BRAC University
Department of Economics and Social Sciences (ESS)
Master of Science in Applied Economics (MSAE)
Admission Test Sample Question
(Applicants with Economics Background)
Time: 1 Hour and 30 Minutes
Total Marks: 50
Answer all questions

Section 1: Microeconomics **15**

1. Using indifference curve analysis, explain how a consumer reaches equilibrium. **5**
2. Explain how a firm selects inputs to produce a given output at minimum cost. **5**
3. Distinguish between: **5**

   (i) Movement along a demand curveand shift of a demand curve
   (ii) Classical and neoclassical economics

Section 2: Macroeconomics **10**

4. Using graphs explain the difference between demand-induced and supply-induced one-shot inflation. **5**
5. Explain the following: **5**

   (a) When less than full employment equilibrium is reached in an economy.
   (b)The Keynesian solution to get the economy out of the recessionary gap.

Section 3: Comprehension 25

6. Read the following passage and answer questions (i) to (v) that follows:

What is economics? How will the study of economics help us to understand how modern economies function, and how modern economies differ from the economies of the past?What makes some economic theories more sensible than others? What is the difference between microeconomics and macroeconomics, and is one more important than the other? The concepts of *scarcity*, *choice*, and *opportunity cost*; each is central to understanding any economic system.*Tradeoffs*between various policy goals are inevitable, and are often the source of disagreements about what constitutes the best policy. The progress of economics,as a social science, is based upon the distinction between *positive*

statements and *normative statements*. The role of *theory*in economics, and why economists build *models*are to help them think about the complex world they are trying to understand. Economists *test* their theories with the *evidence* drawn from the real world.

(i) What is the basic question and how is the basic question's answers explained by raising several related questions? **5**

(ii) Which concepts are considered central in understanding economics? **5**

(iii) In which context trade-offs are seen as inevitable? **5**

(iv) In which context, the distinction between positive and normativestatements is noted?**5**

(v) How do the economists test their model? **5**
