

**DEPARTMENT OF ECONOMICS AND FINANCE
PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS
SAMPLE ENTRANCE EXAM PAPER**

Structure of the Paper		
S.No.	Multiple Choice Questions on topics related to:	No of Questions
1.	Microeconomics	15
2.	Macroeconomics	15
3.	Finance	10
4.	Statistics / Mathematics	10

Microeconomics

1. Marginal utility is equal to average utility at that time when average utility is
 - A. Increasing.
 - B. Maximum.
 - C. Falling.
 - D. Minimum

2. The demand for a good is highly inelastic if _____
 - A. the price elasticity of the good is close to zero
 - B. the income elasticity of the good is close to one
 - C. if it is a necessity
 - D. both a and c.

Macroeconomics

1. We have inflation
 - A. only when the price of every good is rising.
 - B. when the prices of most goods are rising.
 - C. when the prices of most goods are falling.
 - D. only when the price of every good is falling.

2. The quantity theory of money is based on the quantity equation and what key assumption?
 - A. wage rates are flexible
 - B. only cash, currency, and demand deposits are considered money
 - C. the velocity of money is relatively stable
 - D. the money supply grows at a steady rate over the long run

Finance

1. The major benefit of diversification is to_____.
 - A. increase the expected return.
 - B. increase the size of the investment portfolio.
 - C. reduce brokerage commissions.
 - D. reduce the expected risk.
2. The term _____ refers to the period in which the project will generate the necessary cash flow to recoup the initial investment.
 - A. internal return.
 - B. payback period.
 - C. discounting return.
 - D. accounting return.

Statistics / Mathematics

1. Which mean is most affected by extreme values?
 - A. Geometric mean.
 - B. Harmonic mean.
 - C. Arithmetic mean.
 - D. Trimmed mean.
2. Laspeyre's index formula uses the weights of the_____.
 - A. Base year.
 - B. Current year.
 - C. Average of the weights of a number of years.
 - D. To any arbitrary chosen year.
3. $f(x) = 3x^3 - 4x^2 + 10$ implies
 - A. $f(1) = 10$
 - B. $f'(x) = 9x^2 - 8x + 10$
 - C. $f''(x) = 18x - 8$
 - D. $f'(2) = 20$