

50. Optimal expansion path in long run is determined by

- a. isocost lines
- b. isoquants
- c. point of tangency of successive isoquants and successive isocost lines
- d. none of the above

51. Substitution effect of price change is

- a. always positive

- b. always neutral
- c. always negative
- d. none of above

52. If production function shows diminishing marginal product, its slope

- a. A linear line
- b. is steeper as output increases
- c. is vertical as output increases
- d. becomes flatter as output increases

53. If production function shows maximum output level

- a. marginal product of input becomes zero
- b. marginal product of input becomes maximum
- c. marginal product of input becomes negative
- d. none of above

54. When marginal cost are below average total cost

- a. average total cost are rising
- b. average total cost are falling
- c. average total cost does not change
- d. none of the above

55. When marginal cost are equal to average total cost

- a. average total cost are minimum
- b. average total cost are falling
- c. average total cost does not change
- d. none of the above

Macroeconomics Objectives

56. In the classical model, an increase in the level of the money supply

- I. Has no effect on nominal variables
 - II. Has no effect on real variables
 - III. Will result in an increase in the price level, holding everything else constant
- a. Statements I, II and III are true.
 - b. Statements I and III are true.
 - c. Statements II and III are true.
 - d. Statement I is true.

57. Economists build models and then use these models to test hypotheses. Variables explained by the models are called

- a. Endogenous variables.
- b. Exogenous variables.
- c. Both exogenous and endogenous

- d. None of these
- 58. Depreciation is an example of a**
- a. Stock.
 - b. Flow.
 - c. Both stock and Flow
 - d. None of these
- 59. Positive increases in inventories cause**
- a. GDP for that period to increase.
 - b. No change in the level of GDP computed for that period.
 - c. Increase the labor demand.
 - d. None of above
- 60. Income is an example of a**
- a. Stock.
 - b. Flow.
 - c. Both stock and Flow
 - d. None of these
- 61. Computing GDP using the value added approach can also be referred to as double counting.**
- a. True
 - b. False
 - c. Sometimes
 - d. Production Method
- 62. Supply creates its own demand was said by**
- a. Adam Smith
 - b. JB Say
 - c. David Ricardo
 - d. Fisher
- 63. Sue, a U.S. resident, purchases Italian wine twice a month at her local grocery store. Holding everything else constant, this purchase**
- 1. Increases the level of U.S. consumption spending.
 - 2. Decreases the level of net exports.
 - a. Statements (1) and (2) are correct.
 - b. Statement (1) is correct.
 - c. Statement (2) is correct.
 - d. Neither statement (1) nor (2) is correct.
- 64. Real GDP is measured using**
- a. Constant dollars.
 - b. Current dollars.
 - c. Production method
 - d. Expenditure method
- 65. Suppose an economy's production is described by a Cobb-Douglas production function. If the amount of labor used increases, holding everything else constant, this will**
- I. Increase the value of the MPL for this economy
 - II. Decrease the value of the MPL for this economy
 - III. Decrease the value of the MPK for this economy
 - IV. Cause labor productivity to decrease
 - a. Statements I, III and IV are correct.
 - b. Statements II, III and IV are correct.
 - c. Statements I and III are correct.
 - d. Statements II and IV are correct.
- 66. An increase in the GDP deflator may be due to**
- 1. An increase in nominal GDP holding everything else constant.
 - 2. An increase in real GDP holding everything else constant.
 - 3. A decrease in real GDP holding everything else constant.
 - a. Statements (1) and (2) are true.
 - b. Statements (1) and (3) are true.

- c. Statement (1) is true.
 - d. Statement (2) is true.
- 67. The CPI holds constant prices in its calculation, using prices defined at the level they are at during the base year, while allowing quantities to vary from year to year.**
- a. True
 - b. False
 - c. It is WPI
 - d. None of these
- 68. An increase in the number of discouraged workers in an economy will, holding everything else constant,**
- I. cause the unemployment rate to fall
 - II. cause the unemployment rate to rise
 - III. cause the labor force participation rate to rise
- a. Statements I and III are correct.
 - b. Statements I and II are correct.
 - c. Statement I is correct.
 - d. Statement II is correct.
- 69. Suppose that the MPL for the next additional unit of labor is \$35 while the prevailing wage rate is \$30. If you are a profit maximizing firm, you will**
- a. Hire more labor since the value of the production of another unit of labor exceeds the cost of that unit of labor.
 - b. Hire less labor since you already have the profit maximizing amount of labor employed at your factory.
 - c. Make no changes in the amount of labor you hire since more labor will only reduce your level of labor productivity at your factory.
 - d. Hire more capital since the value of the production of another unit of capital exceeds the cost of that unit of labor.
- 70. Joe, a U.S. resident, purchased a brand-new Ford in 2002 for \$22,000. This year he sold the Ford for \$8000. U. S. GDP for this year**
- a. Decreased by \$14,000.
 - b. Increased by \$8,000.
 - c. Was unaffected by this transaction.
 - d. Was affected by this transaction, but insufficient information is provided to measure the effect of the transaction on U.S. GDP for this year.
- 71. The Fisher equation is**
- a. Real interest rate is equal to nominal interest rate minus expected inflation.
 - b. Real interest rate is equal to nominal interest rate minus actual inflation.
 - c. Nominal interest rate is equal to real interest rate minus expected inflation.
 - d. Real interest rate is equal to nominal interest rate minus core inflation.
- 72. When the central bank purchases treasury bills on the open market this**
- a. Increases the money supply and therefore raises the market interest rate.
 - b. Decreases the money supply and therefore raises the market interest rate.
 - c. Increases the money supply and therefore lowers the market interest rate.
 - d. Decreases the money supply and therefore lowers the market interest rate.
- 73. When k in quantity theory of money, the constant that tells us how much money people want to hold for every dollar of income, has a relatively large value then**
- a. Money in this economy changes hands infrequently.
 - b. Money in this economy changes hands frequently.
 - c. money supply
 - d. money demand
- 74. Suppose that the money supply increases by 1 percent in one year and then remains constant at this higher level thereafter. According to the quantity theory of money, the inflation rate**
- a. Is 1 percent in the first year and thereafter?
 - b. Increases by 1 percent in the first year and remains constant at the higher level thereafter.
 - c. Increases by 1 percent in the first year and returns to its former value thereafter.
 - d. Is unaffected.

- 75. When the government spends more than it receives in tax revenue, holding everything else constant, we know that**
- I. Public Saving is positive
 - II. The government is running a deficit
 - III. The government is running a surplus
- a. Statements I and II are correct.
 - b. Statements I and III are correct.
 - c. Statement I is correct.
 - d. Statement II is correct.
- 76. Core inflation is measured through**
- a. When we exclude energy and food items from basket of goods of representative consumer.
 - b. When we include energy and food items in basket of representative consumer.
 - c. Is another name of whole sale price index
 - d. None of these
- 77. During periods of unexpected inflation, lenders are hurt while borrowers gain because the**
- a. Ex post real interest rate exceeds the ex ante real interest rate.
 - b. Ex post real interest rate is lower than the ex ante real interest rate.
 - c. Real interest rate rises.
 - d. Nominal interest rate falls.
- 78. The GDP deflator is calculated using a pre-determined “market basket” of goods and services that includes particular amounts of all goods and services produced in an economy.**
- a. True
 - b. False
 - c. It is CPI
 - d. It is real GDP
- 79. Constant returns to scale occurs when**
- a. Output doubles when the amounts of all factor inputs double.
 - b. Output remains constant over time.
 - c. The marginal productivity of labor equals the marginal productivity of capital.
 - d. The marginal products of capital and labor do not change.
- 80. According to classical school of thought, the shape of aggregate supply (AS) curve is**
- a. Positively sloped
 - b. Negatively sloped
 - c. Vertical
 - d. Horizontal in the short run.

Econometrics Objectives – 25 Marks

- 81. What is the purpose of using instrumental variables in econometrics?**
- a) To estimate the causal effect of an independent variable on the dependent variable
 - b) To control for endogeneity in the regression analysis
 - c) To improve the precision of coefficient estimates
 - d) To determine the statistical significance of the regression results
- 82. What does the Durbin-Watson statistic measure?**
- a) Autocorrelation in the regression residuals
 - b) Heteroscedasticity in the regression residuals
 - c) Multicollinearity among the independent variables
 - d) Normality of the regression residuals
- 83. What is the purpose of conducting hypothesis testing in econometrics?**
- a) To determine the statistical significance of the regression results
 - b) To establish causality between variables

- c) To predict future economic trends
- d) To estimate the magnitude of the coefficients

84. Which of the following regression techniques is suitable for modeling a binary dependent variable?

- a) Ordinary Least Squares (OLS) regression
- b) Logistic regression
- c) Time series regression
- d) Panel data regression

85. In econometrics, what does the term "omitted variable bias" refer to?

- a) The presence of outliers in the data
- b) The failure to account for all relevant variables in the regression analysis
- c) The violation of the independence assumption
- d) The violation of the linearity assumption

86. What is heteroscedasticity in econometrics?

- a) When the error term has a mean of zero
- b) When the error term is normally distributed
- c) When the variance of the error term is not constant across observations
- d) When the error term is correlated with the independent variables

87. Which test is used to check the normality assumption of the error term in regression?

- a) F-test
- b) Durbin-Watson test
- c) Jarque-Bera test
- d) Wald test

88. What is the purpose of time series decomposition?

- a) To estimate the coefficients of autoregressive integrated moving average (ARIMA) models
- b) To analyze the trend, seasonal, and residual components of a time series
- c) To test for unit roots in time series data
- d) To estimate the parameters of a vector autoregression (VAR) model

89. What is the purpose of the Granger causality test in time series analysis?

- a) To test for autocorrelation in time series data
- b) To test for heteroscedasticity in time series data
- c) To test the null hypothesis of no causality between two time series variables
- d) To test the unit root hypothesis in time series data

90. What is the purpose of the Cochrane-Orcutt procedure in time series analysis?

- a) To estimate the coefficients of an autoregressive integrated moving average (ARIMA) model
- b) To correct for heteroscedasticity in time series data

- c) To address serial correlation in time series residuals
- d) To test the stationarity of time series data

91. What is the purpose of the R-squared statistic in regression analysis?

- a) To measure the strength of the relationship between variables
- b) To test the statistical significance of coefficients
- c) To assess the goodness of fit of the regression model
- d) To determine the presence of multicollinearity

92. What is the difference between panel data and time series data?

- a) Panel data includes cross-sectional and time series dimensions
- b) There is no difference
- c) Panel data is more suitable for longitudinal analysis
- d) Time series data has a larger sample size than panel data

93. What is the purpose of the Hausman test in panel data analysis?

- a) To test for heteroscedasticity in the residuals
- b) To test for autocorrelation in the time series data
- c) To choose between fixed effects and random effects models
- d) To assess the normality assumption of the error terms

94. What is the difference between a Type I error and a Type II error in hypothesis testing?

- a) Type I error occurs when the null hypothesis is rejected incorrectly, while Type II error occurs when the null hypothesis is not rejected correctly.
- b) Type I error occurs when the null hypothesis is not rejected correctly, while Type II error occurs when the null hypothesis is rejected incorrectly.
- c) Type I error occurs when the sample size is too small, while Type II error occurs when the sample size is too large.
- d) No difference.

95. Which of the following statements about the assumption of normality in regression analysis is true?

- a) Normality of the independent variables is required for unbiased coefficient estimates.
- b) Normality of the dependent variable is necessary for accurate predictions.
- c) Normality of the residuals is not necessary for valid inference if the sample size is large.
- d) None of the above

96. What is the purpose of conducting a t-test in regression analysis?

- a) To test the significance of the overall regression model.
- b) To test the significance of individual regression coefficients.
- c) To test for heteroscedasticity in the residuals.
- d) To test for autocorrelation in the residuals.

97. What is the purpose of conducting a Ramsey's RESET test in regression analysis?

- a) To test for autocorrelation in the residuals.
- b) To test for heteroscedasticity in the residuals.

- c) To test for misspecification of the functional form of the model.
- d) To test for outliers in the data.

98. What does the VIF (Variance Inflation Factor) measure in regression analysis?

- a) The degree of association between the dependent and independent variables.
- b) The presence of heteroscedasticity in the residuals.
- c) The severity of multicollinearity among the independent variables.
- d) The proportion of explained variation in the dependent variable.

99. What is the purpose of conducting the Breusch-Pagan test in econometrics?

- a) To test for normality in the residuals of a regression model.
- b) To test for heteroscedasticity in the residuals of a regression model.
- c) To test for multicollinearity among the independent variables.
- d) To test for endogeneity in the regression model.

100. The Dickey-Fuller test is used to test for

- a) Autocorrelation in time series data.
- b) Heteroscedasticity in time series data.
- c) Stationarity in time series data.
- d) Nonlinearity in time series data.

Subjective Section:

Q# 1

Discuss the main factors that are contributing in debt-crisis of Pakistan's economy?

Q #2

Explain general equilibrium in the goods and money markets with the help of IS and LM curves?

- (a) Why do the IS and LM curves shift upwards and downwards?
- (b) What factors determine the magnitude of the slope of the IS curve?
- (c) What factors determine the magnitude of the slope of the LM curve?

Q #3

Explain the key characteristics of a monopoly market structure. How does a monopoly differ from perfect competition, and what implications does it have for consumer welfare? (4)

Best of Luck