CUET-UG

Common University Entrance Test for Under Graduate Courses/Programmes

Economics/Business Economics

SECTION-II

DOMAIN SPECIFIC SUBJECT

EXAMINATION STRUCTURE

SECTION-II: DOMAIN SPECIFIC SUBJECTS

No. of Questions	Subject	Time
40 Questions to be attempted out of 50	• Input text can be used for MCQ Based Questions • MCQs based on NCERT Class XII Syllabus only	45 minutes for each Domain Specific Sub-jects

Mode of the Test : Computer Based Test (CBT)

Test Pattern : Objective type with Multiple Choice Questions

Medium of Exam : 13 Languages (Tamil, Telugu, Malayalam, Marathi, Gujarati, Odiya, Bengali, Assamese, Punjabi, English, Hindi and Urdu)

CONTENTS

SAMPLE PAPER

CUET (UG) –

Economics/Business Economics..... 1-8

ECONOMICS/BUSINESS ECONOMICS

- Microeconomics—Introduction; Consumer Behaviour and Demand; Producer Behaviour and Supply; Forms of Market and Price Determination; Simple Applications of Tools of Demand and Supply Curves

- Macroeconomics—National Income and Related Aggregates — Basic Concepts and Measurement; Determination of Income and Employment; Money and Banking; Government Budget and the Economy; Balance of Payments; Indian Economy; Passage Based Multiple Choice Questions



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CUET-UG

SECTION-II : DOMAIN SPECIFIC SUBJECT

(Common University Entrance Test for UG Programmes)

ECONOMICS/BUSINESS ECONOMICS*

1. The Government can achieve its budget objective of 'Redistribution of Income' by _____.

A. managing the General Price Level in the economy to the desired level.

B. increasing the Gross Domestic Products (GDP) of the economy.

C. bringing the production of goods and services under its direct and absolute control.

D. rationalisation of taxes in pro-poor direction.

2. Balance of Payments of an economy records _____ for a fiscal year.

A. income and expenditure of the government

B. inflow and outflow of funds of the government

C. inflow and outflow of foreign exchange to/from the economy

D. inflow and outflow of loans to/from the rest of the world

3. Identify which of the following bank does not interact directly with the general public?

A. Bank of India

B. State Bank of India

C. Central Bank of India

D. Reserve Bank of India

4. Identify which of the following is not an example of 'invisible item' under Current Account of the Balance of Payments transactions?

A. Air and sea transport

B. Postal and courier services

C. Education-related travel

D. Merchandise linked transactions

5. Read the following statements carefully and choose the correct alternative from the following:

Statement 1: Demonetization was the step taken by the Government of India in order to tackle the problems of corruption, black money, terrorism and circulation of fake currency in the Indian Economy.

Statement 2: Demonetization has ensured improved tax compliance in India over the period of time.

Alternatives:

A. Both the statements are true.

B. Both the statements are false.

C. Statement 1 is true and Statement 2 is false

D. Statement 2 is true and Statement 1 is false

6. Ms Sakshi, an economics teacher, was explaining the concept of 'minimum percentage of the total deposits to be kept by any commercial bank with the Central Bank of the country, as per norms and statute prevailing in the country'.

From the following, choose the correct alternative which specifies towards the concept explained by her?

A. Cash Reserve Ratio

B. Repo Rate

C. Bank Rate

D. Statutory Liquidity Ratio

7. **Two friends Mira and Sindhu were discussing the exchange rate systems.**

'Under this system, the exchange rates are determined by the market forces of demand and supply. However, deliberate efforts are made by the competent authority to keep the exchange rates within a specific range'.

The above-mentioned statement was given by Sindhu, identify the type of exchange rate system was she talking about?

A. Fixed Exchange Rate

B. Floating Exchange Rate

C. Managed Floating Exchange Rate

D. Managed Fixed Exchange Rate

8. Read the following statements carefully and choose the correct alternative from the following:

Statement 1 : Public goods are those goods and services that are collectively consumed by the public.

Statement 2 : Public goods are excludable and rivalrous in nature.

Alternatives:

- Both the statements are true.
- Both the statements are false.
- Statement 1 is true and Statement 2 is false
- Statement 2 is true and Statement 1 is false

9**. Identify which of the following is not a function of the Reserve Bank of India?**

- To act as the banker to the Government of India.
- To act as the custodian of the gold reserve of India
- To act as the financial advisor to the Government of India
- To issue coins and one rupee note

10. Industrial Policy Resolution (IPR) 1956 formed the basis of the_____ Five Year Plan.

A. First

B. Fourth

C. Second

D. Third

11. Occupational structure refers to_____

A. size of labour force in a country

B. number of people living in a country

C. distribution of workforce among different sectors of an economy

D. nature of different occupations

12. _____ is the portion of agricultural produce which is sold in the market by the farmers, after meeting their self-consumption requirements.

A. Trade Surplus

B. Marketable Surplus

C. Producer Surplus

D. Consumer Surplus

13. Read the following statements carefully and choose the correct alternatives given below:

Statement 1 : Poverty line in India is defined in terms of monetary value of the minimum nutritional (calorific) requirements of an individual in a day.

Statement 2 : The definition of poverty line in monetary terms has not changed over the years.

Alternatives:

A. Both the statements are true.

B. Both the statements are false.

C. Statement 1 is true and Statement 2 is false

D. Statement 2 is true and Statement 1 is false

14. Before the advent of Green Revolution in 1960's, India was primarily dependent on _____for the supply of food grains.

A. United States of America (USA)

B. Britain (United Kingdom)

C. Mexico

D. Union of Soviet Socialist Republics (USSR)

15. National Bank for Agricultural and Rural Development (NABARD) was set up in 1982 as a/the _____ body to coordinate the activities of all institutions involved in the rural financing system.

A. cooperative

B. apex

C. micro credit

D. private credit

16. The Government of India has decided to vaccinate the adult population of India (with Covaxin/Covishield), without any charge. This would be categorized as _____.

A. revenue nature income

B. capital nature expenditure

C. revenue nature expenditure

D. capital nature income

17. _____ is not a reason for poverty in India.

A. population explosion

B. rise in per capita GDP

C. low capital formation

D. socio-economic exclusion

18. In a hypothetical economy, Mr. Neeraj has deposited Rs. 100 in the bank. If it is assumed that there is no other currency circulation in the economy, then the total money supply in the economy will be _____.

A. zero

B. Rs. 100

C. not defined

D. Rs. 120

19. 'Since independence, India has witnessed a considerable fall in the Infant Mortality Rate in India'. Identify which of the following may not be one of the reasons for the fall in the Infant Mortality Rate?

A. Improvement in health facilities over the years

B. Improvement in educational standards over the years

C. Fall in standard of living of the population of the nation over the years

D. Technological expansion over the years

20. Read the following statements carefully and choose the correct alternatives given below:

Statement 1 : Subsidies do not add any burden on the financial health of a nation.

Statement 2 : Complete removal of subsidies may violate the aim of equitable distribution of income.

Alternatives:
A. Both the statements are true.

B. Both the statements are false.

C. Statement 1 is true and Statement 2 is false

D. Statement 2 is true and Statement 1 is false

21. Read the following statements - Assertion (A) and Reason (R):

Assertion (A) : Acquisition of a domestic (Indian) company by a foreign (Australian) company will be recorded on the credit side of Balance of Payment.

Reason (R) : It leads to outflow of foreign exchange from the domestic economy.

From the given alternatives choose the correct one:

A. Both Assertion (A).and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

22. Read the following statements - Assertion (A) and Reason (R):

Assertion (A) : Major policy initiatives (land reforms and Green Revolution) helped India to become self-sufficient in food grains production.

Reason (R) : The proportion of people depending on agriculture did not decline as expected after the Green Revolution.

From the given alternatives choose the correct one:

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

23. Read the following statements - Assertion (A) and Reason (R):

Assertion (A) : Human capital treats human beings as a means to an end (increase in productivity)

Reason (R) : Human Capital Formation decreases by way of investments in education and health.

From the given alternatives choose the correct one:

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

24. Figure Showing Population below poverty line in some large states, 1973-2012 (%)

Note: For the year 1973, Uttar Pradesh includes the present Uttarakhand; Madhya Pradesh includes Chhattisgarh and Bihar includes Jharkhand.

On the basis of the given bar diagram, identify the states which are able to reduce the poverty level as compared to other states between 1973-2012.

A. Tamil Nadu, Gujrat, Bihar, Andhra Pradesh

B. Bihar, Madhya Pradesh, West Bengal and Orissa

C. Rajasthan, Madhya Pradesh, Bihar and Uttar Pradesh

D. Andhra Pradesh, Rajasthan, West Bengal and Tamil Nadu

25. Select Indicators of Development in Education and Health Sectors

Particulars		1951	1981	1991	2001	2016-17
Real Per Capita Income (In Rs.)		7,651	12,174	15,748	23,095	77,659
Crude Death Rate (Per 1,000 Population)		25.1	12.5	9.8	8.1	6.3
Infant Mortality Rate		146	110	80	63	33
Life Expectancy at Birth (in Years)	Male	37.2	54.1	59.7	63.9	67
	Female	36.2	54.7	60.9	66.9	70
Literacy Rate (%)		16.67	43.57	52.21	65.20	76

Source: Economic Survey for various years, Ministry of Finance National Statistical Office & Ministry of Statistics and Programme Implementation; Government of India.

On the basis of the above mentioned information answer the following question:

The Real Per Capita Income of India (as per the given data) has increased by _____ (approximately) between 1951 and 2016-17.

A. 915%

B. 1015%

C. 815%

D. 715%

26. Read the following statements - Assertion (A) and Reason (R):

Assertion (A) : The goal of equitable distribution of land was fully served by abolition of intermediaries, in the post- independence India.

Reason (R) : Big landlords challenged the land ceiling legislation, delaying the implementation and subsequently escaping from the legislation.

From the given alternatives choose the correct one:

Alternatives:

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

27. Read the following statements carefully and choose the correct alternatives given below:

Statement 1: The emergence of Self-Help Groups (SHG's) ensured the reduction in the fissures of the formal credit system.

Statement 2 : The borrowings from SHGs mainly confined to consumption purposes by its members.

Alternatives:

A. Both the statements are true.

B. Both the statements are false.

C. Statement 1 is true and Statement 2 is false

D. Statement 2 is true and Statement 1 is false

28. . Read the following statements carefully and choose the correct alternatives given below:

Statement 1 : The value of money multiplier is determined by the reserve ratio prevailing in the monetary system.

Statement 2 : The process of credit creation directly relates to the value of reserve ratio.

Alternatives:

A. Both the statements are true.

B. Both the statements are false.

C. Statement 1 is true and Statement 2 is false

D. Statement 2 is true and Statement 1 is false

29. Arrange the following event in the correct chronological order:

(i) The year of great divide

(ii) Establishment of Tata Iron and Steel Company (TISCO)

(iii) Introduction of Railways in India by the British

(iv) Opening of Suez Canal

Alternatives:

A. (iv), (ii), (i), (iii)

B. (i), (iv), (iii), (ii)

C. (ii), (iii), (iv), (i)

D. (iii), (iv), (ii), (i)

30. Read the following statements - Assertion (A) and Reason (R), choose one of the correct alternatives given below:

Assertion (A) : Trade of invisible items between two nations is a part of capital account of Balance of Payment

Reason (R) : Transactions that affect the assetliability status of a country in relation to the rest of the world are known as Capital Account transaction.

Alternatives:
A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

31. Demand Deposits include_____ and _____.

(i) Saving Account Deposits

(ii) Fixed Deposits

(iii) Current Account Deposits

(iv) Post Office Savings

Alternatives:

A. (i) and (ii)

B. (ii) and (iii)

C. (i) and (iii)

D. (i) and (iv)

32. Read the following statements - Assertion (A) and Reason (R), Choose one of the correct alternatives given below:

Assertion (A) : Since the default rates of farm loans have become chronically high due to multiple reasons, the rural banks are facing a lot of cash crunch.

Reason(R) : Due to lack of proper storage facilities a lot of farm produce is wasted.

Alternatives:

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

33. Read the following statements - Assertion (A) and Reason (R), Choose one of the correct alternatives given below:

Assertion (A) : Since Independence, the economic conditions of many farmers across India has improved as they have adopted horticulture as a secondary source of income.

Reason(R) : Varying climatic and soil conditions have given India an added advantage to be the producer of diverse horticultural crops.

Alternatives:

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

34. . Read the following statements -Assertion (A) and Reason (R), Choose one of the correct alternatives given below:

Assertion (A) : Demand Deposits are considered as a convenient mode of payment for execution of even the high value transactions.

Reason (R) : Demand Deposits are non-withdrawable in nature and cannot be withdrawn against issue of cheques and other similar instruments of payment.

Alternatives:

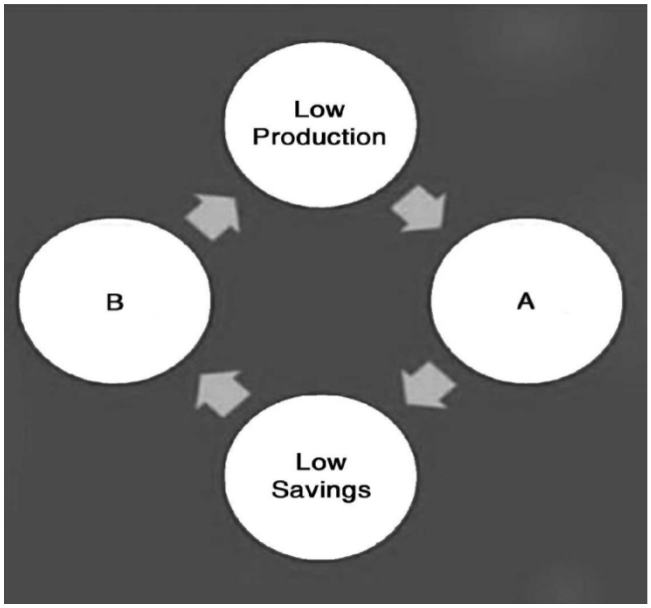
A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

35. Choose the correct alternatives to be filled in given blanks A and B.



A. Low level of income and Low level of investment

B. Low level of investment and Low level of Income

C. Low Mobilization of savings and Low level of investment

D. Low level of Investment and Low savings

36. Read the following statements carefully and choose the correct alternatives given below:

Statement 1 : Government of India adopted 'Trickle Down Approach' to alleviate poverty to benefit the last man at the bottom of the pyramid.

Statement 2: Empirical data over the years have shown that trickle-down theory did not yield desired results in India.

Alternatives:

A. Both the statements are true.

B. Both the statements are false.

C. Statement 1 is true and Statement 2 is false

D. Statement 2 is true and statement 1 is false.

37. Identify the correct statement from the following:

A. Restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.

B. Effective trade policies of commodity production, trade and tariff pursued by the colonial government favorably affected the structure, composition and volume of India's foreign trade.

C. Liberal policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.

D. Restrictive policies of commodity production, trade and tariff pursued by the colonial government favorably affected the structure, composition and volume of India's foreign trade.

38. Match the situations given in Column I with their respective implications given in Column II:

Column - I	Column - II
(a) Migration	(i) Reduced in per capita economic growth
(b) Low level of academic standards	(ii) Imbalance between demand and supply of Human resource
(c) Population-High Growth rate	(iii) Brain Drain
(d) Lack of proper	(iv) Mismatch between required skill and Academic standards.

Codes:

	(a)	(b)	(c)	(d)
A.	(ii)	(iii)	(iv)	(i)
B.	(iii)	(iv)	(i)	(ii)
C.	(i)	(ii)	(iii)	(iv)
D.	(ii)	(iv)	(i)	(iii)

39. These questions are to be answered on the basis of the following data.

The value of recovery of loans has _____ crores between 2019-20 (Actual) and 2020-21 (Budgeted Estimate).

A. fallen by Rs. 3349

B. risen by Rs. 3349

C. fallen by Rs. 3439

D. risen by Rs. 3439

40. These questions are to be answered on the basis of the following data.

The percentage change in the Non-Tax Revenue, between 2019-20 (Actual) and 2020-21 (Budgeted Estimate), taking the 2019-20 as base, would be ____.

A. 15.02%

B. 16.20%

C. 17.68%

D. 20.01%

41. These questions are to be answered on the basis of the following data.

The percentage change in the Non-Tax Revenue, between 2019-20 (Actual) and 2020-21 (Budgeted Estimate), taking the 2019-20 as base, would be ____.

Identify which of the following is not an example of tax revenue for the government?

A. Wealth Tax

B. Special Assessments

C. Income Tax

D. Corporate Tax

42. These questions are to be answered on the basis of the following data.

The percentage change in the Non-Tax Revenue, between 2019-20 (Actual) and 2020-21 (Budgeted Estimate), taking the 2019-20 as base, would be ____.

Identify the correct formula to calculate Fiscal Deficit:

A. Total expenditure – Total Receipt (other than borrowings)

B. Revenue Expenditure – Revenue Receipt

C. Capital Expenditure – Capital Receipt

D. Revenue Expenditure + Capital expenditure – Revenue Receipt

43. These questions are to be answered on the basis of the following data.

The percentage change in the Non-Tax Revenue, between 2019-20 (Actual) and 2020-21 (Budgeted Estimate), taking the 2019-20 as base, would be ____.

Read the following statements carefully and choose the correct alternatives given below:

Statement 1 : Revenue and Capital receipts are increasing but borrowings and other liabilities are reducing.

Statement 2 : Grants and aid for creation of capital assets decreased from 2019 to 2021.

Alternatives:

A. Both the statements are true.

B. Both the statements are false.

C. Statement 1 is true and Statement 2 is false

D. Statement 2 is true and Statement 1 is false

44. These questions are to be answered on the basis of the following data.

The percentage change in the Non-Tax Revenue, between 2019-20 (Actual) and 2020-21 (Budgeted Estimate), taking the 2019-20 as base, would be ____.

The value of Primary Deficit for the year 2020-21, would be Rs. _____ crores.

A. 88134

B. 321581

C. 96133

D. 609219

45. These questions are to be answered on the basis of the following data.

India's post-1990 economic strategy entailed three important breaks with the past:

- To dismantle the vast network of controls and permits that dominated the economic system.
- To redefine the role of the state as a facilitator of economic transactions and as a neutral regulator rather than the primary provider of goods and services.
- To move away from a regime of import substitution and to integrate fully with the global trading system.

The 1991 reforms unleashed the energies of Indian entrepreneurs and gave untold choice to the consumers and changed the face of the Indian economy. The reform agenda constituted a paradigm shift, and has defined the broad contours of economic policymaking for three decades.

Liberalization was adopted as the guiding principle of governance and all governments since 1991, have broadly stuck to that path.

Today we don't need a paradigm shift. We need to look at individual sectors and see which one of these needs, reforms to create a competitive environment and improve efficiency. The power sector, the financial system, governance structures and even agricultural marketing need reforms.

Today's reforms also require much more discussion and consensus-building. The central government needs to work in tandem with state governments and consult different stakeholders impacted by reform decisions. Timing and sequencing are critically important in the new reforms' agenda.

According to the given text, _____ was adopted as the guiding principle of governance and all governments since 1991.

A. Modernization

B. Liberalisation

C. Privatization

D. Globalization

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Read the following statements carefully and choose the correct alternatives given below:

Statement 1 : 1991 was a landmark moment in India's post-independence history as that changed the nature of the economy in fundamental ways.

Statement 2 : India's economic establishment launched a multipronged reforms agenda to repair India's macroeconomic balance sheet and ignite growth.

Alternatives:

A. Both the statements are true.

B. Both the statements are false.

C. Statement 1 is true and Statement 2 is false

D. Statement 2 is true and Statement 1 is false

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Today's reforms also require much more discussion and consensus-building. The central government needs to work in tandem with state governments and consult different stakeholders impacted by reform decisions. Timing and sequencing are critically important in the new reforms' agenda.

Read the following statements - Assertion (A) and Reason (R):

Assertion (A) : India's pre-1990 economic strategy dismantles the vast network of controls and permits that dominated the economic system.

Reason (R) : The 1991 reforms unleashed the energies of Indian entrepreneurs, gave untold choice to consumers and changed the face of the Indian economy.

From the given alternatives choose the correct one:

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

D. Assertion (A) is false but Reason (R) is true.

48. These questions are to be answered on the basis of the following data.

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- To dismantle the vast network of controls and permits that dominated the economic system.
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Today's reforms also require much more discussion and consensus-building. The central government needs to work in tandem with state governments and consult different stakeholders impacted by reform decisions. Timing and sequencing are critically important in the new reforms' agenda.

In the light of the given text and common knowledge, identify the incorrect statement:

A. A severe balance of payments problem triggered an acute economic crisis in 1991.

B. In 1991, the economic and political leadership launched a multipronged reforms agenda to repair the macroeconomic situation of the nation.

C. In post 1991 situation, the state was

D. Given the role of primary regulator of the economy.

49. These questions are to be answered on the basis of the following data.

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Today's reforms also require much more discussion and consensus-building. The central government needs to work in tandem with state governments and consult different stakeholders impacted by reform decisions. Timing and sequencing are critically important in the new reforms' agenda.

Read the following statements carefully and choose the correct alternatives given below:

Statement 1 : Timing and sequencing are critically important in the post-economic reform agenda.

Statement 2 : Post pandemic reforms in India require a paradigm shift.

Alternatives:

A. Both the statements are true.

B. Both the statements are false.

C. Statement 1 is true and Statement 2 is false

D. Statement 2 is true and Statement 1 is false

50. These questions are to be answered on the basis of the following data.

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Today's reforms also require much more discussion and consensus-building. The central government needs to work in tandem with state governments and consult different stakeholders impacted by reform decisions. Timing and sequencing are critically important in the new reforms' agenda.

Read the following statements - Assertion (A) and Reason (R):

Assertion (A) : The 1991 reforms released the vitalities of Indian business persons.

Reason (R) : The reform agenda established a paradigm shift and defined the broad outlines of economic policy making for years to come.

From the given alternatives choose the correct one:

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is false.

ANSWERS

1	2	3	4	5	6	7	8	9
D	C	D	D	A	A	C	C	D
11	12	13	14	15	16	17	18	19
C	B	C	A	B	C	B	B	C
21	22	23	24	25	26	27	28	29
C	B	C	D	A	D	A	C	D
31	32	33	34	35	36	37	38	39
C	B	A	C	A	A	A	B	A
41	42	43	44	45	46	47	48	49
B	A	C	A	B	A	D	C	C

50. A

Micro Economics

1. "Economics is what Economists do" was stated by

A. Adam Smith

B. Alfred Marshall

C. R.W. Souter

D. Jacob Viner

2. The fundamental economic problem being faced is one of

A. difference in the living standard of the people

B. decision-making by the government

C. multiplicity of wants and scarcity of resources

D. shortage of labour

3. The meaning of the word 'economic' is most closely connected with the word

A. extravagant

B. scarce

C. unlimited

D. restricted

4 . Economics may be divided into macro-economics and micro-economics. Among the subject matter of microeconomics may be found

A. the nature of value in exchange

B. the size of a country's national income

C. the allocation of resources among competing uses

D. the relative prices of specific services

5. Match the following

(a) "What is" 1. Micro-economics

(b) "What ought to be" 2. Macro-economics

(c) Aggregates 3. Positive economics

(d) Individual units 4. Normative economics

Codes:

	(a)	(b)	(c)	(d)
A.	3	2	4	1
B.	3	4	2	1
C.	4	3	1	2
D.	1	4	3	2

6 . Match the following

(a) Science of wealth 1. Marshall

(b) Science of 2. Samuelson welfare

(c) Science dealing 3. Robbins with scarcity

(d) Science of growth 4. Smith

	(a)	(b)	(c)	(d)
A.	2	1	3	4
B.	4	2	1	3
C.	4	1	3	2
D.	3	2	1	4

7. A theory is

A. an assumption

B. an "if-then" proposition

C. a hypothesis

D. a validated hypothesis

8. The statement that “economics is positive and not normative” means

A. that economics can be used to prove that capitalismis better than socialism

B. that economics tells us what kind of economic behaviour or policy is wholesome and what evil

C. that economics tells policy makers which alternative to choose from among several efficient ones

D. that economics can only indicate consequences of policies, choices, or conditions.

9. A hypothesis is tested by

A. the realism of its assumption(s)

B. the lack of realism of its assumption(s)

C. its ability to predict accurately

D. None of the above

10. The essence of the deductive method which is often employed in economic investigation is

A. the re-statement in quantitative terms of general laws relating to production

B. the development of particular conclusions from a number of accepted general principles

C. the assessment of economic performance in terms of utility and price

D. the drawing of general conclusions from a number of particular instances.

11. The function refers to

A. the demand for a commodity

B. the supply of a commodity

C. the demand and supply of a commodity

D. the relationship between one dependent variable and one or more independent variables.

12. The main difference between positive economics and normative economics is that the former

A. discusses the ethical implications of its laws

B. concerns itself only with hypothesis which can generally be tested

C. is based on the value judgements of economists

D. considered carefully the political significance of its laws for a democratic society

13. Micro-economics deals primarily with

A. comparative statics, general equilibrium and positive economics

B. comparative statics, partial equilibrium and normative economics

C. dynamic, partial equilibrium and positive economics

D. comparative statics, partial equilibrium and positive economics

14. Micro-economic theory studies how an economy determines

A. the price of goods

B. the price of services

C. the price of economic resources

D. all of the above

15. Match the following

(a) Problem of resource Allocation	1. How to produce
(b) Problem of choice of techniques	2. For whom to produce
(c) Problem of distribution of income	3. Scarcity
(d) problem of choice	4. What to produce

Codes:

	(a)	(b)	(c)	(d)
A.	4	2	1	3
B.	3	1	2	4
C.	4	1	2	3
D.	2	3	1	4

16. Which aspect of taxation involves normative economics?

A. The incidence of the tax

B. The effect of the tax on incentives to work

C. The “fairness” of the tax

D. All of the above

17. A market

A. necessarily refers to a meeting place between buyers and sellers where goods are bought and sold

B. does not necessarily refer to a meeting place between buyers and sellers

C. extends over the entire nation

D. extends over a city

18. The market equilibrium for a commodity is determined by

A. the market demand for the commodity

B. the market supply of the commodity

C. the balancing of the forces of demand and supply for the commodity

D. any of the above

19. Micro-economic theory studies how a free-enterprise economy determines

A. the price of goods

B. the price of services

C. the price of economic resources

D. all of the above

20. The basic characteristic of a capitalistic economy is

A. full employment

B. the private ownership of the means of production

C. an absence of monopoly

D. large-scale production in primary industries

21.In a free-enterprise economy, the problems of what, how and for whom are solved by

A. a planning committee

B. the elected representatives of the people

C. the price-mechanism

D. None of the above

22. The important characteristics of a mixed economic system are

A. co-existence of public and private sector

B. use of market-mechanism in the private sector

C. use of economic planning

D. government regulation and control of the economy

E. all of the above

23. Assume that the leading firms in an industry combine to carry out a common policy in their interests, but that they keep their own, separate identities. Such a combination is usually known as a

A. trust

B. cartel

C. joint-Stock company

D. pure monopoly

24. In a planned economy the economic problem of what shall be produced is determined primarily by

A. computers deciding what consumers want

B. direction by the Government

C. the pattern of consumer's spending

D. the independent decisions of entrepreneurs

25. The term "consumer goods" is used by economists to refer to

A. goods produced for consumers in a free market only

B. goods, other than free goods, whose use directly satisfies consumer's wants

C. goods produced by consumers in return for a wage

D. goods which are used by consumers in order to earn their living

26. A production possibility curve indicates the

A. allocation of the supply of commodities among the members of a community

B. efficiency with which a community's resources are used to satisfy its wants

C. attainable combinations of commodities for a community using all its available resources

D. quantities in which a community decides to produce various commodities.

27. Which of the following statements is most closely associated with general equilibrium analysis?

A. everything depends on everything else

B. ceteris paribus

C. the equilibrium price of a goods or service depends on the balancing of the forces of demand and supply for that goods or services

D. the equilibrium price of a factor depends on the balancing of the forces of demand and supply for that factor

28. Ceteris paribus" term is related to

A. monetary theory

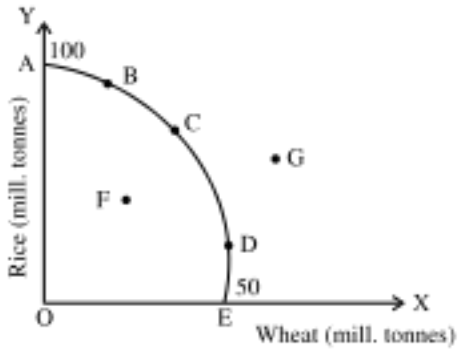
B. law of demand

C. partial equilibrium theory

D. all of the above

Directions: Answer the following questions with the help of this figure.

29. On the production possibility curve AE, if the economy decides to produce 50 million tonnes of wheat, it can produce rice equal to



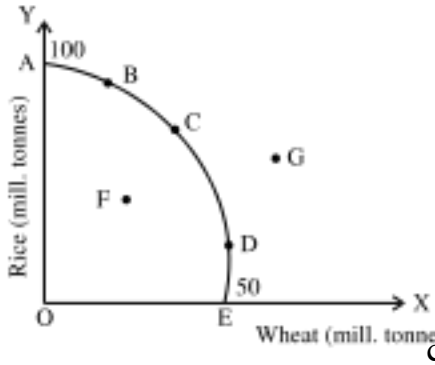
A. 100 million tons

B. 50 million tons

C. 20 million tons

D. 0 million tons

30. Assume that the economy is growing overtime. This can be represented from the figure by



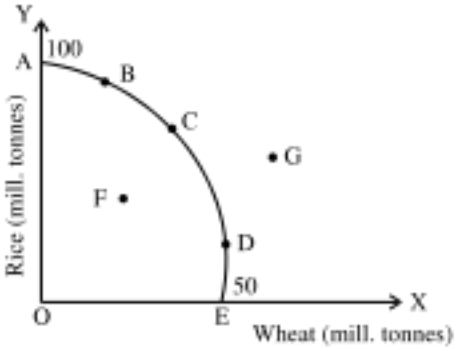
A.shifting the production possibility curve right wards

B. moving along the same curve

C. no change in the curve

D. moving to point G

31. Which of the points in figure will represent under- utilisation of resources in the economy?



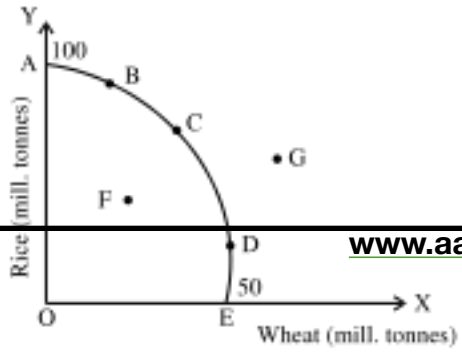
A. B

B. F

C. G

D.E

32. Which of the points in figure is an unattainable combination?



A. A

B. C

C. E

D. G

33. Imagine a country which has certain available resources and techniques. Assume that the country is producing two commodities A and B. Now if you draw a Production Possibility curve it will slope downwards. It will be

A. A convex curve

B. A concave curve

C. A straight line curve

D. A rectangular hyperbola

34. Assume that a PPC for wheat and rice is drawn so that it is a straight line. This means that

A. the cost of producing rice in terms of wheat falls as more rice is produced

B. the cost of producing rice in terms of wheat does not change as more rice is produced

C. the fixed costs of rice and wheat are equal

D. the average cost of population of rice and wheat are at their optimum level

35. Assume that a farmer sells his product to an agricultural marketing board. He is not allowed to sell to any other institution or to any other persons. In effect, the board is, from his view, a

A. monopoly

B. oligopoly

C. monopsony

D. duopoly

36. We may define economics as a study of the problems arising from

A. the distribution of very scarce goods

B. production, distribution and exchange

C. production and pricing of durable commodities

D. exchange of services for money

37. A person is obliged to choose between buying a sewing-machine and a radio. He buys the radio. The opportunity cost of the radio may be said to be

A. the satisfaction obtained from its purchase

B. the sewing-machine he had to do without

C. the scarcity value of the radio in money terms

D. the average cost of both commodities

38. The elasticity of supply for the supply function of q = 20p is

A. Zero

B. Unity

C. More than unity

D. Less than unity

39. If a seller faces a demand curve p = 16 – 1/sq, then marginal revenue will be:

A.16

B.8

C.4

D.1/4

40. If a consumer, with a given income and price consumes three commodities x, y and z. His satisfaction will be maximum when:

MUx / MUy = MUy / MUz = MUz MUx

A.

MUx / MUy = Px / Py = MUx / Pz

B.

MUx / MUy = MUy / Py = MUz / Pz

C.

MUx / Py = MUy / Pz = MUz / Px

D.

41. Slutsky theorem deals with decomposition of

A. goods into high and low elasticity of demand

B. goods into necessaries and luxuries

C. goods into high price and low price

D. price effect into substitution and income effect

42. "The law of diminishing return is merely a matter of logical necessity but the law of increasing return is a matter of empirical fact." The statement comes from

A. George Stigler

B. Samuelson

C. Joan Robinson

D. Alfred Marshall

43 . Point price elasticity of demand is measured by the formula (symbols have the usual meanings)

A. $Q_1 - Q_0 / P_1 + P_0 \times P_1 + P_0 / Q_1 + Q_0$

B. $\Delta Q / \Delta P \cdot P / Q$

C. Dq / Dp . P / Q

D. $\Delta P / P / \Delta Q / Q$

44. Which one of the following is not a characteristics of monopolistic competition?

A. Relatively small number of producers

B. Rigidity of pricing policy

C. Product differentiation

D. Price equilibrium where MR = MC

45. An isoquant curve will be a straight line if inputs are

A. perfect substitutes

B. good substitutes

C. poor substitutes

D. used in a fixed ratio

46. A firm having least cost combination is

A. Optimum Firm

B. Equilibrium Firm

C. Representative Firm

D. Marginal Firm

47. Normal profit is a part of

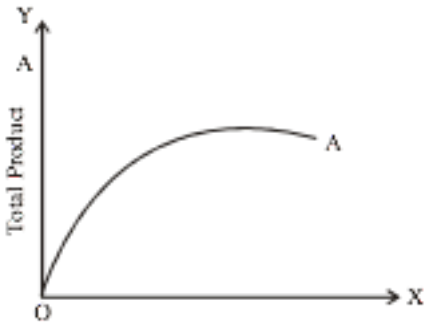
A. implicit cost

B. explicit cost

C. real cost

D. opportunity cost

48. In a diagram below is shown the total product curve OA of labour. For it which of the following statements is true?



A. the MP of labour always rises

B. first rises and then falls

C. always declines

D. first falls and then rises

49. 'Consumer-equilibrium' means

A. that maximum satisfaction is obtained at minimum sacrifice

B. that the consumer is in static and unsatisfactory position

C. that all consumers reach the highest indifference curve

D. that equilibrium of buyers matches with the equilibrium of sellers

50. Income elasticity of demand is positive for all persons for

A. inferior goods

B. giffen goods

C. capital goods

D. normal goods

51. The substitution effect of a price change on demand of competitive goods generally is

A. unity

B. zero

C. in the opposite direction

D. in the same direction

52. If a demand curve shifts to the right, it means

A. price of the commodity has gone down

B. demand function has improved

C. the supply function has improved

D. the real income of the consumer has gone down

53. The cardinal utility made by Marshall

A. measures the utilities in precise manner though they are immeasurable

B. is relative to the level of utilities only

C. is the basis of the 'Revealed Preference Curve'

D. is the basis of indifference curve analysis

54. The indifference curves show

A. how much a consumer can spend on X plus Y goods

B. higher order preference-combinations on the upper most segments

C. combinations of two goods at different points about which a consumer is neutral

D. more is consumed at lower prices

55. Decreasing costs of production are due to

A. internal economies exceeding internal diseconomies

B. external economies being greater than external diseconomies

C. internal economies being greater than external diseconomies

D. external economies

56. Supplementary costs in production are incurred to

A. make the demand curve less elastic

B. bring down the per unit cost of production

C. provide after-sales service

D. ensure increasing returns

57. Indivisibilities" in production make the production function a case of

A. increasing returns

B. decreasing returns

C. constant returns

D. negative returns

58. Marginal rate of technical substitution in production is the ratio of

A. marginal productivities

B. marginal utilities

C. marginal subsidies

D. factor quantities

59. In the short run a firm in perfect competition can vary

A. scale of output

B. scope of perations

C. structure of technology mix

D. variable inputs

60. For a multi market seller the rule for optimisation is to equate

A. average revenues from the separate market

B. marginal revenues from the separate market

C. total revenue from the separate market

D. marginal price of production for separate markets

61. Price under perfect competition will rise as the demand falls when the production is subject to

A. increasing returns to scale

B. constant returns to scale

C. decreasing returns to scale

D. None of these

62. A monopolist charges discriminating prices

A. to dispose of defective goods

B. to save on taxes

C. to take full advantage of differences in inelasticities of demand for his product in different markets/ uses

D. to feat another monopolist in the same product

63. When the MC of a monopolist is Rs. 6 and price is Rs. 10, the degree of monopoly will be measured as

A. 0.4

B. 6.0

C. 0.6

D. 4.0

64. In monopolistic competition we expect

A. low cross elasticity of demand

B. zero cross elasticity of demand

C. infinite cross elasticity of demand

D. unit cross elasticity of demand equal to one

65. The fundamental aim of a monopolist is to

A. charge a very high price

B. sell all what he has produced

C. earn maximum profits

D. ensure that costs are a declining function of output

66. Normal profits mean

A. which compels an entrepreneur to remain in the same industry

B. profits which are not more or less than 10 p.c. of the working capital

C. profits which are not less or more than 10 p.c. of the total capital

D. profits which are so fixed by the government

67. If price does not cover even the variable cost, the seller would

A. sell at a loss, even if commodity is non-perishable

B. the seller would incur high expenditure on advertisement

C. would seek subsidies from the government

D. would convert the supplies back to stock and wait for price to rise

68. A firm in perfect competition will have long run equilibrium when

A. AR > AC

B. MR=MC=AR=AC

C. MR=MCbutAC<AR

D. AC = AR

69. Equilibrium with excess capacity arises in

A. perfect competition

B. cut-throat competition

C. monopoly

D. monopsony

70. Rent is the

A. creation of value and not of wealth

B. creation of wealth and not of value

Economics/Business Economics

C. reward to capitalists and cannot earned by labour

D. earned income which accrues because property was built with labour

71. Profits are the reward for

A. bearing uncertainty

B. bearing risks

C. parting with time preference of consumption

D. avoiding and absorbing non-insurable risks and uncertainties

72. A low rate of interest

A. brings down wages

B. increases wages

C. itself insufficient to raise investment

D. is always due to central bank's order to the entire money market

73. Which of the following is false?

A. food imports check the rent from rising

B. rent accrues to good lands only

C. rent is a monopoly receipt also

D. rent is excess earning over the transfer earnings

74. When there is monopoly in the product market and monopsony in the labour market, wages will be

A. less than the marginal productivity of labour

B. more than the marginal productivity of labour

C. equal to the marginal productivity of labour

D. equal to the wages set by the trade unions

75. Which factor price can become zero?

A. Interest

B. Salary of the manager where there are losses

C. Profit

D. Wages in depression

76. For a commodity giving large consumer's surplus, the demand will be

A. rising cost curves
B. rising and Declining cost curves

C. different elasticities of demand

D. equal elasticities of demand

77. A total cost schedule can be derived from one information given in

A. an Engle curve

B. a price consumption curve

C. an expansion path

D. an isocost curve

78. In region second of production with a single variable input

A. marginal product is declining but non-negative

B. average product is negative

C. average product is increasing

D. average product is positive and marginal product is increasing

79. If the individual firm's demand curve is coincident with the market demand curve then

A. firm is a price-taker

B. firm is a monopolist

C. firm can set any price it wants without limitation

D. marginal revenue is equal to average revenue

80. Monopoly is based on

A. control over demand

B. control over supply

C. control over population

D. control over price level

81. Monopolistic competition means

A. large number of producers and products are homogeneous

B. small number of producers and products are homogeneous

C. large number of producers with product differentiation

D. small number of producers with product differentiation

82. In which market competition is associated with'Kinky Demand Curve'?

A. Oligopoly

B. Monopoly

C. Monopolistic Competition

D. Perfect Competition

83. 'Discriminating Monopoly' is possible if two markets

A. rising cost curves

B. rising and Declining cost curves

C. different elasticities of demand

D. equal elasticities of demand

84. Under perfect competition market price can be influenced by

A. one single seller

B. one single buyer

C. neither sellers nor buyers

D. both buyers and sellers

85. The demand curve of a firm in perfect competition is

A. downward sloping

B. a rectangular hyperbola

C. parallel to the x-axis

D. parallel to the y-axis

86. A monopolist does not have a

A. demand curve

B. supply curve

C. indifference curve

D. isoquant

87. Under a simple Cournot duopoly model, each duopolist will produce

A half the output

B. one-fourth the output

C. one-third the output

D. one-fifth the output

88. The condition of long period equilibrium for a firm operating under perfect competition is

A. AC=MR=MC

B. MC=MR=AR

C.AC=MC

D. AR=MR

89. The average fixed cost curve of the firm will be like a

A. parabola

B. circle

C. straight line

D. rectangular hyperbola

90. Who was the author of 'Value and Capital'?

A. R.G.D. Allen

B. Edwin Cannon

C. Irving Fisher

D. J.R. Hicks

91. When the cross-elasticity of demand between two goods is zero, the goods are

A. complementary

B. independent

C. substitutes

D. luxuries

92. If the marginal output is positive, total output will

A. increase

B. decrease

C. be constant

D. be zero

93. If carrots and a good Y are substitutes, the relationship between the price of good Y and the quantity demand of carrots will be shown by a curve that will

A. slope upwards

B. slope downwards

C. be a straight line parallel to x-axis

D. be a straight line parallel to y-axis

94. The responsiveness of demand to a change in price is measured by

A. The Law of Demand

B. The Law of Supply

C. Equilibrium Price

D. Elasticity of Demand

95. Cost curves are supply curves only when

A. competition is pure

B. competition is monopolistic

C. competition is imperfect

D. competition is absent

96. A marginal firm is one which

A. will be the first to leave the industry, if the price falls

B. will be the last to leave the industry, if the price falls

C. will be the first to reduce price to continue its business

D. None of the above

97. Who among the following accepted the importance of time element in the determination of price?

A. J.R. Hicks

B. David Ricardo

C. A. Marshall

D. Adam Smith

98. On the maximum level of satisfaction of good X, the marginal utility of good X will be

A. positive

B. negative

C. zero

D. infinity

99. Maximum loss of a firm (in short period) will be

A. equal to variable cost

B. equal to fixed cost

C. zero

D. equal to average cost

100. Which among the following has the least price elasticity of demand?

A. Car

B. Tea

C. Salt

D. House

101. When the elasticity of demand is equal to one, then the marginal revenue will be

A. positive

B. negative

C. zero

D. infinity

102. Which economist used to term 'selling cost' for the first time?

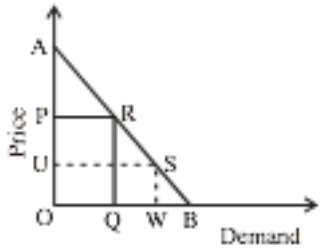
A. P.A. Samuelson

B. A. Marshall

C. E. Chamberlin

D. Joan Robinson

103. Which one of the following formulae based on the given diagram would be appropriate for measuring the elasticity of demand at point R?



A. RS/SB = RS/RA = OU/PU

B. RS/RA = RS/SB = PU/OU

C. RA/RB = OQ/OB = PA/PO

D. RB/RA = QB/OQ = OP/PA

104. Classical writers could not resolve the 'water-diamond' paradox because they could not distinguish between

A. AU from MU

B. MU from TU

C. AU from TU

D. MU from MC

105. Which one of the following statements is an apt reflection of JR Hicks' Indifference curve Analysis of demand?

A. Pareto's theory with Marshall's method.

B. Pareto's theory with Pareto's method

C. Marshall's theory with Pareto's method

D. Marshall's theory with Marshall's method

106. The revealed preference approach can be described by

A. strong ordering and lexicographic preference pattern

B. rationality, consistency and transitivity

C. rationality and weak ordering

D. transitivity and weak ordering

107. Expansion path in the theory of production corresponds to

A. Engel's curve

B. Price consumption curve

C. Income consumption curve

D. Budget constraint

108. If capital 'K' is plotted on the vertical axis and labour 'L' on the horizontal axis, then the slope of the straight line iso-cost curve will be

A. P_K / P_L

B. P_L / P_K

C. $- P_L / P_K$

D. $- P_K / P_L$

109. Quasi rent is

A. equal to the firm's total profits

B. greater than firm's total profits

C. smaller than firm's total profits

D. not related to firm's profits

110. The backward-bending supply curve for labour exists

A. only in inflationary conditions

B. wherever income effect overcomes substitution effect

C. only in labour intensive industry

D. only in a high cost industry

111. An ethical or value judgement must be made in order to derive the

A. transformation curve

B. grand utility possibility curve

C. consumption contract curve

D. social welfare function

112. According to the Kaldor-Hicks compensation criterion, a change in economic policy leads to an improvement in social welfare, if

A. the gainers can just compensate the losers

B. the losers can profitably bribe the gainers to induce them to stay in the old position

C. the gainers can compensate the losers for their loss and still remain better-off themselves than before

D. The losers do not oppose the change

113. Match List I with List II and select the correct answer using the codes given below the lists :

A. List-I	List-II
(a) Offer curve	1. Market segmentation
(b) Laffer curve	2. Sticky price
(c) Lorenz curve	3. Reciprocal demand
(d) Kinked curve	4. Inequalities
	5. Public revenue

Codes:

	(a)	(b)	(c)	(d)
A.	1	4	5	3
B.	3	5	4	2

C.	1	5	3	2
D.	4	2	3	1

114. Assertion (A): Consumer's surplus is the difference between the potential price and the actual price.

Reason (R): There exists an inverse relationship between the price and the consumer's surplus.

A. Both A and R are true, and R is the correct explanation of A

B. Both A and R are true, but R is not a correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

115. Assertion (A): The long run cost curve is L-shaped rather than U-shaped.

Reason (R): The new techniques of production of large plants reduce the total costs per unit of output.

A. Both A and R are true, and R is the correct explanation of A

B. Both A and R are true, but R is not a correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

116. Assertion(A):The imposition of a per unit tax causes the monopolist's average cost and marginal cost curves to shift up.

Reason (R): The per unit tax is like a variable cost.

A. Both A and R are true, and R is the correct explanation of A

B. Both A and R are true, but R is not a correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

117. Which of the following statements is true?

A. All Giffen goods are inferior goods

B. All inferior goods are citizen goods

C. Giffen goods have positive income effect and negative substitution effect

D. Giffen goods have positive substitution effect

118. For substitutes, cross-elasticity of demand is

A. positive

B. negative

C. zero

D. infinite

119. The demand curve for a firm in perfect competition is

A. downward sloping

B. a rectangular hyperbola

C. parallel to the x-axis

D. parallel to the y-axis

120. Leontief isoquant is

A. a smooth curve

B. a line with no kinks

C. a line with many kinks

D. parallel to the axis with a kink

121. Under a simple Cournet duopoly model, each duopolist will produce

A. half the output

B. one-fourth the output

C. one-third the output

D. one-fifth the output

122. The production possibility curve is based on

A. Contract curve in the Marshall Edgeworth input box

B. Contract curve in the Marshall Edgeworth output box

C. Social Welfare Function

D. Price-Ratio Line

123. When the price-elasticity of demand is unity, the marginal revenue would be

A. less than zero

B. equal to zero

C. equal to one

D. greater than one

124. The total area under the demand curve of a good, measures

A. marginal utility

B. total utility

C. consumer's surplus

D. producer's surplus

125. If the price-consumption curve is horizontal, the priceelasticity of demand for X [the price of which falls] would be

A. zero

B. one

C. greater than one

D. less than one

126. If two demand curves intersect, then at the point of intersection

A. they are equally elastic

B. the steeper curve is more elastic

C. the flatter curve is more elastic

D. their elasticity cannot be compared

127. The production function Y = LK is

A. homogeneous of degree 2

B. homogeneous of degree 1

C. homogeneous of degree zero

D. non-homogeneous

128. Suppose that output (Y) is a function of capital (K); then the capital-elasticity of output is given by

A. MP_K / AP_K

B. AP_K / MP_K

C. Y / K

D. None of these

129. Assume a production function $Y = L^a K^{1-a}$(Y = output, L = labour and K = Capital) for a firm in a purely competitive market. Which one of the following would measure the share of labour in output?)

A. a

B. L (a)

C. L^a

D. a/L

130. A supply curve will have a price elasticity equal to 1 only when it is

A. a straight line with a positive intercept

B. a straight line with a negative intercept

C. a straight line passing through the origin

D. horizontal

131. If two factors are perfect substitutes, the isoquant will be

A. a straight line

B. a parabola

C. a rectangular hyperbola

D. an L-shaped curve

132. Under perfect competition(when input prices are fixed and there are no external economies or diseconomies), the industry supply curve is derived by

A. vertically adding the average cost curves

B. horizontally adding the average cost curves

C. vertically adding the marginal cost curves

D. horizontally adding the marginal cost curves

133. Starting from a monopoly equilibrium without any policy intervention, market efficiency can be improved by imposing a

A. per-unit production tax

B. per-unit sales tax

C. profit tax

D. price ceiling below the existing equilibrium price

134. Application of the 'Marginal-Cost pricing' principle in a decreasing cost industry would lead to

A. surpluses

B. losses needing subsidies

C. neither surpluses nor losses

D. a decline in output

135. In monopolistic competition, a firm is in long run equilibrium

A. at the minimum point of the long-run average cost curve

B. in the declining segment of the long-run average cost curve

C. in the rising segment of the long-run average cost curve

D. when the price is equal to marginal cost

136. If in a purely competitive market with downward- sloping demand and upward sloping supply curves, a specific excise tax per unit of output is imposed, then

A. price rises by the amount of the tax

B. the price-rise is less than the amount of the tax

C. the price-rise is greater than the amount of the tax

D. the price remains the same

137. Rent earned by a factor of production equals

A. what this factor can earn in its next best use

B. the sum of what this factor earns in its current use and what it can earn in its next best use

C. its current earnings

D. the difference between what this factor is currently earning and what it can earn in its next best use

138. The Adding Up Theorem under constant returns to scale holds when the factors of production are paid according to their

A. marginal productivities

B. average productivities

C. total productivities

D. ratio of marginal productivities to average productivities

139. Income inequalities in a country can be measured by

A. Lorenz curve

B. Gini coefficient

C. proportion of income received by different size groups

D. all of the above

140. Market Failure may NOT arise in the case of

A. increasing returns to scale

B. public goods

C. the consumption externalities

D. income inequalities

141. A given economic state is Pareto-optimal if a policy- change can

A. make everyone better off

B. make someone better off and all others worse off

C. make someone better off and all others worse off

D. not make anyone better off without making someone worse off

142. In the compensating variation method of measuring the substitution effect of a rise in price, the consumer is

A. under-compensated

B. over-compensated

C. just-compensated

D. unaffected

143. When both the demand and the supply curves slope downwards and the demand curve is steeper than the supply curve, the equilibrium is

A. stable in both Marshallian and Walrasian sense

B. unstable in both Marshallian and Walrasian sense

C. stable in the Marshallian sense but unstable in the Walrasian sense

D. unstable in the Marshallian sense but stable in the Walrasian sense

144. On the expansion path of the firm operating with homogeneous production function, which among the following remain constant?

A. Input ratio

B. Price ratio of inputs

C. Marginal rate of technical substitution between the factors

D. Elasticity of substitution

Select the correct answer using the codes given below

A.1and4 B. 1and2
C.2,3and4 D. 1,2,3and4

145. Consider the following combinations of inputs and outputs Capital Output

Labour	Capital	Output
5	10	1
6	12	2
7	14	3
8	16	4
9	18	5
10	20	6

This production technology satisfies

A. increasing returns to scale

B. diminishing returns to scale

C. constant returns to scale

D. increasing returns initially, followed by decreasing returns to scale

146. The kinked demand curve is reflected in a discontinuity in the

A. total revenue curve

B. marginal cost curve

C. average revenue curve

D. marginal revenue curve

147. In the context of cost minimisation by a competitive producer, which one of the following is NOT correct?

A. Marginal rate of technical substitution of the factors equals relative factor price ratio

B. Ratio of marginal physical productivi-ties of the factors equals the ratio of factor prices

C. Slope of the isoquant in question equals slope of the budget line

D. Marginal rate of technical substitution of factors of production divided by relative factor price ratio is zero

148. In the short run, the supply curve of a competitive firm is

A. the rising portion of the marginal cost curve lying above the minimum point of the average variable cost curve

B. the falling portion of the marginal cost curve lying before the minimum point of the average variable cost curve

C. the rising portion of the marginal cost curve after the highest point of total cost curve

D. None of the above

149. Suppose, there is a situation where two individuals are engaged in exchange and if individual 1 is a price-maker and individual 2 is a price-taker, equilibrium

A. takes place on the offer curve of individual 1

B. takes place on the offer curve of individual 2

C. takes place at the intersection point of the two offer curves

D. is indeterminate

150. In the long-run, the market price of a commodity is equal to its minimum average cost of production, if there is

A. perfect competition

B. monopoly

C. oliogopoly

D. monopolistic competition

152. Rent earned by a factor of production equals

A. what this factor can earn in its next best use

B. the sum of what this factor earns in its current use and what it can earn in its next best use

C. its transfer earnings

D. the difference between what this factor is currently earning and what it can in its next best use

153. Suppose that there are two goods, X and Y, facing a consumer. The prices are P_x = Rs 4 and P_y = Rs 5. He has Rs 110 to spend on these goods. Suppose, he is currently buying 15 units of good X (with marginal utility equal to 40) and 10 units of good Y (with marginal utility equal to 45).

In the above context, which one of the following statements is correct?

A. His total utility will increase if he reallocates his spending towards more of good X and less of good Y.

B. His total utility will increase if he spends more on good Y and less on good X

C. His total utility will increase if he spends less on both the goods

D. His total utility is being maximized subject to the budget constraint he is facing

154. If an individual is observed to work less in response to an increase in the wage rate for his services, this implies that

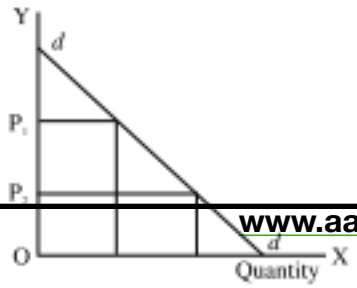
A. for this individual, leisure is a normal good

B. for this individual, leisure is an inferior good

C. the individual is irrational

D. leisure could be a Giffen good

155. Consider the demand curve depicted in the following diagram



The elasticities of demand at prices P_1 and P_2 are different because, at these prices

A. slopes are different

B. prices are different

C. quantities are different

D. price-quantity ratios are different

156. Given the demand function q = 20 / p, where p = price of product and q = quantity of product, the elasticity of demand at p = 10 would be

A. 0

B. -1

C. -2

D. ∞

157. Match List-I with List-II and select the correct answer using the codes given below the Lists

List – I	List – II
(a) MRS_{xy} = Zero	1. Right-angled
(b) MRS_{xy} = Constant But non- zero	2. Straight line with negative slope
(c) Decreasing MRS_{xy}	3. IC is concave to the origin
(d) Increasing MRS_{xy}	4. IC is convex to the origin

Codes:

	(a)	(b)	(c)	(d)
A.	1	2	4	3

B.	3	4	2	1
C.	1	4	2	3
D.	3	2	4	1

158. Which one of the following assumptions is NOT correct for the revealed preference analysis?

A. Consistency

B. Transitivity

C. Rationality

D. Weak ordering

159 . Assertion (A): If the monopolist faces identical demand curves for his commodity in two separate markets, by practising third degree price discrimination, he cannot increase his TR and total profits.

Reason (R): As the marginal revenue curves are identical when the demand curves in the two markets are the same, the monopolist will not charge different prices in each market to maximise profits.

A. Both A and R are true and R is the correct explanation of A

B. Both A and R are true, but R is NOT a correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

160. In the market for oranges, a rise in income with other things remaining unchanged, will lead to

A. an upward movement along the demand curve

B. an upward movement along the supply curve

C. an upward shift of the demand curve

D. a downward shift of the demand curve

161. The additivity of utility in the Marshallian analysis is based on the assumptions of

A. rationality and diminishing marginal utility

B. cardinality and independence of utility

C. constancy of marginal utility of money and divisibility

D. consistency and transitivity

162. The prices of two goods X and Y are: P_x =Rs 5 and P_y = Rs 3, respectively. If a consumer spending his entire income on these two commodities is at a point on the budget constraint where MRS_{xy} (marginal rate of substitution of X for Y) is 3 : 1, then

A. the total utility of the consumer is being maximised at this point

B. the total utility of the consumer will increase if he reallocates his expenditure leading to an increase in the amount of X and a reduction in the amount of Y

C. C. the total utility of the consumer will increase if he reduces his expenditure on both the commodities

D. the total utility of the consumer will increase if he reallocates his expenditure leading to an increase in the amount of Y and a reduction in the amount of X

163. Hicks substitution effect for a fall in the price of a commodity, other things remaining constant, is given by

A. a movement up a given indifference curve

B. a movement down a given indifference curve

C. a movement from a lower to a higher indifference curve

D. a movement from a higher to a lower indifference curve

164. In the case of an inferior good

A. substitution and income effects are positive

B. positive substitution effect is equal to the negative income effect

C. substitution effect is positive and income effect is negative

D.substitution and income effects are negative

165 . Which one of the following is not an assumption of the theory of revealed preference developed by P.A. Samuelson?

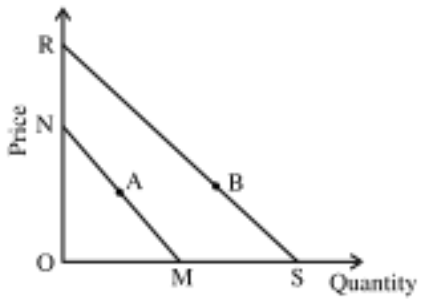
A. There is transitivity in consumer's preferences

B. There is consistency of choice in consumer's behaviour

C. Consumer always behaves rationally to maximise his satisfaction from a given income

D. Consumer prefers a combination of more goods to less in any situation

166. Consider two straight line demand curves NM and RS in the given figure. Select the correct statement from amongst the following



A. Price elasticity of demand will be equal to 1 at point A and less than 1 at point B

B. Price elasticity of demand will be greater than 1 at point A and equal to 1 at point B

C. Price elasticity of demand will be less than 1 at point A and greater than 1 at point B

D. Price elasticity of demand will be greater than 1 at point A and less than 1 at point B

167. The production function $X = AL^{3/5} K^{1/2}$ is homogeneous of degree

A. greater than 1

B. 1

C. less than 1

D. zero

168. If there is perfect substitution between two factors of production the shape of isoquant is

A. non-linear

B. linear

C. right-angled

D. positively sloped

169. In a two-input situation (K and L), if one of the inputs, say L, is available free of cost to a producer, then the factor price curve or the producer's budget curve is

A. horizontal

B. exponential

C. rectangular hyperbolic

D. L-shaped

170. Consider the following statements
If all the factors of production are paid according to their respective marginal products, the total product would be

1. exhausted under constant returns to scale.
2. more than exhausted under increasing returns to scale
3. less than exhausted under decreasing return to scale

Which of these statements is/are correct?

A. 1 Only

B. 1 and 2

C. 2and 3

D. 1, 2 and 3

171. In the perfect competition, the downward sloping part of the marginal value productivity curve of a factor shows

A. demand curve for the factor

B. wages of the factor

C. level of employment of the factor

D. supply of the factor

172. Consider the following statements

1. The increasing returns to scale imply that the marginal product of a variable factor will always increase.

2. The constant returns to scale imply that the marginal product of a variable factor will always diminish

3. Managerial diseconomies constitute an important cause of decreasing returns to scale

Which of these statements is/are correct?

A. 1, 2 amd 3

B. 1 and 3

C. 2 Only

D. 2 and 3

173. To produce a given level of output, a firm maximizes profits when the marginal rate of technical substitution is equal to the ratio of factor prices. This principle is known as

A. Diminishing marginal productivity

B. Increasing marginal productivity

C. Equi-marginal productivity

D. Law of diminishing returns

174. Which of the following statements is not correct?

A. The short-run supply curve of the firm is that portion of its marginal cost curve which lies above its average variable cost curve

B. The short-run supply curve of the firm is that portion of its marginal cost curve which lies above its average cost curve

C. The short-run supply curve of the industry cannot be downward sloping

D. The short-run supply curve of the industry can shift upward or downward

175. Ridge line refers to the locus of points of

A. isoquants where marginal product of one of the factors is zero

B. isoquants where marginal product of two factors is zero

C. isoquants where marginal product of two factors is infinity

D. isoquants where marginal product of two factors is one

176. If for a particular combination of labour and capital, the marginal productivity of capital is 4 units of output and the marginal rate of technical substitution is 2 units of capital per unit of labour, then the marginal productivity of labour will be

A. ½

B. 4

C. 6

D. 8

177. In which one of the following market situations, are the firms mutually interdependent in pricing-output decisions?

A. Perfect competition

B. Monopolistic competition

C. Monopsony

D. Oligopoly

178. A queue of a large number of farmers before a single cold storage in the area is a case of

A. monopoly

B. oligopoly

C. monopsony

D. monopolistic competition

179. In price discrimination under discriminating monopoly, given that the elasticity of demand in market I is 5 and in market II is 2.5 measured in absolute terms, how are the prices in the two markets related to each other?

A. Price in the market I is 2/3 of the price in market II

B. Price in the market I is 3/4 of the price in Market II

C. Price in the market I is 1/2 of the price in market II

D. Price in the market I is equal to the price in market II

180. Assertion (A): Long run equilibrium of the industry in a perfectly competitive market occurs at the point where price equals minimum long run average cost.

Reason (R): In this position of zero economic profit, there is no tendency on the part of any existing firm to stage an exit, and no potential entrant wants to enter the industry.

A. Both A and R are individually true and R is the correct explanation of A

B. Both A and R are individually true but R is not the correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

181. In a typical demand schedule, quantity demanded

A. varies directly with price

B. varies proportionately with price

C. varies inversely with price

D. is independent of price

182. Normally when price per unit of a good falls, its

A. quantity demanded increases

B. quantity demanded decreases

C. quantity demanded remains constant

D. None of these happens

183. A fall in the price of a commodity leads to

A. a shift in demand

B. a fall in demand

C. a rise in consumers real income

D. a fall in the consumers real income

184. Demand Schedule is shown as

A. a result of increase in the size of the family

B. a result of change in taste

C. a function of price alone

D. None of these

185. Market demand for any good is a function of the

A. price per unit of the good

B. price per unit of other goods

C. income of consumers

D. tastes of consumers

E. all of the above

186. The demand curve for a commodity is generally drawn on the assumption that

A. the commodity has no substitutes

B. tastes, income and all other prices remain constant

C. the average household consists of two persons

D. purchases of the commodity are made by a free market

187. When the law of demand operates the demand curve

A. slopes downward from left to right

B. slopes upward from left to right

C. slopes upward from right to left

D. parallel to horizontal axis

188. For most consumers apples and oranges are substitute goods. Therefore, we would expect a rise in the price of apples to lead to

A. a right ward shift in the demand curve of oranges

B. a left ward shift in the supply curve of apples

C. a downward change in the demand curve of oranges

D. a fall in the price of oranges

189. 'Ceteris paribus' clause in the law of Demand does not mean

A. the price of the commodity does not change

B. the price of its substitutes does not change

C. the income of the consumer does not change

D. the price of complementary goods does not change

190. Which of the following could provide an example of exceptional demand curves?

1. Demand for "Giffen goods"

2. Demand based on fears of a future rise in prices

3. Demand for second-hand clothes

4. Demand for daily newspapers

Select the right answer using the codes given below:

A. 1 only

B. 1 and 2

C. 2 and 3

D. 1, 2, 3 and 4

191. An exceptional demand curve is one that slopes

A. upwards to the right

B. downwards to the right

C. upwards to the left

D. horizontally

192. When there is decrease in demand, the demand curve

A. moves downwards towards the axis

B. moves upwards away from the axis

C. remains unchanged

D. all of the above

193. Two goods have to be consumed simultaneously are

A. identical

B. complementary

C. substitutes

D. None of these

194. Which of the following pairs of commodities is an example of substitutes

A. coffee and milk
B. diamond and cow
C. pen and ink
D. mustard oil and coconut oil

195. Match the following

(a) Joint demand	1. Tea and Coffee
(b) Competitive demand	2. Domestic consumers and industrial users
(c) Composite demand	3. Sugar and molasses
(d) Joint supply	4. Lipton tea and Brooke Bond tea

(e) Competitive supply 5. Car and Petrol

Codes:

	(a)	(b)	(c)	(d)	(e)
A.	5	3	4	1	2
B.	4	1	3	2	5
C.	5	1	2	3	4
D.	3	2	4	1	5

196. A commodity, the price of which has fallen but is expected to fall further, will present a demand curve

A. regressive at the lower end

B. regressive at the upper end

C. kinked in the middle

D. down ward sloping to right

197. When an individual's income falls (while everything else remains the same), his demand for an inferior goods

A. increases

B. decreases

C. remains unchanged

D. we cannot say without additional information

198. If two goods are complements, this means that a rise in the price of one commodity will induce

A. an upward shift in demand for the other commodity

B. a rise in the price of the other commodity

C. a downward shift in demand for the other commodity

D. no shift in demand for the other commodity

199. An income-demand curve for a “Luxury Commodity” slopes

A. upward to the right from the origin

B. vertically

C. upwards from left to right only beyond a certain level of consumer’s income

D. horizontally

200. An income demand curve for inferior commodity always slopes

A. upwards to the right

B. backwards

C. downwards to the right

D. horizontally

201. ‘Change in quantity demanded’ refers to

A. upward shift of the demand curve

B. downward shift of the demand curve

C. movement on the same demand curve

D. None of these

202. When the price of a substitute of commodity X falls, the demand for X

A. rises

B. falls

C. remains unchanged

D. any of the above

203. If the price of coffee suddenly shoots up. Ceteris paribus, the demand for tea is expected to

A. move rightward along the original demand curve

B. increase

C. remain unaffected

D. decrease

204. In the case of Giffen good like bajra, a fall in its price tends to

A. make the demand remain constant

B. reduce the demand

C. increase the demand

D. change demand in an abnormal way

205. Cross demand is the change in the quantity demanded of a given commodity in response to the

A. change in the Utility of another commodity

B. change in the price of another commodity

C. change in the nature of another commodity

D. change in the size of another commodity

206. A normal demand curve slopes down from left to right. This is based on the assumption that

A. price varies directly with quantity demanded

B. marginal utility diminishes as price rises

C. there will be a fewer purchases at a higher price than at a lower price

D. income is fixed and so total expenditure on the commodity is limited

207. Market demand is

A. the sum of all individual demands

B. demand at prevailing average prices

C. ability to pay the price asked

D. demand in a perfectly free market

208. A commodity, the price of which has risen but is expected to become scarce, will present a demand curve

A. regressive at the lower end

B. regressive at the upper end

C. kinked in the middle

D. downward sloping to the right

209. When both the price of a substitute and the price of a complement of commodity X rise, the demand for X

A. rises

B. falls

C. remains unchanged

D. all of the above are possible

210. Extension and contraction of demand are result of

A. change in consumer's income

B. change in consumer's tastes

C. change in price

D. None of these

211. 'Extension of demand' means

A. more quantity demanded at a lower price

B. more quantity demanded at a higher price

C. more quantity demanded at the same price

D. None of these

212. A demand curve regressive at the lower end depicts the case of

A. A normal good

B. A good commonly demanded

C. An inferior good

D. A good demanded urgently

213. The elasticity of demand describes

A. the distinction between changes in demand and changes in amount demanded

B. a change in the incomes of the buyers in response to change in the prices of products they sell

C. the slope of the demand curve

D. the responsiveness of price to changes in the quantity demanded

214. To calculate the elasticity of demand which of the following formula is used

A. Percentage change in demand / Original demand

B. Proportionate change in demand / Proportionate change in price

C. Change in demand / Change in price ÷ Original demand / Original price

D. Change in demand / Change in price

215. When the demand curve is a rectangular hyperbola, it represents

A. unitary elastic demand

B. perfectly elastic demand

C. perfectly inelastic demand

D. relatively elastic demand

216. If the percentage increase in the quantity of a commodity demanded is smaller than the percentage fall in its price, elasticity of demand is

A. > 1

B. = 1

C. < 1

D. zero

217. If total consumer expenditure on a good falls as its price falls, this indicates that

A. e < 1

B. inferior goods

C. taste for it is declining

D. it is being produced under conditions of decreasing cost

218. A negative income elasticity of demand for a commodity indicates that as income falls the amount of the commodity purchased

A. rises

B. falls

C. remains unchanged

D. any of the above

219. In measuring price-elasticity

A. price is a dependent variable and quantity is an independent variable

B. price is an independent variable and quantity is a dependent variable

C. price and quantity both are independent variables

D. price and quantity both are dependent variables

220. When with a change in price the total outlay on a commodity remains constant, it is a case of

A. perfect elasticity

B. perfect inelasticity

C. unit elasticity

D. zero elasticity

221. Income-elasticity of demand will be zero when a given change in income brings about

A. a less than proportionate change in quantity demanded

B. a more than proportionate change in quantity demanded

C. the same proportionate change in demand

D. no change in demand

222. Cross elasticity of demand between petrol and automobiles is

A. negative

B. zero

C. high

D. infinite

223. One common definition of luxury goods is goods with an income elasticity

A. greater than one

B. equal to one

C. less than one but more than zero

D. None of these

224. Match the following:

(a)For a given10 percent change in price, demand changes by zero per cent — 1. e>1

(b)For a given10 percent change in price, demand changes by 5 per cent — 2. e=1

(c)For a given10 percent change in price demand changes by 10 per cent — 3. e<1

(d)For a given10 percent change in price, demand changes by 20 per cent — 4. e=0

Codes:

	(a)	(b)	(c)	(d)
A.	3	1	2	4
B.	4	3	2	1
C.	1	2	3	4
D.	2	3	1	4

225. A straight line, downward-sloping demand curve implies that, as price falls, the elasticity of demand

A. increases

B. decreases

C. remains the same

D. is zero

226. In the longer period permitting adjustment, demand is likely to be

A. inelastic

B. elastic

C. unit elastic

D. cannot be known

227. Elasticity of demand is equal to unity while marginal revenue is

A. positive

B. zero

C. negative

D. indeterminate

228. Assume that the demand curve for a certain commodity is a downward sloping straight line. In such case price elasticity of demand

A. cannot be estimated

B. decreases as price falls

C. increases as price falls

D. remains constant at every price

229. If we assume that price decreases and total expenditures increase we may conclude that elasticity of demand is

A. greater than one

B. equal to one

C. less than one but more than zero

D. equal to zero

230. Which of the following does not have a uniform elasticity of demand at all points?

A. a downward sloping demand curve

B. a vertical demand curve

C. a rectangular hyperbola demand curve

D. a horizontal demand curve

231. Match the following

(a) Responsiveness of demand to change in price	1. Income elasticity of demand
(b) Responsiveness of demand to change in tastes	2. Price elasticity of demand
(c) Responsiveness of demand to change in income	3. Cross elasticity of demand
(d) Responsiveness of demand to change in price of related goods	4. Taste elasticity of demand

Codes:

	(a)	(b)	(c)	(d)
A.	1	2	3	4
B.	4	3	1	2
C.	3	4	2	1
D.	2	4	1	3

232. If the quantity of a commodity demanded remains unchanged as its price changes the coefficient of price elasticity of demand is

A. greater than one

B. equal to one

C. less than one

D. zero

233. Which of the following commodities has the lowest elasticity of demand?

A. Milk

B. Black pepper

C. Eggs

D. Car

234. When the income elasticity of demand is greater than unity, the commodity is

A. necessity

B. a luxury

C. an inferior good

D. a non-related good

235. If there were no changes in the quantity of food sold even when its price falls, we would know that

A. demand was entirely inelastic

B. demand was entirely elastic

C. demand was more elastic than one

D. demand was unit elastic

236. If as a result of a decrease in price total outlay on a commodity increases, its price elasticity of demand is

A. relatively inelastic

B. unit elastic

C. relatively elastic

D. perfect elastic

237. Arc elasticity gives a better measure of point elasticity of a curvilinear demand curve as

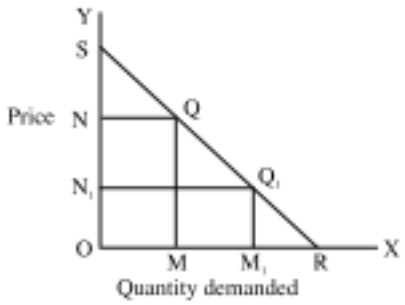
A. the size of the arc becomes smaller

B. the curvature of the demand curve over the arc becomes less

C. both of the above

D. neither of the above

238. Elasticity of demand in the following figure at point at Q_1 is



A. RQ_1 / SQ_1

B. Q_1N_1 / OS

C. Q_1F/RQ_1

D. RQ / RQ_1

239. Elasticity of demand at the mid-point of demand curve SR in the above diagram will be

A. more than one

B. less than one

C. equal to one

D. None of these

240. Elasticity at point Q is

A. SQ/RQ

B. RS/RQ

C. RS/SQ

D. RQ/SQ

241. In the above diagram elasticity of demand at point Q1 compared to point Q is

A. greater

B. smaller

C. same

D. None of these

242. If the price elasticity of demand for a commodity is less than unity a decrease in price would result in

A. a less than proportionate change in the quantity purchased

B. a more than proportionate change in the quantity purchased

C. an increase in total expenditure on the product

D. a shift in the demand curve

243. A monopolist charging high price operates on

A. the elastic part of a demand curve

B. the inelastic part of a demand curve

C. the constant elastic part of a demand curve

D. ignores elasticity of demand altogether

244. A demand curve which is horizontal and parallel to the X-axis represents

A. infinitely elastic demand

B. infinitely inelastic demand

C. relatively elastic demand

D. relatively inelastic demand

245. Income elasticity of demand is expressed as

A. Percentage change in quantity demanded / Percentage change in income

B. Percentage change in income / Change in quantity demanded

C. Change in quantity demanded × Change in income / 100

D. Change in income /100 × change in quantity demanded

246. Income elasticity of demand will be zero when a given change in income brings about

A. a less than proportionate change in quantity demanded

B. a more than proportionate change in quantity demanded

C. the same proportionate change in demand

D. no change in demand

247. In the case of an inferior commodity the incomeelasticity of demand is

A. positive

B. unitary

C. negative

D. infinity

248. Suppose your income increases by 10% and demand for commodity increases by 10% then the income elasticity of demand is

A. negative

B. positive

C. zero

D. infinity

249. At a point above the middle of a straight line demand curve, elasticity of demand is

A. less than one

B. equal to one

C. more than one

D. equal to infinity

250. Elasticity of supply for a positively sloped straight line supply curve that intersects the price axis is

A. zero

B. equal to one

C. more than one

D. constant

251. The exceptions to the law of demand are

A. more true of individuals but not of the market as a whole

B. real and genuine

C. imaginary and spurious

D. do not make it invalid

252. Pick out the correct formula for arc elasticity

A. $q_1 + q_2 / q_2 - q_1 \times P_1 + P_2 / P_1 - P_2$

B. $q_1 + q_2 / P_1 - P_2 \times q_1 + q_2 / P_1 + P_2$

C. $q_1 - q_2 / P_1 + P_2 \times 100$

D. None of these

253. Consider the following demand schedule

Price per Unit (Rs.)	Quantity demanded (× 1000)
6	3
5	9
4	15
3	20

When price falls from Rs. 5 to Rs. 4, elasticity of demand can be expressed numerically as

A. Rs. 1.0

B. Rs. 2.5

C. Rs. 3.3

D. Rs. 3.75

254. Slope of a demand curve is

A. not relevant to elasticity

B. the only factor determining elasticity

C. one of the factors influencing elasticity

D. None of these

255. Two commodities are considered to be perfect substitutes for each other if the elasticity of substitution is

A. positive

B. negative

C. zero

D. infinite

256. Which of the following is the method of measuring elasticity of demand when changes in price of a commodity is substantial?

A. Percentage method

B. Point method

C. Arc method

D. None of these

257. A demand curve is a boundary concept because it shows

A. the maximum price and minimum quantity

B. the minimum price and minimum quantity

C. the maximum quantity and the minimum price

D. both price and quantity is maximum

258. In case the two commodities are good substitutes, cross-elasticity will be

A. positive

B. unitary

C. negative

D. infinite

259. In case the two commodities are complements crosselasticity will be

A. positive

B. unitary

C. negative

D. infinite

260. If more is demanded at the same price or the same quantity is demanded at a higher price, this is knowas

A. extension of demand

B. contraction of demand

C. increase in demand

D. decrease in demand

261. The economic analysis excepts the consumer to behave in a manner which is

A. rational

B. irrational

C. emotional

D. indifferent

262. Utility may be defined as

A. The power of a commodity to satisfy wants

B. The usefulness of a commodity

C. The level of satisfaction given by a commodity

D. The desire for a commodity

263. The economically relevant range of the total utility curve is the portion over which

A. The total utility is rising at a declining rate
B. The total utility is rising at an increasing rate
C. The total utility is maximum and constant

D. The total utility is declining

264. After reaching the saturation point, consumption of additional units of the commodity cause

A. Total utility to fall and marginal utility to increase

B. Total utility and marginal utility both to increase
C. Total utility to fall and marginal utility to become negative

D. Total utility to become negative and marginal utility to fall

265. Which of the following concepts are most closely associated with Alfred Marshall?

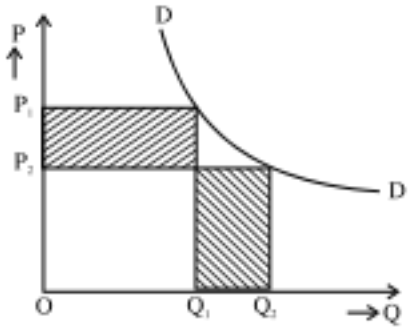
A. Marginal utility theory

B. Price mechanism under monopoly

C. Modern theory of wage

D. Interest theory

266. In the given Figure, DD is the demand curve for commodity X. As the price of the commodity falls from P_1 to P_2 the quantity demanded increases from Q_1 to Q_2. The area shaded vertically is found to be much larger than that shaded horizontally. The curve between E_1 and E_2



A. is elastic

B. is inelastic

C. has unit elasticy

D. is whether elastic or inelastic cannot be inferred from the data given in the figure

267. Consider the following factors/statements:

1. Income effect and substitution effect combine to increase the ability and willingness of a consumer to buy more of a commodity whose price has fallen.

2. Increase in production of the commodity.

3. The law of diminishing marginal utility Those which account for the sloping downward demand curve include

A. 2 and 3

B. 1 and 3

C. 1 and 2

D. 1, 2 and 3

268. In consumer behaviour theory, which of the following deal with choice under conditions certainty?

1. Revealed preference approach

2. Marshallian cardinalist approach

3. Hicks-Allen indifference curve approach

Select the correct answer using the codes given below

A. 1 and 2

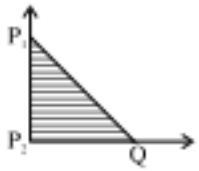
B. 2 and 3

C. 1 and 3

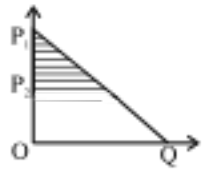
D. 1, 2 and 3

269. The area of consumer's surplus is correct shaded in

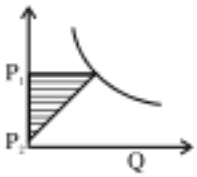
A.



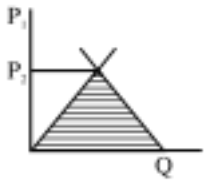
B.



C.



D.



270. . Slutsky equation deals with decomposition of

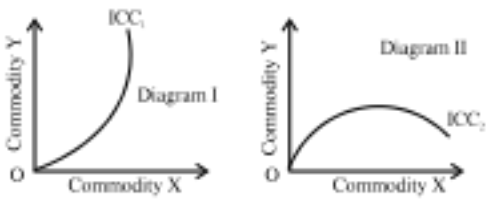
A. goods into superior and inferior goods

B. price effect into substitution and income effects

C. goods into necessaries and luxuries

D. goods into high priced and low priced goods

271. The given diagrams represent income-consumption curves for two commodities X and Y



Consider the following statements based on the diagrams.

The curve in diagram

1. I shows the commodity X as normal

2. I shows the commodity Y as normal

3. II shows the commodity X as normal

4. II shows the commodity Y as normal

Of these statements:

A. 1 and 3 are correct

B. 1 and 4 are correct

C. 2 and 3 are correct

D. 2 and 4 are correct

272. Consider the following statements

1. As isoquant has a negative slope.
2. Isoquants should be parallel to each other.

3. Isoquants can cut each other
4. Isoquants are convex to the origin

Of these statements:

A. 1 and 2 are correct

B. 1 and 3 are correct

C. 1 and 4 are correct

D. 2 and 4 are correct

273. Under conditions of perfect factor market, a firm would attain profit maximising combination of labour and capital, when

A. marginal Physical Product of Labour (MPP_L) = Marginal Physical Product of Capital (MPP_C)

B. marginal Revenue Product of Labour (MRP_L) = Marginal Revenue Product of Capital (MRP_C)

C. MRP_L/ Price of labour (P_L) = MRP_C / Price of capital (PC)

D. $MRP_L / P_L = MRP_C / P_C = 1$

274. Match List I with List II and select the correct answer using the codes given below the lists

List I List II

(a) Increasing returns	1. Nicholas Kaldor
(b) Income distribution	2. Allyn Young
(c) Unlimited labour supply	3. David Ricardo
(d) Diminishing returns	4. Arthur Lewis

Codes:

	(a)	(b)	(c)	(d)
A.	1	4	2	3
B.	2	1	4	3
C.	3	4	2	1
D.	3	1	4	2

275. Considering the Cobb-Douglas productin function

$Y = A L^{\alpha} K^{\beta}: \alpha, \beta > 0,$

(Symbol have the usual meaning)

Match List I with List II and select the correct answer using the codes given below the lists

List I	List II
(a) Increasing returns to scale	1. $\alpha + \beta = 1$
b) Decreasing return to scale	2. $\alpha + \beta > 1$
(c) Constant returns to scale	3. $\alpha + \beta < 1$
(d) Diminishing returns to scale	4. $\alpha , \beta < 1$

Codes:

	(a)	(b)	(c)	(d)
A.	2	3	1	4
B.	2	3	4	1
C.	3	2	4	1
D.	3	2	1	4

276. For commodity X, the market demand given by

$$QX = 25 - 2P$$

And its market supply by

$$QX = 3P$$

The equilibrium price (P) and quantity (Q) will be respectively

A. 5 and 15

B. 5 and 19

C. 3 and 15

D. 3 and 19

277. Which of the following conditions denote the equilibrium of a firm under monopsony in factor market and perfect competition in the product market?

1. Marginal factor cost is equal to average factor cost.

2. Marginal factor cost is greater than average factor cost.

3. Marginal factor cost is equal to marginal revenue product.

4. Marginal factor cost is less than marginal revenue product

Select the correct answer using the codes given below

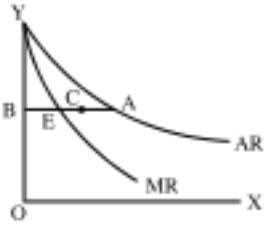
A. 1 and 3

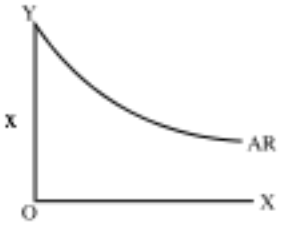
B. 2 and 3

C. 2 and 4

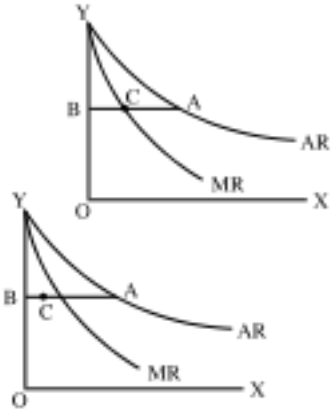
D. 1 and 4

278. Which one of the following figures shows the correct relationship between AR and MR? (X axis–quantity, Y axis–AR and MR)

A. 

B. 

C.

D. 

Which one of the following is an example of Joint supply?

A. Wool and mutton

B. Diesel and bus

C. Ink and Fountain Pen

D. Sugar and Tea

280. The degree of monopoly power as defined by Rothschild is based on

A. price elasticity of demand

B. price cross-elasticity of demand

C. slope of the demand curve of a firm and of the industry

D. super-normal profit

281. Which one of the following DOES NOT represent the Lerner's measure of the degree of monopoly power? (Symbols have the usual meaning)

A. 1 – MR / P

B. P – MC / P

C. 1 / e

D. 1 – [(1 – e)/e]

282. Match List I with List II and select the correct answer using the codes given below the lists

List I	List II
(a) Sales Revenue Maximisation	1. Cyert and March
(b) Entry-Prevention Pricing	2. Baumol
(c) Managerial Discretion	3. Bain
	4. Williamson

Codes:

	(a)	(b)	(c)
A.	2	3	4
B.	2	1	3

C. 3 4 2

D. 4 1 3

283. ‘Full-cost pricing’ is applicable to

A. multi-product, single-process, multi-market case

B. single-product, single-process, single-market case

C. multi-product, multi-process, single-market case

D. single-product, multi-process, multi-market case

284. Modern theory of rent as expounded by Joan Robinson states that rent is the difference between the actual payment for the use of land and its

A. monopoly earnings

B. transfer earnings

C. marginal earnings

D. average earnings

285. Which one of the following is M. Kalecki’s theory of macro-distribution?

A. Full-cost factor pricing theory

B. Theory of labour share in the national income

C. Theory to measure the degree of monopoly in factor pricing

D. Theory of capitalist’s share in the total turnover

286. In his adding up theorem Euler assumes that elasticity of substitution is

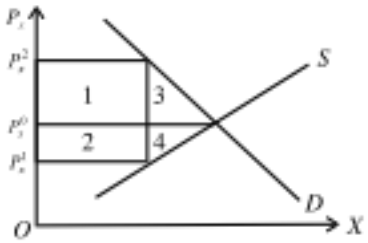
A. equal to zero

B. greater than zero but less than one

C. equal to one

D. greater than one

287. The price of commodity X is regulated at P_x^1 which is lower than the unregulated price P_x^0 (see given figure). The welfare loss of price regulation is given by the area labelled



A.1 and 2

B. 1 and 3

C.2 and 4

D. 3 and 4

288. A Pareto optimum distribution of any two goods betwen any two individuals in an economy requires that

A. $MRS_{xy}^1 + MRS_{xy}^2 = 1$

B. $MRS_{xy} = MRTT_{xy}$

C. $MRS_{xy}^1 + MRS_{xy}^2 = MRTT$

D. $MRS_{xy}^1 = MRS_{xy}^2$

289. According to Pigou, National Dividend will be the maximum when

A. marginal cost is minimized

B. net social marginal productivity is maximised

C. net private marginal productivity is maximised

D. net social marginal productivity becomes equal to net private marginal productivity

290. A consequence of the Kaldor-Hicks compensation principle is that a change in the economic policy leads to an improvement in Social Welfare if the

A. gainers can compensate the losers for their loss and still remain better-off themselvels than they were before

B. losers can profitably bribe the gainers to induce them to stay in the initial position

C. gainers can just compensate the losers out of their gains

D. losers do not oppose the change

291. Which one of the following is the correct relationship between Marginal revenue (MR) and Price elasticity (e)?

A. MR = P / e -1

B. MR / P = e -1/e

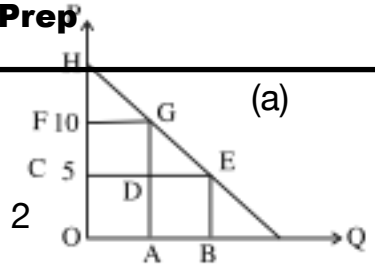
C. P / MR = e – 1/ e

D. MR = P – 1 / e

292. Match List I (Author) with List II (Work) and select the correct answer using the codes given below the lists

List I	List II
(a) Alfred Marshall	1. Competiton Among the Few
(b)) A.P. Lerner	2. Economics of Control
(c)) J.R. Hicks	3. Capital and Growth
(d) William Fellner	4. The Principles of Economics

Codes:



	(a)	(b)	(c)	(d)
A.	2	4	1	3
B.	4	2	3	1
C.	3	2	1	4
D.	1	4	2	3

293. A consumer behaving rationally has a choice to buy different combinations of commodities X and Y which have the following marginal utility schedules for him:

Number of Units	*Marginal utility Yielded by*	
	Commodity 'X'	*Commodity 'Y'*
1	10	7
2	9	6
3	8	5
4	7	4
5	6	3
6	4	2

If the prices of commodities X and Y were Rs 2 and Rs 1 respectively, then the consumer with Rs 15 in his pocket would choose to buy

A. 6 units of X and 3 units of Y

B. 5 units of X and 5 units of Y

C. 4 units of X and 4 units of Y

D. 5 units of X and 2 units of Y

294. In the given diagram, which one of the following areas represents consumer's surplus at a price of 5?

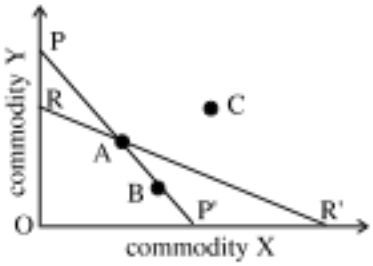
A.OADC

B.OBEC

C.CEGF

D.CEH

295. In the given diagram. 'A' represents the combination of two commodities 'X' and 'Y' purchased by a consumer when the budget line is PP'. 'B' and 'C' in the diagram are other combinations of the two commodities 'X' and 'Y'. The price line RR' passes through the point 'A'. For the consumer in question.



A. A is revealed to be preferred to C

B. B is revealed to be preferred to A

C. A is revealed to be preferred to B

D. C is revealed to be preferred to A

296. Consider the following statements–

At the point of producer equilibrium

1. the isoquant is a tangent to a isocost

2. $MRTS_{LK} = P_L / P_K$

3. $MP_L / P_L = MP_K / P_K$

Of these statements

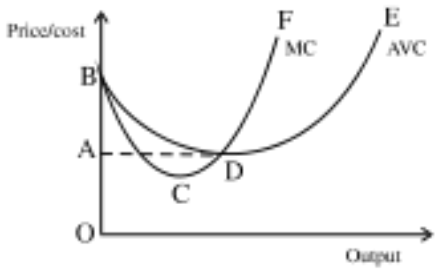
A. 1 alone is correct

B. 1 and 2 are correct

C. 2 and 3 are correct

D. 1, 2 and 3 are correct

297. In the given diagram, BDE represents the average variable cost and BCDF represents the marginal cost curve. OA is the minimum possible average variable cost. The supply curve is represented by



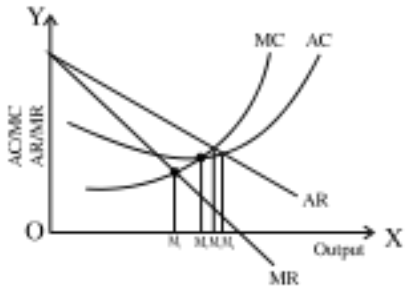
A. ADE

B. ADF

C. CDF

D. OA and DF

298. As per the situation presented in the given diagram, the firm will earn maximum profit if it attained the level of output indicated by



A. OM_1

B. OM_2

C. OM_3

D. OM_4

299. If factor 'A' is the only variable factor for an imperfectly competitive firm in the product market, then the firm's demand curve for factor 'A' is given by (Symbols have the usual meaning A. A. VMP_A curve
B. MRP_A curve
C. MFC_A curve
D. MPP_A curve

300. Consider the following statements – (q) + k,ϕIf the total cost of a firm, TC, is equal to where 'q' is the quantity produced and 'k' is a constant, then

1. Its average cost of production is q kϕ / q
2. Its marginal cost is (q).ϕ.
3. 3. Its average fixed cost is k/q.

Of these statements.
A. 1 and 2 are correct

B. 2 and 3 are correct

C. 1 and 3 are correct

D. 1, 2 and 3 are correct

301. In the context of the duopoly equilibrium output, the ratio Duopoly output / Competitive output , is

A. equal to 1
B. greater than 1
C. equal to 1/4
D. equal to 2/3

302. Assume that a profit maximising monopolist is in short-run equilibrium. Now, the government, in order to mobilize more resources, impose a Rs. 5 lakh per annum lumpsum tax on the monopolist. Immediate (short-run) effect of this policy on the monopolist would be such that he would
A. decrease the quantity produced and the market price would increase

B. increase the quantity produced and the market price would fall

C. keep the output constant and the price would remain unaffected

D. close down the operations

303. A firm finds that the total cost of producing 99 units of output is Rs 995. The average cost of producing 100 units of output is Rs. 10. This means that the marginal cost at this level of output is A. Rs. 1
B. Rs. 10
C. Rs. 5
D. Rs. 11

304. Consider the following statements–
A contract curve (consumption and / or production) is the locus of points of tangencies between
1. any two indifference curves.
2. any two isoquants.
3. an indifference curve and the budget line.

Of these statements
A. 1, 2 and 3 are correct
B. 1 and 2 are correct
C. 2 and 3 are correct
D. 1 and 3 are correct

305. The 'Compensation criterion' that state X is socially preferable to state Y, if those who gain from X can compensate the losers and still be in a better position than at Y, has been proposed by
A. Bergson
B. Pareto
C. Kaldor
D. Walras

306. A locus of constant utility is called the
A. expansion path
B. utility function
C. indifference curve
D. demand function

307. Total product is exhausted when factors are paid according to their respective marginal products provided that the production function is homogenous of degree (n), where

A. n = 2

B. n > 2

C. n < 1

D. n = 1

308. Match List I with List II and select the correct answer using the codes given below the lists

List I	List II
(a) Expansion in demand	1. Movement on the same demand curve from left to right
(b) Contraction in demand	2. Movement on the same demand curve From right to left
(c) Increase in demand	3. Shift in the demand curve to the right
(d) Decrease in demand	4.Shift in the demand curve to the left

Codes:

	(a)	(b)	(c)	(d)
A.	1	2	3	4
B.	1	2	4	3
C.	3	4	1	2
D.	3	4	2	1

309. Consider the production function

$$Y = A L^{B} K^{a}; \alpha, \beta > 0$$

Match List I with List II and select the correct answer using the codes given below the lists

List I	List II
a) Ouput elasticity with respect to L	1. $\alpha + \beta > 1$
b) Decreasing returns to scale	2. α
c) Output elasticity with respect to K	3. β
d) Increasing returns to scale	4. $\alpha + \beta < 1$

Codes:

	(a)	(b)	(c)	(d)
A.	2	3	1	4
B.	2	3	4	1
C.	3	4	1	2
D.	3	4	2	1

310. Which one of the following characterises the equilibrium point of a firm?

A. Tangency between the iso-quant and the iso-cost line

B. Equality between $MPTS_{LK}$ and P_L / P_K

C. Equality between MP_K / P_K and MP_L / P_L

D. All of the above

311. The break-even point for a perfectly competitive firm occurs at

A. the minimum point of the AVC curve

B. the minimum point of the AC curve

C. the minimum point of the MC curve

D. the minimum point of the AFC curve

312. When labour supply curve bends back-wards

A. income becomes an inferior commodity

B. work becomes an inferior commodity

C. leisure becomes an inferior commodity

D. people becomes lazy at higher wage level

313. Consider the following statements:

'Market failure' may arise as a result of

1. monopolistic competition
2. perfect competition
3. economies of scale

Of these statements

A. 1 and 2 are correct

B. 2 and 3 are correct

C. 1 and 3 are correct

D. 1, 2 and 3 are correct

314. "It is not necessarily worse for a society if a large number of optimality conditions are violated than if only a few are violated." This consideration relates to

A. rational consumer

B. rational producer

C. the theory of second best

D. social good

315. In a society consisting of three individuals (A, B and C), which one of the following would represent a pareto-improvement in social welfare?

A. A's Welfare increases, B's welfare increases, C's welfare decreases

B. A's Welfare increases, B's welfare decreases, C's welfare remains the same

C. A's welfare increses, B's welfare remains the same, C's welfare decreases

D. A's welfare increases, B's welfare remains the same, C's welfare remains the same

Assertion (A): A monopolist enjoys considerable power to manipulate the price of his product.

Reason (R): The monopoly power of the monopolist is measured by the excess of price over marginal cost.

A. Both A and R are true and R is the correct explanation of A

B. Both A and R are true, but R is not correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

317. Assertion(A):A firm is a price-taxer in a competitive market.
Reason (R): Price is determined by the intersection of the total demand curve with the supply curve of the industry.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

318. Which one of the following statements describes 'perfectly elastic demand' correctly?

A. The change in demand is proportional to the change in price

B. The change in demand is less than the proportional change in price

C. Any amount of the goods can be bought at a fixed price

D. There is no change in demand on account of a change in price

319. A given indifference map shows

A. a given level of satisfaction

B. a given pattern of tastes and preferences

C. the average level of satisfaction

D. all of the above

320. Assuming that the demand curve for a commodity is a downward sloping straight line, price elasticity of demand

A. cannot be estimated

B. decreases as price falls

C. increases as price falls

D. is the same at every price

321. The opportunity cost of a factor of production is

A. What is earning in its present use

B. What it can earn in the long-run

C. What it can earn in the best alternative use

D. None of the above

322. Diminishing marginal returns to a factor arise essentially because

A. the quantity (or quantities) of some other factor (or factors) is (or are) relatively fixed

B. the quantities of that factors is fixed

C. quantities of all factors is fixed

D. there is government control on production

323. If an individual seller in a perfectly competitive market wishes to double his sales, he would

A. improve the quality of his product

B. lower his price to half

C. simply offer double the quantity for sale

D. advertise the superiority of his product

324. For a firm in a perfectly competitive market, the average and the marginal revenue curves coincide because

A. the firm is price-taker

B. there are constant returns to sale

C. there are constant returns to some of the factors

D. it is a condition of profit-maximisation

325. The implication of the kinked demand curve is reflected in a discontinuity in the

A. total cost curve

B. marginal cost curve

C. total revenue curve

D. marginal revenue curve

326. Which one of the following curves is NOT U-shaped?

A. The AVC curve

B. The AFC curve

C. The AC curve

D. The MC curve

327. When both the firms are followers of each other in Stackelberg's Model of Duopoly, final equilibrium results in

A. Joint profit maximisation

B. Equal profit for both

C. Cournot solution

D. Perfectly competitive solution

328. Limit price refers to the

A. price which prevents entry of new firms

B. maximum price which the firm is allowed to change

C. price which maximize the profits of the firm

D. price at which the firm just starts earning a surplus over cost

329. For maximisation of profits, marginal revenue must be equated to marginal costs

A. under monopoly but not in other types of markets

B. under perfect competition but not in other types of market

C. under both perfect competition and monopoly but not in other types of markets

D. in any type of market

330. The concept of 'quasi-rent' means

A. the rent of land

B. the return to a factor of production which is fixed in supply in the short run

C. half of the rent of land

D. the return to a factor of production which is not fixed in supply

331. Which one of the following denotes the concept of marginal land in the Ricardian theory of rent?

A. It is the poorest quality land

B. It is no-rent land, as it produces no surplus over cost of production

C. It is that land whose surplus determines rent of other lands

D. It is that land whose rent changes with change in the margin of cultivation

332. According to Frank Knight profit is

A. a part of the cost of production

B. a reward for uncertainty bearing

C. equal to (Total Revenue – Total costs)

D. None of the above

333. The supply price of entrepreneurship refers to

A. economic rent

B. normal profits

C. rent of ability

D. salaries of managers

334. In the Ricardian theory of distribution, agricultural sector being subject to diminishing returns, as production increases

A. rent share (R / Q) will remain constant, wage-share (W / Q)will rise and profit-share (P / Q) will also rise

B. R / Qwill rise, W / Q will rise and P / Q will fall

C. R / Q will fall, W / Q will fall and P / Q will rise

D. R / Q will rise, W . Q will fall and P/ Q will fall

335. The distribution of two commodities between two individuals is said to be Pareto-optimals when

A. any change in the distribution makes the two individuals better off than before

B. any change that makes one individual better off must make the other worse off

C. any change in the economic organization increases the welfare of some and reduces the welfare of others, and those who gain are able to compensate the losers

D. the marginal social products are equal in all industries and production of wealth is maximized

336. Which one of the following pairs is NOT correctly matched?

A. Revealed Preference Theory : Samuelson

B. Indifference Curve Analysis : Hicks

C. Cardinal Utility : Joan Robinson

D. Input-Output Analysis : Leontief

337. Which one of the following statements is NOT correct?

A. Different points on an indifference curve stand for different combinations of two goods

B. Different points on the consumption possibility line stand for a different combination of two goods

C. All points on an indifference curve stand for the same level of satisfaction

D. All points on the consumption possibility line stand for the same level of satisfaction

338. If the demand curve is a rectangular hyperbola, then numerical elasticity of demand is equal to

A. 0.25

B. 0.75

C. 1.00

D. 0.50

339. Consider the following data:

Price per kg (Rs.)	Demand for wheat (kg.)
12	5
10	?

When the price of wheat is Rs. 10 per kg and the demand is unit-elastic, the demand for wheat in kg would be

A. 5

B. 6

C. 10

D. 12

340. The elasticity of output with respect to labour is equal to one, when average product of labour is

A. equal to the wage rate

B. equal to the average product of capitals

C. equal to its marginal product

D. greater than its marginal product

341. If product isoquants are drawn as straight lines, it implies that

A. marginal rate of technical substitution (MRTs) is equal to 1

B. MRTs equals the ratio of factor prices

C. the marginal products of the inputs equal the respective factor price

D. MRTS is constant but not necessarily equal to 1

342. Consider the following statements: At the point of equality between average product and marginal product, average product is

1. maximum

2. minimum

3. constant

4. rising

Which of the above statments are correct?

A. 1 and 4

B. 2 and 4

C. 1 and 3

D. 2 and 3

343. Given a production function with two inputs x_1 and x_2 and their prices r_1 and r_2, the optimal combination of inputs is one for which

A. Marginal products of x_1 and x_2 are equal

B. $MRTSx_1x_2 / MRTSx_2x_1 = r_1 / r_2$

C. $MPx_1 / MP\ x_2 = r_1 / r_2$

D. $MP\ x_2 / MPx_1 = r_1 / r_2$

344. Consider the following statements:

For a firm to be in equilibrium

1. MR = MC

2. MC curve must cut MR curve from below at the point of equilibrium

3. TR = TC

Which of the above statements are correct?

A. 1 and 2

B. 1 and 3

C. 2 and 3

D. 1, 2 and 3

345. The short-run supply curve of a firm under perfect competition is the same as

A. average variable cost curve

B. marginal cost curve

C. marginal cost curve above average variable cost curve

D. average total cost curve

346. When marginal cost is less than average cost, average cost is

A. falling

B. rising

C. minimum

D. zero

347. In the two-inputs case, if the product isoquants are L-shaped, the inputs are

A. perfect substitutes for each other

B. perfectly complementary to each other

C. independent to each other

D. not predictable

348. A profit maximising firm will stop production in the short run if price is

A. less than average cost

B. below the marginal cost

C. less than average variable cost

D. equal to average cost

349. The burden of a tax on monopoly profit will be

A. entirely on the producer

B. entirely on the consumer

C. equally distributed among the producer and the consumer

D. more on the consumer than on the producer

350. An individual's supply curve of labour will bend backwards when

A. the income effect of a higher wage on the demand for leisure is greater than the substitution effect

B. the substitution effect of a higher wage is greater than the income effect

C. the income and substitution effects of a higher wage reinforce each other

D. leisure is a Giffen good

351. The necessary condition for a Pareto-optimal allocation of any two factors of production, say K and L, are equality of

A. marginal productivity of the two factors, K and L in all uses/firms

B. MRTS between the two factors in all uses/firms

C. MRTS with the ratio of their market prices

D. the market prices of the two factors

352. For a downward sloping demand curve, the price elasticity is 1.50. When price falls by 20%, the quantity demanded will
A. fall by 30%

B. rise by 3%

C. fall by 3%

D. rise of 30%

353. A luxury good is one for which

A. the demand rises faster than income

B. the demand rises as fast as income

C. the demand rises as income falls

D. the demand falls as income rises

354. An indifference curve is convex to the origin because of

A. the diminishing marginal rate of substitution

B. the law of diminishing marginal utility

C. the principle of utility maximization

D. None of these

355. The revealed preference theory has been propounded by

A. Marshall

B. Hicks

C. Samuelson

D. Slutsky

356. The expansion path of a firm with Cobb-Douglas production function is

A. a downward sloping straight line

B. an upward sloping straight line

C. a curve convex to the origin

D. a curve concave to the origin

357. In a competitive equilibrium, the slope of the production possibility frontier is

A. the slope of the firm's isocost line

B. the input price ratio

C. the ratio of the marginal product

D. the slope of the price line

358. In the long-run, a monopolist will change a price

A. equal to marginal cost

B. less than the marginal cost

C. more than the marginal cost

D. always less than marginal revenue

359. Price discrimination under monopoly is possible when

A. the markets are saturated

B. the price elasticities of demand are the same in different markets

C. there is a seepage between the markets

D. the price elasticities of demand are different in different markets

360. The kinked demand curve of an oligopolist is

A. elastic in the upper portion, but inelastic in the lower portion

B. inelastic in the upper portion and elastic in the lower portion

C. elastic throughout

D. inelastic throughout

361. In which market situation, the rising portion of the marginal cost curve is used as the supply curve of the firm?

A. Monopoly

B. Oligopoly

C. Perfect competition

D. None of the above

362. If it is possible to make some one better-off without making some one worse-off, then the situation is

A. inefficient

B. efficient

C. optimal

D. pareto optimal

363. IS-LM model relates to

A. rent

B. interest

C. wages

D. profits

364. In which of the following market conditions, Marginal Cross Revenue Product is equal to Marginal Net Revenue Product?

A. Monopoly

B. Oligopoly

C. Imperfect competition

D. Perfect competition

365. A commodity is categorised as luxury if its income elasticity of demand is

A. less than one

B. greater than one

C. equal to one

D. equal to zero

366. For the Cobb-Douglas production function, the elasticity of substitution is

A. equal to one

B. equal to zero

C. greater than one

D. less than one

367. The technical efficiency in the production process is achieved when

A. the MP of each input is positive

B. output elasticity is between zero and one

C. output cannot be increased unless at least one input is increased

D. all of the above

368. A firm is operating below capacity when

A. SMC < LMC

B. SMC = LMC

C. SMC > LMC

D. SAC > LAC

369. For a Monopolist

A. MR = AR (1 – 1 / e)

B. MR = AR (1 + 1 / e)

C. MR = AR (1 – e)

D. MR = AR (1+ e)

370. The firm's demand curve and the industry demand curve will be the same in a

A. competitive market

B. monopoly market

C. duopoly market

D. oligopoly market

371. The horizontal portion of the oligopolist's LAC curve is characterised by

A. increasing marginal revenue

B. constant returns to scale

C. constant marginal revenue

D. increasing returns to scale

372. Price discrimination is associated with

A. monopoly

B. monopolistic competition

C. bilateral monpoly

D. oligopoly

373. In an economy with 2 commodities X and Y and 2 individuals A and B, the general equilibrium in production and exchange occurs where

A. $MRT_{xy} = P_x / P_y$

B. $(MRS_{xy})A / (MRS_{xy}) B = P_x / P_y$

C. $(MRS_{xy})A = (MRS_{xy}) B$

D. $(MRS_{xy}) A = (MRS_{xy}) B = MRT_{xy}$

374. The general theory of second Best rests on the assumption that

A. Pareto Optimum is achievable

B. Pareto Optimum is not achievable

C. Competition is desirable wherever possible

D. All of the above

375. The distribution in a two commodity, two individual economy is said to be in Pareto Optimum if

A. both the individuals are on their consumption curve

B. both the individuals are on their utility possibility curve

C. one individual cannot be made better off without making the other individual worse

D. both the individuals can be made better off

376. In deriving the utility possibility curve in welfare economies we make inter-personal comparisons as of utility

A. always

B. never

C. sometimes

D. often

377. The law of diminishing marginal utility

A. provides a measure of elasticity

B. explains why demand curve is downward sloping

C. states that a rise in price of a product results in decline in its marginal utility

D. All of above

378. When $MU_x / Px > MU\ y / Py$, the consumer should buy

A. more of x and less of y

B. less of x and more of y

C. more of x and more of y

D. less of x and less of y

379. In the case of complementary goods, the slope of the indifference curve is

A. downward sloping line to the right

B. horizontal line parallel to x-axis

C. L-shaped curve

D. 45° upward rising line

380. $Q = a - bP$ is a demand function. When marginal revenue is zero, the price elasticity of demand is

A. 0

B. 1

C. b

D. b/a

381. The Cobb-Douglas production function $Y = AK^a L^{1-a}$ represents a production technology with

A. increasing returns to scale

B. decreasing returns to scale

C. constant ruturns to scale

D. None of the above

382. The Indian economist with whom the CES production function is associated is

A. B.S. Minhas

B. A.K. Sen

C. T.N. Srinivasan

D. V.K..R.V. Rao

383. The presence of externalities are likely to lead to an inefficient allocation of resources because

A. these create benefits and costs not borne by any one

B. market demands and supplies do not reflect the external benefits and costs

C. these are associated with monopoly

D. these involve fixed costs that are not part of marginal cost

384. In the short run, for a perfectly competitive firm, as price increases

A. profit remains the same

B. profit decreases

C. profit increases

D. average cost eventually decreases

385. When the total product curve is increasing at an increasing rate

A. average product is zero

B. marginal product curve lies below the average product curve

C. marginal product curve is positive but declining

D. marginal product curve is positive and increasing

386. In an Edgeworth box diagram the locus of the points of tangency between the indifference curves of the two consumers is known as

A. income consumption curve

B. ridge lines

C. contract curve

D. expansion path

387. The concept of quasi-rent was advocated by

A. Adam Smith

B. David Ricardo

C. Alfred Marshall

D. J.S. Mill

388. The price paid by a firm for a factor of production in a perfectly competitive market

A. increases with the quantity of input demand

B. decreases with the quantity of input demand

C. is equal to the marginal product

D. is less than the marginal product

389. All points on a consumer's demand curve

A. represent points of utility maximisation

B. do not represent points of utility maximisation

C. are bliss points

D. indicate Pareto optimality

390. If the price-consumption curve is horizontal for all the relevant prices of the commodity, the demand curve for this commodity is

A. horizontal

B. positively sloped

C. vertical

D. a rectangular hyperbola

391. If the cross-elasticity of demand of X for changes in the price of Y is positive, the commodities X and Yare

A. Substitutes

B. Complements

C. Inferior goods

D. Giffen goods

392. For a fall in the price of a commodity, the relationship between the Marshallian demand curve and the compensated demand curves along the lines of Hicks and of Slutsky are as follows.

A. The Marshallian curve is above the Hicksian curve which is above the Slutsky curve

B. The Mashallian curve is above the Slutsky curve which is above the Hicksian curve

C. The Marshallian curve is abvoe the two compensated curves which coincide

D. The Hicksian and Slutsky curves coincide and are above the Marshallian curve

393. In a Cobb-Douglas production function, the elasticity of substitution between the factors of production is

A. not constant

B. equal to one

C. greater than one

D. less than one

394. The shut-down point is the lowest point of the

A. average cost curve

B. average variable cost curve

C. marginal cost curve

D. None of the above

395. Linear programming isoquants show that between the factors of production

A. there are no substitution possibilities

B. there are continuous substitution possibilities

C. there are limited substitution possibilities

D. None of the above

396. If there are diminishing returns to a variable factor proportions, it means that returns to scale are

A. constant

B. increasing

C. diminishing

D. any of the above

397. Under perfect competition, the demand curve for the product of a firm is

A. downward sloping

B. upward sloping

C. parallel to the X-axis

D. parallel to the Y-asix

398. There are two markets with different elasticities of demand for a monopolist producer of a particular commodity. If e_1 and e_2 are the own-price elasticities of demand in the two markets and $e_1 > e_2$, the prices p_1 and p_2 charged by him in the two markets will be such that

A. $p_1 = p_2$

B. $p_1 > p_2$

C. $p_1 < p_2$

D. $p_1 . p_2 = 1$

399. One major assumption of Chamberlin's theory of monopolistic competition is that

A. demand curves will be the same for each firm, but cost curves will be different

B. each firms products are close substitutes for others

C. there are very few firms in each group

D. each firm expects its actions to influence those of its rivals

400. A kinked demand curve involves a marginal revenue curve that

A. has a break

B. has a kink

C. is smooth and continuous

D. cuts across the demand curve

401. When the value of marginal product is greater than the marginal revenue product, which is greater than the price of the fact or there is?

A. Monopolistic exploitation

B. Monopsonistic exploitation

C. Both monopolistic and monopsonistic exploitation

D. neither type of exploitations

402. The locus of Pareto optimality in production and consumption is given by the

A. social welfare function

B. grand utility possibility curve

C. utility possibilities curve

D. production possibilities curve

403. If the marginal utility of the last unit of X consumed, MU_x is twice MU_y the marginal utility of the last unit of Y consumed and P_x and P_y indicate the prices of X and Y respectively, the consumer is in equilibrium only if

A. $P_x = 2P_y$

B. $P_x = P_y$

C. $P_x = P_y / 2$

D. Any of the above

404. The Engel curve for a Giffen good is

A. positively sloped

B. negatively sloped

C. vertical

D. horizontal

405. In a two commodity model, if the demand for dx is inelastic, a rise in the price of X, ceteris paribus, results in

A. more of Y being bought

B. less of Y being bought

C. same amount of Y being bought

D. None of the above

406. For a rise in the price of the commodity, the relationship between the Marshallian demand curve and the compensated demand curves along the lines of Hicks and of Slutsky are as follows

A. The Marshallian curve is below the Hicksian curve, which is below the Slutsky curve

B. The Marshallian curve is below the Slutsky curve which is below the Hicksian curve

C. The Hicksian and the Slutsky curves coincide and are both above the Marshallian curve

D. The Marshallian curve is above the Slutsky curve, which is above the Hicksian curve

407. In a CES production Function, the elasticity of substitution is always

A. equal to one

B. greater than one

C. less than one

D. constant

408. The average cost will rise if

A. marginal cost is rising

B. marginal cost is falling

C. marginal cost is greater than average cost

D. marginal cost is less than average cost

409. Input-output isoquants show that between the factors of production, there are

A. continuous substitution possibilities

B. no substitution possibilities

C. limited substitution possibilities

D. None of the above

410. If there are conditions of perfect competition in an industry, the demand curve for the product is

A. downward sloping

B. upward sloping

C. parallel to the x-axis

D. parallel to the y-axis

411. Equilibrium for a discriminating monopolist out to maximise profits involves the following relationship between marginal revenues MR_1 and MR_2 in the two

different markets and MC, the marginal cost for output as a whole

A. MR1 > MC > MR_2

B. MR2 > MC > MR_1

C. MC > MR1 > MR_2

D. MC = MR1 = MR_2

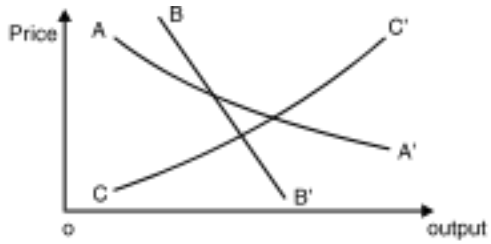
412. For an industry under monopolistic competition, the diagram shows the demand curve dd' for the firm and the demand curve DD' for the industry. The dd' demand curve is

A. BB'

B. AA'

C. CC'

D. the vertical axis



413. In the simple Cournot model, each of the two duopolists end up producing

A. half the output of the industry

B. one-third the output of the industry

C. one-fourth the output of the industry

D. None of the above

414. A monopolist buyer of inputs has, for his use

A. no supply curve for the output he produces

B. no demand curve for the output that he sells

C. no demand curve for the input that he uses

D. no supply curve for the inputs supplied by others

415. The point of tangency between the social welfare function and the grand utility possibility curve is

A. the Bliss point

B. the Pareto optimum point

C. The break-even point

D. the second best point

416. Which one of the following situations is not true?

A. Indifference curves slope downwards because $MU_x > O$ and $MU_y > O$

B. Indifference curve can be vertical straight line if $MU_x > O$ and $MU_y = O$

C. Indifference curve can be a horizontal straight line if $MU_x = O$ and $MU_y > O$

D. Indifference curve will be a horizontal straight line if $MU_x = O$ and $MU_y < O$

417. Q = a (1 / p) is a demand function that gives us

A. a unitary elastic demand curve;

B. perfectly elastic demand curve;

C. perfectly inelastic demand curve;

D. concave to the origin demand curve;

418. Ram derives utility from consuming two commodities q_1 and q_2. Which of the following relationships could not represent his utility functions?

A. $U=3q_1+2q_2$

B. $U=q_1 q_2$

C. $U=q_1-q_2$

D. $U=q_1+3q_1 q_2$

419. The production function of a firm will change when ever

A. input price changes

B. the firm employs more of any inputs

C. the firm increases its level of output

D. the relevant technology changes

420. In the long run

A. variable costs tend to the greater than the fixed costs

B. fixed costs tend to be greater than variable costs

C. all costs are variable costs

D. all costs are fixed costs

421. If the average total cost is declining then

A. the marginal cost must be less than the average total cost

B. total cost must be declining

C. the average fixed cost curve must be above the average variable cost curve

D. the marginal cost must be greater than the average total cost

422. In a perfectly competitive economy, production and consumption will both be Pareto optimal, if the economy operates at a point of

A. general equilibrium

B. where output levels are below equilibrium

C. where output levels are above equilibrium

D. consumption is less than output

423. The Average Fixed Cost Curve will always be

A. a rectangular hyperbola

B. a downward sloping convex to the origin curve

C. a downward sloping straight line

D. U-shaped curve

424. The Cobb-Douglas production function is

A. linear homogeneous

B. non-linear homogeneous

C. linear non-homogeneous

D. non-linear non-homogeneous

425. In an Edgeworth Box diagram showing the trade between A and B holding two goods, the dimension of the box will be determined by
A. A's endowment of both goods

B. B's endowment of both goods

C. Both consumer's endowments of both goods

D. The amount of the two goods that is socially desirable for the two consumers

426. The income elasticity of demand for an inferior goods is

A. less than one

B. less than zero

C. equal to one

D. greater than one

427. Baumol's model treats the objective of the firm as

A. profit maximisation

B. sales revenue maximisation

C. output maximisation

D. None of the above

428. The case of decreasing cost industries gives us

A. natural monopoly

B. perfect competition

C. duopoly

D. oligopoly

429. The elasticity of demand between two points on a demand curve given by $P_1 = 5$, $Q_1 = 10$ and $P_2 = 10$, $Q_2 = 5$ is

A. + 1

B. – 1

C. + 2

D. + 1/ 2

430. If the income elasticity of demand is greater than one, the commodity is

A. a luxury

B. a necessity

C. an inferior good

D. a Giffen good

431. Decreasing returns to scale means that the production process has reached the point where a proportional increase in all inputs with cause output to

A. decrease

B. increase by higher proportion

C. increase by a smaller proportion

D. remain the same

432. When $(MRTS)_{LK}$ is 2, then (MP_K / MP_L) is equal to

A. 1/ 2

B. 2

C. 1

D. 3

433. In the CES production function,

A. the returns to scale is constant

B. the elasticity of substitution is constant

C. the marginal product of the variable factors is constant

D. the elasticity of substitution is always one

434. Under monopoly, the total revenue decreases as output increases, if the elasticity of demand is

A. equal to one

B. less than one

C. greater than one

D. either less or greater than one

435. The input-output analysis is associated with

A. Samuelson

B. Walras

C. Ricardo

D. Leontief

436. Compared to the demand curve of a monopolist, the demand curve of a monopolistic competitor is

A. more elastic and more stable

B. less elastic and more stable

C. less elastic and less stable

D. more elastic and less stable

437. Perfect competition leads to a point on the grand utility possibility curve,

A. when externalities do not exist

B. when externalities do not exist

C. independent of externalities

D. never

438. Compared to the demand curve of a monopolist, the demand curve of a monopolistic competitor is

A. more elastic and more stable

B. less elastic and more stable

C. less elastic and less stable

D. more elastic and less stable

439. Perfect competition leads to a point on the grand utility possibility curve,

A. when externalities exist

B. when externalities do not exist

C. independent of externalities

D. never

440. Hicks compensation criteria is used in the

A. theory of welfare

B. theory of rent

C. theory of comsumption

D. theory of production

ANSWERS

1	2	3	4	5	6	7	8	9	10
D	C	B	C	B	C	D	D	C	B
11	12	13	14	15	16	17	18	19	20
D	B	D	D	C	C	A	C	D	B

21	22	23	24	25	26	27	28	29	30
C	E	B	B	B	C	A	C	D	A
31	32	33	34	35	36	37	38	39	40
B	D	B	B	C	B	B	B	A	C
41	42	43	44	45	46	47	48	49	50
D	C	B	A	A	A	B	B	A	D
51	52	53	54	55	56	57	58	59	60
D	B	A	C	C	A	B	A	D	B
61	62	63	64	65	66	67	68	69	70
A	C	A	C	C	A	D	B	B	A
71	72	73	74	75	76	77	78	79	80
B	C	B	A	C	A	C	A	B	D
81	82	83	84	85	86	87	88	89	90
A	A	C	C	C	B	C	A	D	D
91	92	93	94	95	96	97	98	99	100
A	A	A	D	A	A	C	C	B	C
101	102	103	104	105	106	107	108	109	110
C	C	D	B	C	B	B	B	A	B
111	112	113	114	115	116	117	118	119	120
D	C	B	A	A	A	A	A	C	D
121	122	123	124	125	126	127	128	129	130
C	A	B	A	B	C	B	A	A	C
131	132	133	134	135	136	137	138	139	140
A	D	A	A	B	B	D	A	D	C
141	142	143	144	145	146	147	148	149	150
D	C	C	A	C	D	D	A	A	A
151	152	153	154	155	156	157	158	159	160
D	C	D	A	D	B	A	D	A	C
161	162	163	164	165	166	167	168	169	170
B	D	B	D	C	A	A	B	B	A
171	172	173	174	175	176	177	178	179	180
A	B	D	B	A	D	D	C	B	A
181	182	183	184	185	186	187	188	189	190
C	A	C	C	E	B	A	A	A	B
191	192	193	194	195	196	197	198	199	200
A	A	B	D	C	A	B	A	C	B
201	202	203	204	205	206	207	208	209	210
C	B	B	B	B	C	A	B	A	C
211	212	213	214	215	216	217	218	219	220
A	C	C	B	A	C	A	A	B	C
221	222	223	224	225	226	227	228	229	230
D	A	A	B	B	B	B	B	A	C
231	232	233	234	235	236	237	238	239	240
D	D	B	B	A	C	C	A	C	D
241	242	243	244	245	246	247	248	249	250
B	A	B	A	A	D	C	B	C	C
251	252	253	254	255	256	257	258	259	260
A	A	C	B	D	C	D	A	C	C
261	262	263	264	265	266	267	268	269	270
A	A	A	C	A	A	B	A	B	B
271	272	273	274	275	276	277	278	279	280
C	C	C	B	A	A	B	C	A	A
281	282	283	284	285	286	287	288	289	290
D	A	B	B	C	C	C	D	B	A

Macro Economics

(Determination of Income & Employment and Money & Banking)

B	B	B	D	B	C	D	C	B	C
341	342	343	344	345	346	347	348	349	350
D	C	C	A	C	A	B	C	A	A
351	352	353	354	355	356	357	358	359	360
B	D	A	A	C	B	D	C	D	A
361	362	363	364	365	366	367	368	369	370
C	A	B	D	B	A	D	C	A	B
371	372	373	374	375	376	377	378	379	380
B	A	D	B	C	A	D	A	C	C
381	382	383	384	385	386	387	388	389	390
C	A	B	C	D	C	C	C	A	D
391	392	393	394	395	396	397	398	399	400
A	A	B	B	C	C	D	C	B	A
401	402	403	404	405	406	407	408	409	410
B	C	A	B	B	A	D	C	B	A
411	412	413	414	415	416	417	418	419	420
D	B	B	C	A	B	A	C	D	C
421	422	423	424	425	426	427	428	429	430
A	A	A	A	C	B	B	B	A	A
431	432	433	434	435	436	437	438	439	440
C	A	B	B	D	D	B	D	B	A

1. If a straight line consumption function intercepts the vertical axis at some positive value, it implies that

A. the MPC is constant and APC rises as the level of disposable income increases

B. the MPC and APC rise as the level of disposable income increases

C. the MPC is constant and APC falls as the level of disposable income increases

D. the MPC and APC fall as the level of disposable income increases

2. The IS curve shows

A. a positive relationship between rate of interest and the level of income

B. a negative relationship between rate of interest and the level of income

C. a positive relationship between rate of interest and the level of autonomous investment.

D. a negative relationship between rate of interest and level of autonomous investment

3. The horizontally parallel section in the Keynesian speculative demand for money indicates that

A. there is no speculative demand for money

B. there is small but limited demand for money

C. monetary policy becomes ineffective

D. monetary policy becomes effective

4. According to Keynes, the transactions demand for money is mainly a function of

A. rate of interest

B. profits

C. wages

D. income

5. Total output and income in general will tend to increase during the period in which

A. Planned aggregate savings < Planned aggregate investment

B. Planned aggregate savings > Planned aggregate investment

C. Planned aggregate savings = Planned aggregate investment

D. Aggregate savings = Aggregate investment

6. There exists a proportional relation between consumption and disposable income, if

A. MPC / APC

B. MPC < APC

C. MPC = APC

D. MPC = 1

7. The demand for money in an economy is

A. positively related to the level of income but negatively related to rate of interest

B. positively related to rate of interest, but negatively related to the level of income

C. positively related to both the level of income and rate of interest

D. negatively related to both the level of income and rate of interest

8. Given the usual shapes of LM and IS curves if there is an increase in the supply of money

A. the LM curve will shift to the right and the rate of interest will fall

B. the LM curve will shift to the right and the rate of interest will increase

C. the LM curve will shift to the left and the rate of interest will remain constant

D. the LM curve will shift to the left and the rate of interest will increase

9. Which curve shows a positive relation between the percentage change in wages and the rate of unemployment?

A. ISO cost curve

B. ISO product curve

C. Trade indifference curve

D. Phillips's curve

10. Which of the following is not an instrument of monetary policy?

A. Open market operation

B. Bank rate

C. Selective credit control

D. Government spending

11. The theories which advocate a proportionate relationship between consumption and income are

A. Absolute and Permanent income theories

B. Absolute and Relative income theories

C. Absolute and Life-cycle theories

D. Relative and Permanent income theories

12. According to Keynes, investors prefer holding money rather than bonds when they expect

A. interest rates to remain constant

B. interest rates to rise

C. interest rates to fall

D. bond prices to rise

13. According to Tobbin's asset demand for money theory, an increase in current market yield

A. has no effect on the quantity of bonds or money demanded

B. increases the quantity of bonds demanded and decreases the quantity of money demanded

C. decreases the quantity of bonds demanded and increases the quantity of money demanded

D. increases both the quantity of bonds and the quantity of money demanded

14. M_3 is defined as

A. Currency with the public + demand deposits with banks

B. M_1 + Savings deposits with post-office savings bank

C. M_2 + Time deposits with banks

D. M_1 + Time deposits with banks

15. An increase in the supply of money will cause LM schedule to

A. remain unchanged

B. shift to the left

C. shift to the right

D. shift upwards

16. That, there exists a trade-off between unemployment and inflation in the short run, was first emphasized by

A. A.W. Phillips

B. P.A. Samuelson

C. R. M. Solow

D. James Tobin

17. Who advocated the view that 'savings and investment are always equal but they are not always in equilibrium'?

A. Alfred Marshall

B. J. M. Keynes

C. D. H. Robertson

D. K. Wicksell

18. The average M_1 , balances held for transactions is

A. negatively related to the length of pay period and positively related to the income level

B. positively related to both length of pay period and income level.

C. negatively related to both length of pay period and income level

D. positively related to length of pay period and negatively to the income level.

19. Fisher's equation of exchange needs which of the following assumptions for turning it into a theory of money and prices?

A. Fall in the rate of interest

B. Bullish capital market

C. Constant velocity of circulation

D. Rising aggregate demand

20. Grasham's law relates to

A. money supply

B. money and prices

C. real output

D. employment

21. According to permanent income hypothesis, all increases in

A. permanent income are saved

B. permanent income are consumed

C. transitory income are saved

D. transitory income are consumed

22. Given the supply of high power money, if the rate of interest goes up, the value of credit-multiplier

A. increases

B. decreases

C. remains unchanged

D. the two are unchanged

23. Which of the following statements is correct?

A. The LM curve shows speculative demand for money

B. The LM curve shows a drop in financial investment

C. The LM curve shifts to the right when liquidity preference increases

D. The LM curve shifts to the left when money supply increases.

24. According to Keynes, there is speculative demand for money because

A. people like to speculate in the stock market

B. there is consideration risk in holding M_1 balances

C. money, at times, may be a better store of value than long term bonds

D. money always provides a certain higher return than long term bonds

25. Which one of the following statements describe correctly the nature of Fisher's and Cambridge equation ?

A. Fisher's equation is behavioural while Cambridge equation is mechanical

B. Fisher's equation is mechanical while, Cambridge equation is behavioural

C. Both equations are behavioural

D. Both equations are mechanical

26. Which one of the following is not an assumption of classical economics?

A. Supply creates its own demand

B. Mobility of factors of production

C. Flexible wage rates

D. Income as a source of savings

27. According to life cycle hypothesis, consumption is related to

A. current income

B. post peak income

C. expected life time income

D. price expectations over life time

28. The demand for money is

A. positively related to income level and rate of interest

B. negatively related to income level and positively related to rate of interest

C. negatively related to income level and positively related to rate of interest

D. positively related to income level and negatively related to rate of interest

29. Crowding out effect will occur when

A. a decrease in money supply raises the rate of interest which crowd out interest sensitive private spending

B. a reduction in income taxes causes higher interest rates which crowd out private sector spending

C. an increase in taxes for the private sector reduces disposable income and spending

D. a reduction in government spending causes induced consumption spending to fall.

30. What are the necessary and sufficient conditions for the savings and investment to be in equilibrium?

I. equality of savings and investment

II. full operation of multiplier

III. consumption lagging behind income

IV. incomes catching up with prices

Choose your answer from the codes below

A. I only

B. I and II

C. II and II

D. I and IV

31. If the MPC is 0.6, the investment multiplier will be A. 1.67 B. 2.5 C. 6.0 D. 4.0 32. Actual saving always equal to

A. ex-ante investment

B. planned investment

C. ex-post investment

D. planned less unintended investment

33. The transactions demand for money is most closely related to money functioning as a

A. standard of value

B. store of value

C. medium of exchange

D. unit of account

34. The value of money varies

A. directly with the interest rate

B. directly with the price level

C. directly with the volume of employment

D. inversely with the price level

35. Cost-push inflation occurs when the aggregate

A. demand curve shifts rightward

B. demand curve shifts leftward

C. supply curve shifts rightward

D. supply curve shifts leftward

36. The Phillips curve suggests trade off between

A. economic growth and full employment

B. unemployment and income equality

C. the level of unemployment and price level stability

D. price level stability and income equality

37. Say's law of market provides the basis of

A. Classical theory of full employment

B. Keynesian theory of full employment

C. Malthusian theory of over-production

D. Marxian theory of exploitation

38. According to Friedman's theory of consumption function the relationship between permanent component of aggregate consumption and aggregate income is

A. linear, but not proportional

B. quadratic

C. non-linear

D. proportional

39. Keynesian liquidity preference theory postulates that the aggregate demand for money in a economy is

A. inversely related to the rate of interest at the levels

B. inelastic with respect to the rate of interest at sufficiently low rates of interest

C. not affected by the interest rate at all

D. directly proportional to the rate of interest

40. Money is

A. a liability

B. a claim

C. somebody's claim and somebody else's liability

D. None of the above

41. Which of the following is not a function of money?

A. Medium of exchange

B. Unit of amount

C. Standard of deferred payments

D. Store of metal

42. People tend to demand money for the so called precautionary motive because

A. they bear a severe fall in the rate of interest

B. they wish to make some provision against unforeseen contingencies

C. they wish to keep cash for their day-to-day purchases

D. they believe that the price of bonds may rise suddenly

43. Value of money

A. is inversely related to the price level

B. is directly related to the price level

C. is independently of the price level

D. None of the above

44. Irving Fisher believed the price of money to be determined by the

A. level of investment

B. elasticity of demand

C. quantity of money

D. velocity of money

45. 'Fiat money' is that which is

A. accepted by overseas banks only

B. decreased as money by the government

C. accepted temporarily in lieu of gold

D. backed by gold or silver

46. "Money is anything which is widely accepted in payment for goods; or in discharge of the other kinds of business obligation." Who has given this definition of Money?

A. Sir Robertson

B. Marshall

C. J.S. Mill

D. Keynes

47. Which of the following would not be considered a near money?

A. saving and loan shares

B. time deposits

C. treasury deposits

D. demand deposits

48. Which of the following is an instance of quasi-money?

A. Demand deposits

B. Coins

C. Bills of exchange

D. Furniture

49. ‘High Powered Money’ consists of

A. currency, reserves and other obligations of the Central Bank

B. all the liabilities of the commercial banks

C. currency and demand deposits

D. demand and time deposits liabilities only

50. Gresham’s law states that

A. good money drives bad money out of circulation

B. bad money drives good money out of circulation

C. good money promotes bad money in the system

D. bad money promotes good money in the system

51. Which of the following conditions should be fulfilled, so that a coin can be called token money?

A. When its intrinsic (metallic) value is greater than its face value

B. When its intrinsic value is less than its face value

C. When its intrinsic value is equal to its face value

D. When its intrinsic value is equal to or greater than its face value

52. Fisher’s quantity theory is explained by his famous equation of exchange given as

A. MV = PT

B. MP = VT

C. MT = PV

D. None of these

53. The term V in the equation of exchange measures

A. the value of money as determined by its gold backing

B. the number of a times a unit of money enters into circulation per unit of time

C. the value of money in circulation

D. the value of credit instruments in circulation

54. Money measure M_2 comprises

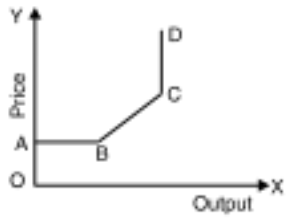
A. M_1 plus time deposits of all banks

B. M_2 plus saving deposits with Post Office Saving banks

C. M_1 plus national saving certificates

D. M_1 plus time deposits of the banks as well as saving deposits with post offices

55. In the given diagram, the Quantity Theory of money in its most rigid form applies to



A. Region AB

B. Region BC

C. Region CD

D. Region AB and BC

56. Which of the following components of demand for money marks a complete break from the classical theory?

A. Transactions

B. Precautionary

C. Speculative

D. None of these

57. Money measure M_3 is

A. Wider than M_1

B. More liquid than M_1

C. Narrower than M_1

D. None of these

58. The velocity of money is

A. The average turnover of money in a period, relative to the period's national income

B. The ratio of money demand to income

C. The ratio of money supply to income

D. The ratio of money demand to money supply

59. A large speculative demand for money is likely to exist when

A. people wish to borrow money in order to speculate on the stock exchange

B. the current rate of interest is high

C. the current rate of interest is lower than people expect it to be in the near future

D. people expect the prices of goods and services to rise

60. The neoclassical Cambridge approach viewed the amount of money demanded as a function of

A. money income

B. interest rate

C. both A and B

D. neither A nor B

61. Friedman's demand function is

A. $VY = PR / M$

B. $V = PT / M$

C. $M = F (P,Y\ 1 / P, dp / dt, r_b, r_e, w, u)$

D. $P = M / IXT$

62. The main distinguishing feature between money market and capital market is based on the

A. cost of credit

B. term of credit

C. use of credit

D. user of credit

63. Commercial banks are regarded as creators of money because

A. they buy securities from the Central Bank

B. their loans create deposits

C. they are bound to honour their obligations

D. None of the above

64. Which one of the following is not an asset of the commercial banks, but in fact a liability?

A. Cash in hand

B. Money at call

C. Paid up capital

D. Investments

65. Moral suasion is

A. a term descriptive of the corrupt practices of many banks

B. a term applied to banks that are conservative in their banking practices

C. persuasion of banks to adhere to Central Bank desires

D. None of the above

66. The following are the assets of a commercial bank

1. Advances

2. Bills discounted

3. Special deposits

4. Money at call

5. Cash

6. Investment

The order of these assets as regards profitability is

A. 1, 6, 2, 3, 4, 5

B. 1, 2, 3, 4, 6, 5

C. 5, 2, 4, 1, 6, 3

D. 5, 4, 2, 6, 1, 3 67.

Banks create credit

A. out of nothing

B. on the basis of their securities

C. on the basis of their toal assets

D. on the basis of their cash deposits

68. Maintaining a cash reserve ratio of 1/5, with primary deposits of ` 100, the total derivative deposits created by banks would be

A. Rs. 100

B. Rs. 250

C. Rs. 400

D. None of the above

69. Which of the following are motives for holding money, according to Keynes

1. Transaction

2. Precaution

3. Speculation

A. 1 only

B. 2 only

C. 3 only

D. 1, 2 and 3 7

0. In a period of prosperity, credit creation is

A. small

B. heavy

C. unchanged

D. None of these

71. Increase in bank rates generally is followed by

A. an increase in market rate of interest

B. a fall in market rates of interest

C. a rise in the deposits rates but not the lending rates

D. a rise only in the lending rates

72. The “Unit banking” system is prevalent in

A. U.S.A

B. England

C. Canada

D. Australia

73. Essentially, the money market is a market for

A. long term loans

B. short term loans

C. second hand securities

D. overseas government securities

74. Which of the following is a legal tender in a modern economy?

A. Currency notes

B. Bank cheques

C. Bills of exchange

D. Promissory notes

75. In a multi-bank system

A. one bank alone multiplies deposits

B. some banks multiply deposits

C. all banks together multiply deposits

D. None of these

76. The 'bank deposit multiplier' shows

A. an inverse relationship between the reserve ratio and the total amount of deposits

B. an inverse relationship between the volume of currency and the volume of deposits

C. a complicated relationship between the rate of interest and money supply

D. reserve ratio has nothing to do with the volume of deposits

77. Maintaining a cash reserve ratio of 20% with primary deposits of ` 1000, the total derivative deposits created by banks would be

A. Rs. 5000

B. Rs. 1000

C. Rs. 4000

D. None of the above

78. An initial deposit of Rs. 10,000 is multiplied to Rs. 1,00,000 if the value of the deposit multiplier is

A. 10

B. 9

C. 8

D. 5

79. The gilt-edge market deals in

A. Worn and torn currency notes

B. Bullion

C. Government securities

D. Corporate bonds

80. Keynes term as ‘active balances’ the money held for

A. the speculative motive only

B. the transactions and precautionary motives

C. the transactions motive only

D. the precautionary motive only

81. Which of the following is not related to the selective controls of the central banks?

A. Margin requirement on security purchases

B. Maximum period of repaying consumer loans

C. Minimum down payments on particular types of loans

D. Maximum down payments on consumer loans

82. The ‘bull speculators expect that in future the bond prices will

A. fall

B. rise

C. remain constant

D. fluctuate

83. One of the major qualitative control measures is

A. bank rate policy

B. open market operations

C. reserve ratio requirements

D. margin requirements

84. When the central bank sells securities, as a result

A. the cash resources at the disposal of the commercial banks increase

B. the cash resources at the disposal of the commercial banks get diminished

C. the cash resources of the commercial banks remain unchanged

D. None of the above

85. The treasury bill market deals in the bills issued by

A. Firms

B. Banks

C. Government

D. All of these

86. Under the liquidity trap condition

A. all the asset holders turn bulls

B. all the asset holders turn bears

C. some turn bulls while some turn bears

D. many turn bulls while some turn bears

87. Bond prices and bonds yields

A. vary inversely

B. are not related

C. vary directly

D. are related in the long run but not in the short run

88. Credit incurs

A. no cost

B. some cost

C. heavy cost

D. None of these

89. The item “money at call and short notice” in a bank’s assets represents the bank’s loans to

A. industry and commerce

B. overseas central banks

C. the capital market

D. the money market

90. A Central Bank differs from a commercial bank is that

A. it has no branches

B. it is the banker of the state

C. it has administrative control over other banks

D. None of the above

91. Of the following which is a cause of ‘cost-push’ inflation?

A. Increased consumption expenditure

B. A reduction in taxation

C. Increase in demand

D. Increase in wages and salaries

92. A demand pull inflation is caused by

A. increase in interest rates

B. Reduction in bank credit

C. increased consumption expenditure

D. reduction in wages

93. Inflation benefits

1. Salary-earners

2. Pensioners

3. Equity-holders

4. Debtors

Select the right answer using the codes given below:

A. 1, 2 and 3 only

B. 1 and 2 only

C. 1, 3 and 4 only

D. 3 and 4 only

94. Deflation benefits

1. Salary-earners

2. Pensioners

3. Equity holders

4. Debtors

Select the right answer using the codes given below:

A. 1 and 2 only

B. 1 and 4 only

C. 1, 2 and 3 only

D. 2, 3 and 4 only

95. During “inflation”, the real income of wage earners

A. Increases immediately

B. Decreases immediately

C. Increases after a time

D. None of the above

96. “Inflation is unjust and deflation is expedient of the two, deflation is worse”. This is the view of

A. J. M. Keynes

B. J.R. Hicks

C. Marshall

D. A.C. Pigou

97. LM curve expenses the relation of

A. higher interest and higher level of real income

B. lower interest and higher level of real income

C. higher interest and lower level of real income

D. both (B) and (C)

98. In which of the following situation, fiscal policy is must effective?

A. The IS schedule has a zero slope and LM schedule has a slope greater than zero

B. The IS schedule has a zero slope and LM schedule has an infinite slope

C. The IS and LM schedules have slope greater than zero

D. The IS schedule has a slope greater than zero and the LM schedule has a zero slope

99. Match the following column A to B :

Column A	Column B
(a) Relationship between unemployment and inflation.	1. Kuznets curve
(b) Tax revenue and tax rate	2. Phillips curve
(c) Relationship between growth rate and	3. Laffer curve unemployment
(d) Income and inequality	4. Okun's curve

	(a)	(b)	(c)	(d)
A.	1	2	3	4
B.	4	1	2	3

C.	1	3	4	2
D.	4	2	1	3

100. The item chosen to serve as the medium of exchange should be

1. recognizable as money

2. portable

3. durable

4. homogeneous

Of the above statements

A. 1, 2 and 3 are correct

B. 1, 2 and 4 are correct

C. none is correct

D. all are correct

101. Demand deposits with banks are considered as money because they are

A. generally acceptable as a means of payment

B. more liquid than cash

C. held by the government

D. managed efficiently by bank managers

102. On which (one or more) of the following statement(s) is Friedman's re-statement of the quantity theory of money based?

1. An equi-proportionate change in all prices will change the demand for nominal money balances in the same proportion

2. Demand for real money balances varies proportionately with permanent real income.

3. Demand for money is perfectly interest-inelastic.

4. Demand for money is a stable function of a small number of variables.

Select the correct answer using the codes given

A. 1

B. 1 and 4

C. 2 and 3

D 1, 2, 3 and 4

103. If the supply of money exceeds the demand for money by 5%, then by how much does the rate of interest have to fall to restore market equilibrium, assuming interest elasticity of the demand for money to be – 0.5% and other things remaining unchanged?

A. 2.5%

B. 5%

C. 10%

D. 15%

104. As regards changes in interest rates, the most sensitive money-market is the

A. bill market

B. un-organised money market

C. call money market

D. collateral loan market

105. In a multi-bank system, with 20% cash reserve ratio, on a receipt of cash deposits of Rs. 100 crores, the banking system as a whole can create deposits to the extent of

A. Rs. 80 crore

B. Rs. 100 crore

C. Rs. 320 crore

D. Rs.400 crore

106. The theory of open market operations assumes that

A. the velocities of both bank deposits and legal tender money have no relationship

B. the legal tender money has a higher velocity than bank deposits

C. the bank deposits have a higher velocity than legal tender money

D. the circulation of bank deposits and legal tender money has constant velocity

107. Consider the following statements:

The success of a policy of variable reserve requirement depends on the

1. maintenance of a fixed reserve ratio by the commercial banks

2. maintenance of little or no excess reserves by the commercial banks

3. presence of a developed money market

Of the above statements

A. 2 and 3 are correct

B. 1 and 2 are correct

C. 3 alone is correct

D. 1 and 3 are correct

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Of the above statements

A. 2 and 3 are correct

B. 1 and 2 are correct

C. 3 alone is correct

D. 1 and 3 are correct

110. Assertion (A) : Money is a link between the present and the future.

Reason (R) : Money is a store of value.

A. Both A and R are true and R is the correct explanation of A

B. Both A and R are true, but R is not a correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

111. Assertion (A) : According to Baumol, the transactions demand for cash varies with respect to the square-root of the volume of transactions.

Reason (R) : Transaction demand for money is a function of income.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false

D. A is false, but R is true

112. Assertion (A) : There would be no trade- off between inflation and unemployment even in the short run if people's expectations are rational.

Reason (R) : Rational expectations imply forecasting the future correctly.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explnation of A.

C. A is true, but R is false

D. A is false, but R is true

113. Assertion (A) : The major distinguishing feature of a commercial bank is its ability to create money.

Reason (R) : It has a legal power to do so.

A. Both A and R are true and R is the correct explanation of A

B. Both A and R are true, but R is not a correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

114. Match List-I with List-II and select the correct answer using the codes given below the lists :

List-I	List-II
(a) C = 4 + 0.6 y	1. LM function
(b) I = 80 – 5 i	2. IS function
(c) 0.3y – 20 i –150 = 0	3. Consumption function
(d) 0.3y + 20 i – 150 = 0	4. Investment function

Codes:

	(a)	(b)	(c)	(d)
A.	3	4	1	2
B.	4	3	1	2
C.	3	4	2	1
D.	4	1	2	3

115. When income rises, the impact on the liquidity preference curve is that

A. it shifts to the left

B. it does not shift at all

C. it shifts to the right

D. there is a change in its slope

116. High powered money is

A. bank's reserves at the Central Bank

B. all loans and advances of banks

C. money held by banks

D. currency held by public and reserves with the Central Bank

117. Which one of the following pair is NOT correctly matched?

A. Inflationary Gap : Keynes

B. Cash Balance Approach : Pigou

C. Accelerator-Multiplier Analysis : Hicks

D. Equation of Exchange : Marshall

118. A commercial bank holds the following types of assets:

1. Treasury bills

2. Loans and advances

3. Cash

4. Money at call and short notice

Select the correct answer using the codes given below:

A. 3, 4, 1, 2

B. 4, 1, 3, 2

C. 3, 2, 1, 4

D. 2, 4, 1, 3

119. Should the Reserve Bank wish to increase the cash with commercial banks. It could

A. release gold from its reserves

B. buy government bonds in the open market

C. prohibit transactions involving bills of exchange

D. increase the cash reserve ratio

120. Given the total investment expenditure, an increase in the propensity to save will lead to a

A. rise in income

B. rise in the rate of interest

C. fall in savings

D. fall in income

121. If the investment multiplier is 4, the relevant consumption function is given by

A. C = 28 + 0.75 Y

B. C = – 28 + 0.78 Y

C. C = 28 + 0.70 Y

D. C = 28 + 0.40 Y

122. Consider the following statements:

1. Bond prices and interest rates vary directly.

2. 'Supply creates its own demand' is known as Walra's Law.

3. The rate that equalizes the discounted cash flow expected from an investment in a capital asset to its supply price is the marginal efficiency of investment.

4. Disposable income varies inversely with a tax on personal income.

Which of the above statements are correct?

A. 3 and 4

B. 1 and 3

C. 2 and 4

D. 1, 2 and 3

123. Which of the following is consistent with the crosssectional consumption function?

A. APC = MPC

B. MPC = O

C. APC > MPC

D. APC = O

124. The speculative demand for money depends on

A. interest rate

B. income

C. profit

D. output

125. Consider the following statements:

Classical economists believed that unemployment in an economy would persist because of

1. labour-saving technical progress.

2. deficiency in demand for goods.

3. Government intervention in the free working of the economy.

Which of the above statements is/are correct?

A. 1, 2 and 3

B. 1 and 2

C. 2 and 3

D. 3 alone

126. Keyne's theory of employment is

A. static theory

B. dynamic theory in Harrod’s sense

C. dynamic theory discussing period analysis

D. theory of comparative statics

127. “Supply creates its own demand” this statement comes from

A. James Mill

B. J.B. Say

C. David Ricardo

D. J.S. Mill

128. Which one of the following was the most important recommendation of classical economists to solve the problem of unemployment

A. reduction in population

B. a general cut in money wages

C. a general cut in real wages

D. large public expenditure

129. If a consumption function coincides with 45% line then marginal propensity to consume will be

A. zero

B. unity

C. greater than unity

D. less than unity

130. According to Keynes, which one of the following statements is correct:

A. MEC and RI both are independent variables.

B. MEC and RI both are dependent variables.

C. MEC is independent and RI is dependent variables.

D. MEC is dependent and RI is independent variable.

[Here MEC stands for Marginal Efficiency of Capital and RI stands for Rate of Interest]

131. In Keynesian Economics, given the total investment expenditure an increase in the propensity to save will lead to a

A. fall in the quantity of saving

B. fall in income

C. rise in interest rate

D. rise in income

132. If the annual income velocity of money is 3, then the total stock of money in the economy will be

A. 3 times of GNP

B. 1/3 times of real GNP

C. 1/3 times of nominal GNP

D. 1/3 of the ratio of P to real GNP

133. Which one of the following is not a method of credit control?

A. Bank Rate

B. Credit Deposit Ratio

C. Cash Reserve Ratio

D. Statutory Liquidity Ratio

134. Reserve money includes

A. time deposit with the banks only

B. currency with the public and cash with banks

C. cash with banks only

D. cash with banks and Post Office Savings bank deposits

135. “The quantity theory of money is a theory of demand for money and not a theory of fluctuations of income and/or prices.” The view has been given by

A. D.H. Robertson

B. I. Fisher

C. J.M. Keynes

D. M. Friedman

136. Structural inflation arises due to

A. increase in money supply

B. market imperfections

C. lack of complementary factors of production

D. increase in spending

Code : Select your answer from the codes given below

A. 1 and 2

B. 3 and 4

C. 2 and 3

D. 1 and 4

137. Which of the following can be regarded as near money?

A. Debit/credit Card

B. Bank Overdraft

C. Trade Credit

D. Time deposits with banks

138. Which one of the following is not a liability of a Commercial Bank?

A. Time deposits

B. Security holdings

C. Borrowings from the Central Bank

D. Deposits of other banks with it

139. According to Keynes, investors prefer to keep money instead of bonds when they hope that

A. rate of interest will fall

B. rate of interest will rise

C. price of bond will rise

D. rate of interest will remain unchange

140. Which combination represents the IS curve?

A. High interest rate and high income level

B. High interest rate and low income level

C. High interest rate and low saving level

D. High interest rate and high investment level

141. Natural rate of unemployment is that rate of unemployment which

A. occurs at full employment

B. occurs because of structural changes

C. generally is 6 to 8 per cent

D. all of the above

142. Bank rate is the rate

A. which is reference rate in all countries for interest structure.

B. at which the central bank rediscounts the first class gilt-edged securities of the banks

C. the rate which is given to the depositors of money with bank

D. the rate which is charged on loans given by banks.

143. The classical theory of money postulates that

A. more money will secure more growth.

B. more money will secure no growth but only inflation.

C. more money will increase the real and relative prices only.

D. during deflation a reduced velocity will end deflation

144. Statutory liquidity ratio of commercial banks means

A. the percentage of cash that banks keep with them under rules

B. the bank rate which is reference rate also

C. the ratio of government and other gilt-edged securities to liquid liabilities

D. the “reserve money”

145. If banks want to increase credit creation

A. they should increase interest rate to have more deposits

B. they should reduce the rate of interest

C. they should have high cash reserves with them

D. they should force investors to create demand for loans

146. Inflation is

A. always due to trade union pressure

B. not a condition but a movement of price rise

C. always self-liquidating

D. a planned rise in price

147. According to Keynes, transaction demand for money, L can be stated as (symbols have the usual meaning)

A. L = K (y)

B. L = I (r)

C. L = K (y) + I (r)

D. L = Y – I

148. Consider the following items

1. Currency with the public

2. Cash with banks

3. Post-office savings bank deposits

4. Time deposits with the banks

Reserve money includes

A. 1, 2 and 3

B. 2, 3 and 4

C. 1 and 2

D. 1, 2, 3 and 4

149. Supply of money remaining the same, where there is an increase in demand for money, there will be

A. a fall in the level of prices

B. an increase in the rate of interest

C. a decrease in the rate of interest

D. an increase in the level of income and employment

150. Fisher's equation of exchange establishes

A. direct relationship between money and prices

B. inverse relationship between money and prices

C. direct and proportionate relationship between money and prices

D. inverse and proportionate relationship between money and prices

151. Match the List I with List II and select the correct answer using the codes given below the lists

List I	List II
(a) Abstinence theory of interest	1. Knut Wicksell
(b) Time preference theory of interest	2. Irving Fisher
(c) Loanable funds theory of interest	3. N.W. Senior
(d) Liquidity preference theory of interest	4. J.M. Keynes

Codes:

(a)	(b)	(c)	(d)

A.	2	3	1	4
B.	3	2	1	4
C.	3	2	4	1
D.	2	3	4	1

152. Which of the following account for the limited nature and scope of monetary policy in under-developed countries?

1. The money market is unorganised and hence the monetary management of the central bank is not wide.

2. The governments always resort to deficit financing as their budgetary policy for development

3. Money supply consists mainly of currency in circulation but the bank deposits from only a small portion of total money supply

4. Change in the bank rate and other monetary initiatives remain ineffective because of a large non-monetised sector.

Select the correct answer using the codes given below

A. 1, 3 and 4

B. 1, 2 and 3

C. 1, 2 and 4

D. 2, 3 and 4

153. Match the List I with List II and select the correct answer using the codes given below the lists

List I	List II
(a) A continuous increase in general price level	1. Hyper Inflation
(b) Raising prices deliberately to relieve depression	2. Disinflation
(c) Fall in prices without a decline in the existing level of	3. Stagflation

employment, output and income

(d) Recession accompanied by inflation — 4. Reflation

5. Inflation

Codes:

	(a)	(b)	(c)	(d)
A.	5	1	2	4
B.	1	3	2	5
C.	1	4	5	3
D.	5	4	2	3

154. Consider the following statements:

1. A rise in the general level of prices may be caused by

2. A decrease in the aggregate level of output.

3. On increase in the effective demand

Of these statements

A. 1 alone is correct

B. 1 and 2 are correct

C. 2 and 3 are correct

D. 1, 2 and 3 are correct

155. Consider the following types of assets held by a commercial bank

1. Money at call and short notice

2. Government securities

3. Advances

4. Cash

The correct DECREASING order (highest to lowest) of liquidity of the given assets is

A. 4, 1, 3, 2

B. 1, 4, 3, 2

C. 1, 4, 3, 2

D. 4, 1, 2, 3

156. Consider the following factors

1. Cash withdrawal from the banking system by the public.

2. Cash reserve ratio to be maintained by commercial banks

3. Supply of currency notes by the central bank.

4. Willingness of the borrowers to take loans from commercial banks

Credit creation capacity of commercial bank is determined by

A. 1, 3 and 4

B. 2, 3 and 4

C. 1, 2 and 4

D. 1, 2 and 3

157. In order to control inflation, the central bank should

A. sell government securities and lower the bank rate

B. sell goverment securities and raise the bank rate

C. purchase government securities and raise the bank rate

D. purchase government securities and lower the bank rate

158. Assuming that

Change in investment $\Delta I = 20$

marginal propensity to save (MPS) = 0.5

marginal propensity to investment (MPI) = 0

the change in income ΔY will be equal to

A. 25

B. 50

C. 100

D. 200

159. In the given diagram, LK represents



A. deficiency of demand

B. excess demand

C. deficiency of supply

D. excess supply

160. Given the total investment expenditure increase in the propensity to save will lead to a

A. fall in the rate of interest

B. fall in income

C. rise in interest rate

D. rise in income

161. Investment multiplier can be obtained from (symbols have the usual meaning)

A. $1 / 1- \Delta C/ \Delta S$

B. $1 / 1- \Delta C/ \Delta Y$

C. $1 / 1 + \Delta C/ \Delta S$

D. $1 / 1 +\Delta C/ \Delta Y$

162. If there is an expectation of a rise in the price level, investment will be encouraged because

A. there will be an increase in the production of capital goods

B. there will be a rise in the prospective return from capital

C. people will save more and the interest rate will fall

D. the cost of production of capital goods will fall

163. The aggregate demand curve slopes downwards because an increase in price level leads to

A. reduction in real balances and increase in interest rate

B. increase in the interest rate and reduction in the aggregate spending

C. reduction in real balances alone

D. reduction in real balances, increase in interest rate and reduction in aggregate spending

164. According to permanent income hypothesis, the

A. long-run aggregate APC equals the long-run aggregate MPC

B. long-run aggregate APC is greater than the long run aggregate MPC

C. long-run aggregate APC is less than the long-run aggregate MPC

D. APC of ever individual is equal irrespective of different levels of income of families.

165. If there is an expectation of a rise in the price level, investment will be encouraged because

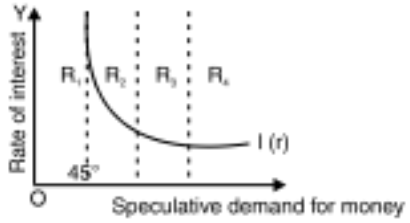
A. there will be an increased production of capital goods

B. there will be a rise in the prospective return from capital

C. the people will save more and the interest rate will fall

D. the cost of production of capital goods will fall

166. In the given diagram, speculative demand for money curve l (r) has four regions R_1 , R_2 , R_3 and R_4 . Liquidity trap is indicated by the regions



A. R_1 alone

B. R_1 and R_4

C. R_3 and R_4

D. R_4 alone

167. According to Keynes, marginal propensity consume

A. can never exceed unity

B. may exceed unity when dissaving occurs

C. can never exceed the average propensity to consume

D. is the reciprocal of the marginal propensity to save

168. Super multiplier refers to

A. interaction of the Multiplier and the Accelerator

B. reciprocal of the marginal propensity to consume

C. capital output ratio

D. budget multiplier

169. In the liquidity preference theory of interest of Keynes, money acts as a link between the present and the future in the case of

A. transactions demand for money

B. precautionary demand for money

C. business demand for money

D. speculative demand for money

170. Consider the following

1. Money supply M_2 .

2. Saving deposits with Post Office saving banks

3. Net time deposits of banks.

4. Total deposits of the Post Office saving banks excluding NSC.

The measure of Money Supply M_3 would include

A. 1, 2, and 3

B. 1 and 3

C. 1 and 4

D. 3 and 4

171. Which of the following measures would result in an increase in the money supply in the economy?

1. Purchase of government securities from the public by the Central Bank.

2. Deposit of currency in commercial banks by the public.

3. Borrowing by the government from the Central Bank.

4. Sale of government securities to the public by the Central Bank.

5. Minting of more money by the Central Bank for circulation.

Codes:

A. 1,2 and 3

B. 2, 3 and 4

C. 1, 3 and 5

D. 2, 4 and 5

172. In the IS-LM frame work of analysis, an increase in money supply in an expansionary, monetary policy would lead to a

A. rightward shift of the IS curve

B. rightward shift to the LM curve

C. leftward shift of the IS curve

D. leftward shift of the LM curve

173. The balance sheet of a particular commercial bank is shown in the following table

Assets in (₹)		Liabilities and net worth (in ₹)	
Reserves	30,000	Capital stock	200000
Property	200000	Demand deposits	120000
Loans	50000		
Securities	40000		
Total	320000	Total	320000

Given that the cash reserve ratio is 20%, the excess reserve of this particular bank will be

A. Rs 5000

B. Rs 6000

C. Rs 8000

D. Rs 12000

174. Assertion (A) : It is possible to control either the money supply or the rate of interest but not both.

Reason (R) : Other things remaining the same, the demand for money depends inversely on the rate of interest.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false

D. A is false, but R is true

175. Fisher's quantity theory of money has mainly been criticised because

A. it does not tell us as to how the changes in the quantity of money influence the price level

B. it overemphasises the demand for money by assuming supply of money as being constant

C. it analyses short term variations in the value of money

D. it emphasises too much on the price level

176. Grasham's law explains that

A. two grams of silver is equal to half gram gold for conversion

B. good money chases bad money out

C. velocity of circulation of money fluctuates rapidly

D. bad money drives good money out of circulation

177. Match List I (Economists) with List II (concepts) and select the correct answer using the codes given below the lists

List I (Economists)	List II (Concepts)
(a) Keynes	1. Money illusion
(b) Modigliani	2. IS-curve
(c) Hicks	3. Life cycle hypothesis
(d) Pigou	4. Liquidity trap

Codes:

	(a)	(b)	(c)	(d)
A.	4	1	2	3
B.	2	3	4	1
C.	4	3	2	1
D.	2	1	4	3

178. The time-preference theory of interest is mainly associated with

A. J.M. Keynes

B. I. Fisher

C. K. Wicksell

D. M. Friedman

179. In respect of the diagram given on next page, consider the following statements

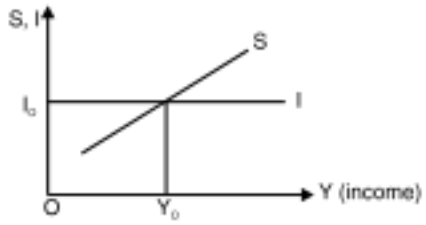
1. Saving (S) is autonomous.

2. Investment (I) is autonomous.

3. Saving is determined by income (Y).

4. Investment (I) is not autonomous.

Which of these statements are correct?



A. 2 and 3

B. 3 and 4

C. 1 and 4

D. 1 and 2

180. Assume consumption function of an economy to be C = Rs 30 crore + 0.80Y. Investment is Rs 40 crore.

Then, the equilibrium level of income is

A. 700 crore

B. 350 crore

C. 560 crore

D. 140 crore

181. The norms of behaviour which satisfy the requirements of social rationality of economic activity are established by

A. Positive economics

B. Normative economics

C. Business economics

D. Mathematical economics

182. M_2 , money supply measure in India, constitutes

A. M_1 + all post-office deposits

B. M_1 + time deposits of commercial banks

C. M_1 + all post-office saving deposits

D. M_3 + all post-office deposits

183. Stagflation refers to
A. high inflation in periods of high unemployment

B. deflation in periods of stagnant employment

C. deflation in periods of high unemployment

D. high inflation in periods of full employment

184. According to the quantity theory of money, the price level rises if

A. there is a decrease in money supply

B. the velocity of circulation of money rises

C. the aggregate volume of transactions increases

D. the real demand for money rises

185. Let I = 5 + 0.2Y, S = – 15 + 0.3Y and G – = 5 (where I = Investment, Y = National Income, S = Savings and G – = Government Spending). What is the equilibrium level of Y?

A. 200

B. 100

C. 250

D. 300

186. Consider the following statements

1. Absolute Income Hypothesis is associated with Keynes.

2. S = – 20 + 0.4y and C = 20 + 0.6y yield the same investment multiplier

3. Investment multiplier rises whenever income tax is introduced in the system

4. Bond Price and interest rates are directly related.

Which of the above statements is/are correct

A. 1 alone

B. 2 and 3

C. 3 and 4

D. 1 and 2

187. Consider the following statements relating to classical theory of employment:

1. Classical theory is based on the assumption of full employment

2. Classical version of full employment is a situation where involuntary unemployment is present

3. Classical version of full employment is consistent with seasonal unemployment and frictional unemployment

4. Classical economists advocated wage cuts to reduce the unemployment level

Which of the above statements are correct?

A. 1, 2 and 3

B. 2, 3 and 4

C. 1, 3 and 4

D. 1 and 2

188. Which one of the following saving functions corresponds to the investment multiplier of 5?

A. S = – 28 + 0.25 Y

B. S = – 40 + 0.75 Y

C. S = – 60 + 0.20 Y

D. S = – 75 + 0.60 Y

189. Consider the following statements relating to classical theory of employment

1. Classical theory is based on the assumption of full employment

2. Classical version of full employment is a situation where involuntary unemployment is present

3. Classical version of full employment is consistent with seasonal unemployment and frictional unemployment

4. Classical economists advocated wage cuts to reduce the unemployment level

Which of the above statements are correct?

A. 1, 2 and 3

B. 2, 3 and 4

C. 1, 3 and 4

D. 1 and 2

190. When investment is negatively related to the rate of interest, the equilibrium output in the goods market is

A. unrelated to the rate of interest

B. inversely related to the rate of interest

C. positively related to the rate of interest

D. indeterminate

191. Consider the following statements denoting the relationship between marginal propensity to consume and value of multiplier

1. Higher the marginal propensity to consume, higher is the multiplier

2. Higher the marginal propensity to consume lower is the multiplier

3. When the marginal propensity to consume is one, multiplier takes the value of infinity

Which of the above statements is/are correct?

A. 1 alone

B. 2 and 3

C. 1, 2 and 3

D. 1 and 3

192. An increase in fiscal spending leads to

A. a shift of the Phillips curve to the right

B. a shift of the Phillips curve to the left

C. movement along the Phillips curve such that unemployment rises and inflation falls

D. movement along the Phillips curve such that unemployment falls and inflation rises

193. Consider the following statements

1. According to the accelerator model, investment demand is proportional to the change in GNP.

2. The real rate of interest is the nominal rate of interest plus the inflation rate.

3. The higher the real interest rate, the higher is the rental cost of capital.

4. Investment is a stock concept

Which of the above statements are correct?

A. 2 and 3

B. 1 and 2

C. 1 and 3

D. 1, 2, 3 and 4

194. 'The propensity to consume of an individual with respect to his disposable income and wealth depends on his age? The statement refers to the

A. relative income hypothesis

B. permanent income hypothesis

C. life-cycle hypothesis

D. absolute income hypothesis

195. When income falls, what happens to the liquidity preference curve?

A. It does not shift

B. It shifts to the left

C. It shifts to the right

D. It becomes parallel to the vertical axis

196. Consider the following statements:

1. If government expenditure increases the IS curve shifts to the right

2. If the taxes increase the IS curve shifts to the right

3. If the price level increases the LM curve shifts to the left

4. The more interest elastic the investment function, the more interest elastic will the IS curve

Which of the above statements are correct?

A. 2, 3 and 4

B. 1, 3 and 4

C. 1 and 2

D. 2 alone

197. The most liquid asset, next to cash, which the banks possess is

A. Advances to customers

B. Money at call

C. Treasury bills

D. Inland bills

198. Bank rate refers to the

A. interest rate at which Commercial Banks accept deposits from the public

B. rate at which Central Bank rediscounts bills of exchange of Commercial Banks

C. prime lending rate of Commercial Banks

D. interest rate at which Commercial Banks lend to the customers

199. The elasticity in respect of speculative demand for money, under the liquidity trap condition is

A. zero

B. one

C. greater than one

D. infinite

200. When the intrinsic value of money and its face value are equal, it is called

A. token money

B. full-bodied money

C. quasi-money

D. fiat money

201. Which one of the following is NOT an instrument of monetary policy?

A. Tariffs

B. Moral suasion

C. Open market operations

D. Credit rationing

202. Which one of the following according to Milton Friedman is NOT a key determinant of the demand for money

A. Aggregate wealth

B. Precautionary motive

C. Relative rates of return obtainable on different forms of assets

D. Physical non-human capital goods and human capital

203. A significant decrease in the demand for loans will force banks to

A. adjust their portfolios

B. sell securities to the Central Bank

C. resort to borrowings

D. raise the prime lending rate

204. Which one of the following factors affects velocity of circulation?

A. Time unit of income receipts

B. Frequency of transaction

C. Liquidity preference

D. All of the above

205. Which one of the following statements is correct in respect of equation of exchange MV = PT?

A. If M is doubled, leaving V and T unaffected, then P must double.

B. If M is doubled, leaving V unaffected then P will be halved.

C. If M and T are doubled, leaving V unaffected, then P will be halved

D. If M is doubled, V is halved, leaving T unaffected, then P gets multiplied 3 times

206. Match List-I (Name of the Economist) with List-II (concept/theory) and select the correct answer using the codes given below the lists:

List I	List II
(a) A.W. Phillips	1. Central Bank
(b) Findlay Shirras	2. Trade-off between wage and unemployment rate
(c) J.M. Keynes	3. Theory of profit

(d) R.S. Sayers 4. Taxable capacity

5. Liquidity trap

Codes:

	(a)	(b)	(c)	(d)
A.	5	4	1	2
B.	2	3	5	1
C.	5	3	1	2
D.	2	4	5	1

207. The Central Bank can decrease the bank credit component of the money supply by

A. lowering the cash reserve requirements

B. increasing the bank rate

C. lowering the bank rate

D. buying of government securities by the Central Bank

208. Which one of the following can be called as an instrument of selective credit control?

A. Fixing statutory liquidity requirements

B. Variation of bank reserve ratio

C. Fixing of margins for lending against specific securities

D. Altering discount rate

209. Which one of the following represents capital adequacy ratio for Commercial Banks?

A. Ratio of capital to risk-weighted assets

B. Ratio of capital to short-term deposits

C. Ratio of capital to non-performing assets

D. Ratio of capital to advances

210. Derivative deposit means

A. Cash deposited in a bank by an employee of a business firm

B. deposits created by a Commercial Bank out of its borrowings from the RBI

C. cash deposited in a bank by another Commercial Bank

D. deposits created by a bank out of its credit provided to the customer of the bank

211. Assertion (A) : Real rate of interest is better 206 indicator of returns on savings than nominal rate of interest

Reason (R) : The real rate of interest is estimated after removing the effect of the expected rate of inflation.

A. Both A and R are true and R is correct explanation of A

B. Both A and R are true, but R is not a correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

212. Match List-I with List-II and select the correct answer using the codes given below the lists:

List I	List II
(a) C = 9 + 0.1 Y	1. IS relation
(b) 0.25 Y – 20i – 193 = 0	2. Consumption relation
(c) 0.06Y + 29i – 500 = 0	3. Investment relation
(d) I = 50 – 10i	4. LM function

Codes:

	(a)	(b)	(c)	(d)
A.	4	3	2	1
B.	4	3	1	2

C.	2	4	3	1
D.	2	4	1	3

213. Excess of ex-ante savings over ex-ante investment means that

A. income will fall

B. income will rise

C. income will remain the same

D. price will rise and inventories will accumulate

214. Consider the following statements

1. Points to the left of the IS curve indicate excess supply of goods.

2. Points to the right of the LM curve indicate excess demand for money.

3. Points to the right of the IS curve indicate excess supply of money.

4. Points to the right of the IS curve indicate excess supply of goods.

Of these statements

A. 2 and 4 are correct

B. 1 and 3 are correct

C. 2 and 3 are correct

D. 1, 2 and 3 are correct

215. Match List-I with List-II and select the correct answer using the codes given below the lists:

List I	List II
(a) Life cycle Hypothesis	1. Keynes
(b) Permanent Income Hypothesis	2. Duesenberry
(c) Absolute Income Hypothesis	3. Friedman

(d) Relative Income Hypothesis — 4. Ando-Brumberg Modigliani

Codes:

	(a)	(b)	(c)	(d)
A.	4	3	1	2
B.	4	3	2	1
C.	3	2	1	4
D.	3	2	4	1

216. The author of employment multiplier is

A. Lord Beveridge

B. K.M. Keynes

C. R.F. Kahn

D. J.R. Hicks

217. In a two sector economy, the saving and investment functions are as follows

$S = -10 + 0.2Y$

$I = -3 + 0.1Y$

What will be the equilibrium level of income?

A. 70

B. 80

C. 90

D. 100

218. The IS-LM model has been formulated by

A. J.R. Hicks

B. F. Modigliani

C. P.A. Samuelson

D. J.M. Keynes

219. The speculative demand for money is

A. interest determining

B. interest determined

C. income determining

D. income determined

220. Which one of the following is represented by M_3?

A. M_1 + post office savings bank deposits

B. Currency with the public + demand deposits with banks

C. M_1 + time deposits with bank

D. M_2 – post office savings bank deposits

221. Consider the following statements:
Unanticipated inflation is likely to benefit
1. Debtors.
2. Life Insurance policy holders.
3. Persons having fixed deposits with companies.

4. Persons having fixed deposits with banks.
Of these statements
A. 1 alone is correct
B. 1, and 2 are correct
C. 1, 2 and 3 are correct
D. 2, 3 and 4 are correct

222. Consider the following statements:
Money supply in India can be increased if

1. RBI puts out more paper money for circulation.
2. the commercial banks expand their credit operations.
3. the Central Government gives more grants to the states.

4. the Government of India borrows from the RBI.

223. Of these statements

A. 1, 2 and 3 are correct

B. 2, 3 and 4 are correct

C. 1, 3 and 4 are correct

D. 1, 2 and 4 are correct

223. Income velocity of money depends upon

A. frequency of spending money income by the people

B. frequency of earning and spending of money

C. the speed with which money stock moves from income earners to the producers of final goods

D. liquidity preference of cash by the people for the purchase of final goods.

224. Match List-I with List-II and select the correct answer using the codes given below the lists

List I	List II
(a) Investment Banks	1. Two or more separately incorporated banks brought under the control of a holding company.
(b) Group Banking	2. Provide credit on long term basis
(c) Chain Banks	3. Banks linked together through deposits by smaller banks of some of their cash reserves with bigger banks
(d) Correspondent	4. Branches of the bank

Banking linked together for better mobilisation of deposits

5. Banks brought under common control by a device other than the holding company

Codes:

	(a)	(b)	(c)	(d)
A.	1	3	4	5
B.	2	5	4	1
C.	2	1	3	5
D.	2	1	5	3

225. Which one of the following methods can be used as an instrument of qualitative control of credit by the Central Bank?

A. Bank Rate Policy

B. Open Market Operations

C. Changes in Margin Requirements

D. Variations in Reserve Ratio

226. Assertion (A) : Y = C + I (where Y = National Income, C = Consumption, I = Investment)

Reason (R) : C and I are important determinants of national income

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

227. Assertion (A) : An investor will invest in a capital asset.

Reason (R) : Marginal Efficiency of Capital (MEC) ≥market rate of interest.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not correct explanation of A.

C. A is true, but R is false

D. A is false, but R is true

228. Assertion (A) : People's desire for transactions balances increases with increase in income.

Reason (R) : People spend an increasing proportion of their income on consumption.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not correct expla- nation of A.

C. A is true, but R is false.

D. A is false, but R is true.

229. Assertion (A) : Reserve Bank of India raises money supply through purchase of securities in the money market.
Reason (R) : Increase in money supply may result in the expansion of investment and employment.

A. Both A and R are true, and R is the correct explanation of A.

B. Both A and R are true, but R is not correct expla- nation of A.

C. A is true, but R is false.

D. A is false, but R is true.

230. In an economy where people always consume half of any additional income and save the other half, an additional government expenditure of Rs. 20,000 can create an additional income of

A. Rs. 10,000

B. Rs. 40,000

C. Zero

D. Rs. 20,000

231. When a linear consumption function undergoes a parallel shift downwards the investment multiplier will

A. fall

B. rise marginally

C. remain as before

D. become double

232. If the consumption function passes through the origin, then APC = MPC it must be

A. linear without any intercept

B. non-linear without any intercept

C. linear with a negative intercept on the income axis

D. linear with a positive intercept on the consumption axis

233. Consider the following

1. Investment demand.

2. Aggregate demand.

3. Rate of interest.

4. Money supply.

The correct sequence for the impact of change in money supply visualised by Keynes is

A. 1, 2, 3, 4

B. 2, 1, 3, 4

C. 4, 3, 2, 1

D. 4, 3, 1, 2

234. If the rate of interest is greater than zero, it follows that

A. present goods and future goods always have an equal value

B. present goods are worth less than future goods

C. present consumption is worth more than future consumption

D. present consumption is worth less than future consumption

235. Given the consumption function C = 205 + 0.9Y

What is the multiplier?

A. 0.09

B. 10.0

C. 0.9

D. 9.00

236. The Phillip's curve is the schedule showing the relationship between

A. aggregate supply and demand

B. total savings and investments

C. the rate of unemployment and rate of inflation

D. demand for and supply of loanable funds

237. Suppose that the money supply in an economy is constant and the demand for money is a function of income and interest rate, then if the level of income increases there will be

A. a decrease in the quantity of money demanded and an increase in the rate of interest

B. an increase in the quantity of money demanded and an increases in the rate of interest

C. a decrease in the quantity of money demanded and increase in the rate of interest

D. an increase in the quantity of money demanded and decrease in the rate of interest

238. Which one of the following is a correct and likely sequence? (M is money supply, i is nominal rate of interest and I is investment)

A. M down, i down, I down, GNP down.

B. M down, i down, I up, GNP up.

C. M down, i up, I down, GNP down

D. M up, i up, I up, GNP up

239. If the annual income velocity of money is 3, then the total money stock in the economy is

A. 3 times the nominal GNP

B. 1/3 of real GNP

C. 1/3 of nominal GNP

D. 1/3 of the ratio of P to real GNP

240. Consider the following statements
The money-supply to the economy will increase if the Central Bank
1. supplies credit to the central government.
2. provides credit to the commercial banks.
3. provides credit to the state governments.

Of these statements

A. 2 alone is correct
B. 1 and 3 are correct
C. 1 and 2 are correct
D. 1, 2 and 3 are correct

241. Which one of the following is an example of "open market operations"?

A. Sale of gold by Reserve Bank of India to goldsmith

B. Sale of jute by Jute Corporation of India from its stocks to jute mills

C. Sale of government securities by the Reserve Bank of India to commercial banks and other Financial organisations on its own initiative

D. Sales of dollar by the Reserve Bank of India to exchange banks at their request

242. The objective of selective credit controls is mainly to

A. selectively allocate credit to commercial banks

B. selectively allocate credit among borrowers

C. regulate the quantity of demand deposits created by commercial banks

D. regulate the quantity of credit created by commercial banks

243. Portfolio theory of the demand for money assumes that the individual

A. disregards risk

B. is risk neutral

C. is risk lover

D. is risk averse

244. An instrument of qualitative credit control in India is

A. open market operation

B. credit rationing

C. change in reserve ratio

D. bank rate policy

245. If the Reserve Bank of India sells securities in the market, it will result in

A. an immediate change in the bank rate

B. a fall in the market rate of interest

C. an increase in loans to banks customers

D. a reduction in bank deposits

246. If MPC = APC for all levels of income (Y), then the corresponding consumption function will be

A. C = a + b Y

B. C = b Y C.

C. C = b Y2

D. a + b Y2

247. The accelerator theory of investment relates the current rate of investment to the

A. long-term rate of interest

B. short-term rate of interest

C. current level of output

D. change in the level of output

248. If the consumption functions undergoes a parallel shift upwards, then the investment multiplier will

A. rise

B. fall

C. remain constant

D. be double

249. Match List I with List II and select the correct answer using the codes given below the lists:

List I	List II
(a) J. M. Keynes	1. Permanent income hypothesis
(b) J. Duesenberry	2. Life cycle hypothesis
(c) M. Friedman	3. Relative income hypothesis

(d) F. Modigliani 4. Absolute income hypothesis

Codes:

	(a)	(b)	(c)	(d)
A.	4	3	2	1
B.	3	4	1	2
C.	3	4	2	1
D.	4	3	1	2

250. If MPS rises then the equilibrium level of output will

A. rise

B. fall

C. remain constant

D. be indeterminate

251. According to classical theory, a 10 percent increase in money supply will

A. increase money wage rates by 10 percent, but have no effect on real wages

B. increase real wage rates by 10 per cent

C. decrease real wage rates by 10 per cent

D. increase both money wage rates and real wage rates by 10 per cent

252. The equation 0.5 Y + 50i – 240 = 0 (where Y denotes national income and i the rate of interest), is that of a/an

A. Consumption function

B. Investment function

C. IS function

D. LM function

253. An increase in the money supply results in

A. a change in the slope of the LM curve

B. rightward shift of the LM curve

C. no change in the LM curve

D. leftward shift of the LM curve

254. According to Keynes, which one of the following is the basic cause of involuntary unemployment?

A. A general deficiency in the demand for goods and services

B. The reluctance of workers to move to other parts of the country where there is work

C. The inability to change occupations because of lack of the necessary skills

D. Workers ignorance of opportunities of employment in other occupations and districts

255. Speculative demand for money would increase if

A. prices of securities are expected to rise

B. prices of goods are expected to fall

C. the interest rate is expected to be constant

D. the interest rate is expected to rise

256. Consider the following liquid assets

1. Demand deposits with the banks

2. Time deposits with the banks

3. Savings deposit with the banks

4. Currency

The correct sequence of these assets in the decreasing order liquidity is

A. 1, 4, 3, 2

B. 2, 3, 4, 1

C. 2, 3, 1, 4

D. 4, 1, 3, 2

257. The relationship between Fisher's V and K in Cambridge Equation Exchange is

A. V = 1 / k

B. V = 1 / 1 + k

C. V = 1 + k

D. V = 1 – k

258. Under the 'liquidity trap' situation the liquidity preference curve

A. is perfectly inelastic

B. is perfectly elastic

C. intersects the horizontal axis

D. intersects the vertical axis

259. The Bank Rate means the rate which the

A. Commercial banks offer on savings deposits

B. Commercial banks offer on current accounts deposits

C. Commercial banks charge on short-term loans

D. Central Bank charges in rediscounting first-class bills of exchange

260. Consider the following items included in a Balance Sheet:

1. Demand deposits

2. Borrowings from other banks

3. Cash kept with other banks

4. Endorsement of bills of exchange

Which of these are shown in the liability column of the Balance Sheet of a commercial bank?

National Income Accounting

A. 1, 2 and 3

B. 1, 2 and 4

C. 1 and 3

D. 2 and 4

21	22	23	24	25	26	27	28	29	30
C	B	A	A	B	B	C	D	D	B
31	32	33	34	35	36	37	38	39	40
B	C	C	D	D	C	A	A	A	C
41	42	43	44	45	46	47	48	49	50
D	B	A	C	C	A	B	C	A	B
51	52	53	54	55	56	57	58	59	60
B	A	B	B	C	C	A	A	C	A
61	62	63	64	65	66	67	68	69	70
C	B	B	C	C	C	D	C	D	B
71	72	73	74	75	76	77	78	79	80
A	A	B	A	C	B	C	A	C	B
81	82	83	84	85	86	87	88	89	90
D	B	D	B	C	B	A	B	D	B
91	92	93	94	95	96	97	98	99	100
D	C	D	A	B	A	A	B	B	D
101	102	103	104	105	106	107	108	109	110
A	D	A	C	D	B	D	B	D	A
111	112	113	114	115	116	117	118	119	120
B	A	C	A	C	D	D	D	B	D
121	122	123	124	125	126	127	128	129	130
A	A	A	A	D	B	B	B	B	B
131	132	133	134	135	136	137	138	139	140
B	B	B	D	D	C	A	B	B	B
141	142	143	144	145	146	147	148	149	150
D	B	B	C	C	B	A	A	B	C

151	152	153	154	155	156	157	158	159	160
B	A	D	D	D	C	B	B	B	B
161	162	163	164	165	166	167	168	169	170
B	B	D	A	B	D	A	A	D	B
171	172	173	174	175	176	177	178	179	180
A	B	B	A	A	D	C	B	A	B
181	182	183	184	185	186	187	188	189	190
B	C	A	B	A	D	C	C	C	B
191	192	193	194	195	196	197	198	199	200
D	D	C	C	B	B	B	B	D	B
201	202	203	204	205	206	207	208	209	210
A	B	A	D	A	D	B	C	C	D
211	212	213	214	215	216	217	218	219	220
A	D	A	A	A	C	A	A	B	C
221	222	223	224	225	226	227	228	229	230
A	D	C	C	C	A	A	A	A	B
231	232	233	234	235	236	237	238	239	240
C	A	B	C	B	C	B	C	B	D
241	242	243	244	245	246	247	248	249	250
C	B	C	B	D	B	D	C	D	B
251	252	253	254	255	256	257	258	259	260
D	C	B	A	D	C	A	B	D	B

1. National Income ordinarily means

A. gross national product at market prices

B. net national product at market prices

C. gross national product at factor cost

D. net national product at factor cost

2. “National income as the aggregate net product of, and the sole source of, payment for all the agents of production” has been defined by

A. A.C. Pigou

B. Alfred Marshall

C. Robbins

D. Dusen bery

3. The difference between gross domestic product and net domestic product equals

A. transfer payments

B. depreciation cost

C. indirect taxes

D. subsidies

4. “The capital of a country, acting upon its natural resources, produce annually a certain net aggregate of commodities, material and immaterial, including services of all kinds”. This definition of National Income is given by

A. Adam Smith

B. Lionel Robbins

C. John Stuart Mill

151 B	152 A	153 D	154 D	155 D	156 C	157 B	158 B	159 B	160 B
161 B	162 B	163 D	164 A	165 B	166 D	167 A	168 A	169 D	170 B
171 A	172 B	173 B	174 A	175 A	176 D	177 C	178 B	179 A	180 B
181 B	182 C	183 A	184 B	185 A	186 D	187 C	188 C	189 C	190 B
191 D	192 D	193 C	194 C	195 B	196 B	197 B	198 B	199 D	200 B
201 A	202 B	203 A	204 D	205 A	206 D	207 B	208 C	209 C	210 D
211 A	212 D	213 A	214 A	215 A	216 C	217 A	218 A	219 B	220 C
221 A	222 D	223 C	224 C	225 C	226 A	227 A	228 A	229 A	230 B
231 C	232 A	233 B	234 C	235 B	236 C	237 B	238 C	239 B	240 D
241 C	242 B	243 C	244 B	245 D	246 B	247 B	248 C	249 D	250 B
251 D	252 C	253 B	254 A	255 D	256 C	257 A	258 B	259 D	260 B

D. Alfred Marshall

5. The total income earned in any given year by the owners of productive resources is measured by

A. personal income

B. disposable income

C. gross national product

D. national income

6. In calculating a country's GNP at market prices one of the following is not included

A. wages and salaries before tax

B. indirect taxes

C. bonus to the employees

D. depreciation allowances

7. While calculating personal income, we have to deduct the following from private income–

A. saving of private corporate sector and corporation tax

B. consumption of fixed capital

C. direct taxes paid by households

D. all of the above

8. "National divident is that part of objective income of the community, including of course the income derived from abroad which can be measured in money." This is the remark of

A. Alfred Marshall

B. J.R. Hicks

C. David Ricardo

D. A.C. Pigou

9. The best method of computing national income is

A. Product Method

B. Income Method

C. Expenditure Method

D. Combination of income and production method

10. Which of the following is not, by definition, equal to National Income?

A. National output

B. National expenditure

C. National product

D. National wealth

11. An example of double counting in national income would be

A. wages of bus and train drivers

B. cotton output and cotton cloth output

C. electricity ouput and water output

D. tax receipts and earnings of inland revenue officials

12. Which of the following is a transfer payment?

A. payment made to housewife

B. pocket allowance to children

C. maintenance allowance to old parents

D. all of the above

13. If GNP is 16% higher than the last year's and the rate of inflation is 9%, production in the economy has grown by

A. 4%

B. 5%

C. 6%

D. 7%

14. Among these statements which one clearly explains the meaning of 'Subsidies'

A. Payment of Government for purchase of goods and services

B. Payment by business enterprises to factors of production

C. Payment by companies to shareholders

D. Payments by Government to business enterprises without buying any goods and services

15. The difference between Gross National Product and Gross Domestic Product is equal to

A. Gross Domestic Investment

B. Net Foreign Investment

C. Net Imports

D. Net Factor Income from abroad

16. Net domestic product at factor cost equals net domestic product at market prices

A. plus subsidies minus indirect taxes

B. minus subsidies + indirect taxes

C. minus subsidies

D. plus indirect taxes

17. When gross investment is positive, net investment

A. is the highest

B. is zero

C. is positive

D. can be either positive or negative

18. National product is not affected by which of the following?

A. Sale of a second hand automobile by A to B

B. Sale of a new car by an automobile dealer

C. Sale of a new car by an automobile company

D. Sale of a new car on hire purchase

19. Net foreign investment is equal to

A. total amount of foreign investment in a country

B. investment by foreigners during a particular year

C. investment by local resident in a foreign country

D. investment by the foreigners in this country minus investment by residents of this country in foreign countries during a given time period.

20. “Disposable income” does not include

A. business transfer payments

B. social security benefits

C. corporate dividends

D. personal income taxes

21. Circular flow of income in a two sector model implies

A. payments from households to firms and back again

B. payments from firms to firms

C. payments from households to house holds

D. payments from households to firms

22. Which one of the following is not a Transfer Payment in National Income accounting?

A. Interest on government bonds held by Indians

B. Drought relief payments

C. Unemployment benefits

D. Salaries of Supreme Court Judges

23. Which of the following would be included in calculation of national income?

1. Commission paid to a salesman

2. Subsidies paid to a farmer

3. Social Security payments

4. Payments to a part time polytechnic lecturer

Select the correct answer using codes given below:

A. 1, 3 and 4

B. 1 and 4

C. 2, 3 and 4

D. 1, 2, 3 and 4

24. Which one of the following is not included in calculating groos national product of an economy?

A. Wages and Salaries before tax

B. Depreciation allowances

C. Indirect taxes

D. Subsidies

25. The consolidated government budget differs from the union budget by

A. imports

B. state and local government expenditure

C. union tax receipts

D. intergovernmental transfers

26. Which of the following is not an investment expenditure?

A. The purchase of a new house

B. Expenditures on producers durable equipment

C. An increase in business inventories

D. Expansion of the main plant of a company

E. None of the above

27. Which one of the following is a transfer income?

A. The salary of a M.P.

B. Company dividends to share holders

C. Rents from house property

D. Unemployment allowance

28. For the study of the long term growth of the economy we use

A. real GNP

B. transfer payment

C. per capita income

D. disposbale income

29. Interest on the national debt is included in

A. NNP

B. GNP

C. Personal Income

D. National Income

30. Double counting has the effect of

A. underestimating national product

B. overestimating national product

C. distorting national product

D. misleading conclusions about national income

31. The smallest national income accounting aggregate is usually

A. PI

B. GNP

C. DPI

D. NI

32. The Government sector's contribution to GNP is measured by

A. government purchases of goods and services

B. wages and salaries and supplements as paid by the government

C. intergovernmental surplus

D. the size of the government surplus

33. Depreciation means

A. destruction of a plant in a fire accident

B. loss of equipment over time due to wear and tear

C. closure of the plant due to raw material problem

D. closure of the plant due to lockout

34. Which of the following is not a method of estimating GNP?

A. The value added approach

B. Product approach

C. Income approach

D. The financial approach

35. Depreciation is loss of value of

A. capital assets

B. stocks

C. intermediate goods

D. final goods

36. GNP is Rs. 600 crore and NNP is Rs. 4.75 crore; therefore depreciation is

A. Rs.100 crore

B. Rs.175 crore

C. Rs.50 crore

D. Rs.125 crore

37. Which of the following is not true?

A. GNP less depreciation = NNP

B. GNP = GDP + Net income from foreign assets

C. NNPFC = NNPMP + Subsidies – Indirect taxes

D. GNP = NNP – depreciation allowance

38. NNP at market prices and NNP at factor costs will be equal when there is

A. no direct tax

B. no indirect tax

C. no subsidy

D. no indirect tax and no subsidy

39. Gross national product is equal to

A. total output of goods and services in a year

B. total output minus intermediate consumption

C. total output minus savings

D. total output plus total factor payments

40. In a closed economy model one of the sectors below is not to be considered. Which?

A. Households

B. Firms

C. Government

D. Foreign trade

41. National product at market prices is higher than national product at factor cost by the amount of

A. subsidies

B. indirect taxes

C. indirect taxes plus subsidies

D. indirect taxes minus subsidies

42. Which of the following formula could be used for calculating the per capita income of a country?

A. Total family income / Number of family members

B. National Income / Total population

C. Total Income of various industries / Total number of industrial workers

D. Total government revenue / Total population

43. Income per capita increases when

A. GNP increases at the same rate as population

B. GNP increases slower than population

C. GNP increases faster than population

D. GNP does not increase and population increases slowly

44. This year, if national product at factor cost isRs. 600 crore, indirect taxes Rs. 200 crore and subsidies Rs.75 crore, national product at market prices is

A. Rs. 750 crore

B. Rs. 725 crore

C. Rs. 500 crore

D. Rs.250 crore

45. Which one of the following measures does not include final goods and services

A. GNP

B. NNP

C. Disposable income

D. National income

E. None of the above

46. Imports into a country generate income for

A. domestic manufacturers

B. government

C. traders

D. foreign products

47. When less output is consumed than produced during a given income period, national wealth

A. increases

B. remains unchanged as there is no relationship

C. decreases

D. may increase or decrease

48. Which of the following Indian economists scientifically estimated the national income of India?

A. Dadabhai Naoroji

B. Dr. K.N. Raj

C. Dr. V.K.R.V. Rao

D. Dr. Vakil

49. Which of the following items are not included in estimating National income or NNPFC?

A. Salary income of artists, dancers and singers

B. Income of smugglers

C. Payments to farm workers in foodgrains

D. Payment of bank interest for capital borrowed

50. National product at current prices is higher than national product at constant prices during a period of

A. Rising prices

B. Falling prices

C. Stable prices

D. Changing costs

51. Expenditure on defence is an item of

A. private investment

B. public investment

C. private consumption

D. public consumption

52. GNP at market prices is Rs. 200, net property income from abroad is Rs. 20 and indirect taxes are Rs. 20 and subsidies are Rs. 10; GDP at factor cost is

A. Rs. 160

B. Rs. 180

C. Rs. 200

D. Rs. 250

53. A growing country is one with

A. rising GNP at constant prices

B. constant GNP at constant prices

C. rising GNP at current prices

D. None of these

54. National income at constant prices can be found out by

A. Price Index Number / National Income at Current Prices ×100

B. National Income at Current Prices / Price Index Number ×100

C. National Income at Market Prices / Price Index Number ×100

D. National Income at Factor Cost / Price Index Number ×100

55. For a study of the long term grown of the economy we use

A. real GNP

B. money GNP

C. per capita income

D. property of the individual

56. Which of the following comes under the category of "tertiary sector"?

A. Primary sector

B. Secondary sector

C. Service sector

D. None of these

57. A “refrigerator” operating in a chemist's shop is an example of

A. Inter mediate good

B. Final good

C. Producer's good

D. Consumer's good

58. “The General theory of Employment, Interest and Money” in 1936 was written by

A. Ragnar Nurkse

B. J.S. Mill

C. J.B. Say

D. J.M. Keynes

59. Disposable Income is equal to–

A. GNP – Depreciation

B. NNP – Indirect Taxes + Economic Subsidies

C. Personal Income – Personal Direct Taxes

D. Personal Income + Economic Subsidies

60. Which one of the followning will directly increase the GNP?

A. A rise in interest rate

B. A surplus in budget

C. A fall in national debt

D. An increase in investment

61. At present, which one of the following sectors has the largest share in India's National Income?

A. Agriculture

B. Industry

C. Servies

D. Infrastructure

62. In India National Income Estimates are prepared by

A. Planning Commission

B. Central Statistical Organisation

C. Reserve Bank of India

D. Indian Statistical Institute

63. NNP is equal to

A. GNP – Total Taxes

B. GNP – Foreign Aid

C. GNP – Depreciation

D. GNP – Indirect Taxes

64. There is an increase in “real national income” when

A. prices of essential goods increases

B. total production in the economy increases

C. supply of the money in the economy increases

D. savings of the people increase

65. Which one among the following GNP identity is correct?

A. Y = a + I + G / 1 – b

B. Y = a + I + G / 1 + b

C. Y = a - I + G / 1 – b

D. Y = a + I - G / 1 – b

66. If economic subsidies are added to and indirect taxes are subtracted from the national income at market prices, then it will be equal to

A. groos domestic product at market prices

B. national income at factor cost

C. net national product at market prices

D. None of the above

67. Estimate Gross National Product from the data given below

Value of consumer : Rs. 20000 crores

good and services

Value of capital : Rs. 10,000 crores

goods and services

Value of Exports : Rs. 4000 crores

Value of Imports : Rs. 2600 crores

Total Depreciation : Rs.1600 crores

Which one of the following is correct?

A. Rs.31400 crores

B. Rs. 38600 crores

C. Rs. 29800 crores

D. Rs.29200 crores

68. For a hypothetical economy the Net National Product is Rs. 10,000 crores, indirect taxes are Rs. 1500 crores and subsidy is Rs. 800 crores. The value of National Income will be

A. Rs.12300 crores

B. Rs.10800 crores

C. Rs.7700 crores

D. Rs.9300 crores

69. Assertion (A): Continuous increase in Real National Income is an indication of economic growth.

Reason (R): Increase in National Income does not necessarily reflect increase in per capita income. Select the correct answer using the codes given below:

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not the correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

70. Social accounting of national income addresses to the issue of

A. public expenditure on social infrastructure

B. revenue receipts from and public expenditure on social services

C. estimating what is being produced, where, how much and how and who consumes what and how much

D. share of national income going to the socially backward groups

71. Gross Domestic Product is the monetary value of

A. Stock of goods and services

B. all final goods and services produced in a year

C. goods produced for market only

D. goods produced for the market and for self consumption

72. As the country develops, we should find that the

A. relative percentage share of the primary sector in the national income goes down

B. absolute share of the agricultural sector in the national income goes down.

C. better redistribution of national income is ensured by the market only

D. absolute share of the primary sector in the national income goes down

73. National income at market price rises due to

A. taxes

B. additional supply of goods from inports

C. subsidies

D. savings on account of keeping many government posts vacant

74. In the accounting of the State domestic products

A. transfer payments like pension, scholarships etc. are included

B. indirect taxes are not included but direct taxes are

C. direct taxes are not included but indirect taxes are

D. supra-regional incomes, as allocated by the so are included

75. Which one of the following statements is not correct?

A. Compensation of employees plus operating surplus plus mixed income of self employed plus consumption of fixed capital equals GDP at factor cost.

B. GDP at factor cost plus indirect taxes minus subsidies equals GDP at market prices.

C. GDP at factor cost minus depreciation equals net domestic product at factor cost

D. GDP at market prices minus net receipts from abroad plus indirect taxes minus subsidies equals net national product

76. Which one of the following denotes net state domestic product?

A. Money value of final goods and services produced within the boundary of a state plus net inflow of income from outside the state

B. Money value of final goods and services produced withing the boundary of a state minus depreciation plus indirect taxes of fixed assets

C. Money value of final goods and services produced within the boundary of a state minus depreciation plus indirect taxes

D. Money value of goods and services consumed within the boundary of a state plus net income from outside the state

77. Which one of the following constitutes government consumption expenditure?

A. Compensation to employees plus net purchases from business enterprises

B. Wages and salaries of government employees

C. Government expenditure on defence

D. Transfer payments to individuals and state government

78. Which one of the following equals the value of output of a factory?

A. Total value added by factors

B. Value of all non-factor inputs plus indirect taxes

C. Payments for factor inputs and non-factor inputs

D. Payments for non-factor inputs plus wages

79. Which one of the following items is excluded in calculating national income?

A. Services of a rented TV set

B. Rs.10000/- won in a lottery

C. Rented residences

D. Paid house work

80. In which of the following sectors, is product method used in computing national income in India?

1. Agriculture and allied activities

2. Mining and quarrying

3. Registered manufacturing

4. Unregistered manufacturing

Select the correct answer using the codes given below

A. 2, 3 and 4

B. 1, 2 and 3

C. 1 and 2

D. 1, 3 and 4

81. Consider the following statements regarding savings in different sectors of an economy

1. Savings of private corporate sector constitute undistributed profits

2. Savings of private corporate sector constitute excess of income over expenditure

3. Savings of government sector constitute excess of revenue receipts over revenue expenditure

4. Savings of government sector constitute excess of total revenue over total expenditure

Of the above statements

A. 2 and 3 are correct

B. 3 and 4 are correct

C. 1 and 3 are correct

D. 2 and 4 are correct

82. Match List I with List II and select the correct answer using the codes given below the lists

List I	List II
(a) Consumption of fixed capital	1. Gross output less inter industry purchases
(b) Value added	2. National income in a closed economy
(c) Net income from	3. Depreciation abroad
(d) Domestic product	4. (X – M)

Codes:

	(a)	(b)	(c)	(d)
A.	3	1	2	4
B.	1	3	2	4
C.	1	2	4	2
D.	3	1	4	2

83. Transfer payments by the government are NOT included in the net domestic product because

A. these are gifts from the government to the recipients

B. their opportunity cost is zero

C. such payments may not ultimately reach the recipients

D. no corresponding production of goods and services has taken place to match the payment of such funds

84. Which of following method is/are used to compute national income in India?

1. Net output method

2. Net income method

3. Expenditure method

Select the correct answer using the codes given below

A. 2 alone

B. 1 and 2

C. 3 alone

D. 1, 2 and 3

85. Consider the following statements–

The study of national income accounts is of great importance because it

1. reveals the changes in the size and composition of the national product.

2. provides us with information about the distribution of national income in the society among various groups.

3. reveals the manner in which national expenditure is divided between consumption

Of these statement

A. 1 and 2 are correct

B. 2 and 3 are correct

C. 1 and 3 are correct

D. 1, 2 and 3 are correct

86. Consider the following types of income–

1. Personal income

2. Private income

3. Disposable income

4. National income

The correct sequence in descending order of their magnitude is

A. 4, 2, 1, 3

B. 4, 2, 3, 1

C. 2, 4, 3, 1

D. 2, 4, 1, 3

87. The national income of a country for a given period is equal to the

A. total value of goods and services produced by the national

B. sum of total consumption and investment expenditure

C. sum of personal income of all individuals

D. money value of final goods and services produced

88. Gross National Savings measure is the

A. amonunt of GNP not consumed

B. excess of income over consumption plus the net taxes.

C. sum of retained earning and depreciation

D. excess of disposable income over consumption

89. Social accounting system in India is classified into which one of the following sets of sectors?

A. Enterprise, households and governments

B. Assets, liabilities and debt position

C. Public sector, private sector and joint sector

D. Income, product and expenditure

90. Assertion (A) : A rise in the aggregate demand and aggregate supply of goods and services raises national income.

Reason (B) : National income represents the value of aggregate production in monetary terms.

A. Both A and R are true and R is the correct explanation of A. B

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false

D. A is false, but R is true

91. For a closed economy having no foreign trade, which one of the following is correct?

A. GDP = GNP

B. GDP > GNP

C. GDP < GNP≤GNP

D. BDP ≤ GNP

92. Which of the following statements explains the difference between NNP (NET National Product) and NMP (Net Material Product)?

1. NNP includes services

2. NNP exludes services

3. NMP includes services

4. NMP excludes services

Select the correct answer using the codes given below

A. 1 and 4

B. 2 and 4

C. 1 and 3

D. 2 and 3

93. Assertion (A) : Y = C + I

Reason (R) : C and I are important determinants of national income.

A. Both A and R are true and R is the correct explanation of A

B. Both A and R are true, but R is not correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

94. The GNP-Gap is the gap between

A. GNP and NNP

B. GNP and depreciation

C. GNP and GDP

D. Potential and actual GNP

95. In an economy where people always consume half of any additional income and save the other half, an additional Govt. expenditure of Rs. 20,000 can create an additional income of

A. Rs.10,000

B. Rs.40,000

C. Zero

D. Rs. 20,000

96. Value added means value of

A. output at market prices

B. goods and services less depreciation

C. goods and services less cost of intermediate goods and services

D. output at factor cost

97. Match List-I with List-II and select the correct answer using the codes given below the lists :

List I	List II
(a) Value added	1. Constant prices
(b) Nominal income	2. Input-output matrix
(c) Real income	3. Pension
(d) Transfer earnings	4. Current prices

Codes:

	(a)	(b)	(c)	(d)
A.	4	2	3	1
B.	2	4	1	3
C.	4	2	1	3
D.	2	4	3	1

98. Which one of the following statements is correct?

A. Gross national product includes depreciation

B. Value added includes transfer payments

C. Personal income includes undis-tributed profits

D. Disposable income includes personal taxes

99. GNP at market prices for 2020-21 was Rs. 192866 crore and the GNP at factor cost was Rs.171201 crore. The government paid at Rs.5107 crore as subsidies during the year. The amount of indirect taxes in crores for the year should workout to

A. 31879

B. 26772

C. 21665

D. 16558

100. GNP exceeds NNP by

A. the amount of total taxes

B. government expenditure

C. transfer payments

D. the difference between gross investment and net investment

101. GNP measures

A. the flow of income generated for domestic consumption

B. the flow of income generated for all legal types of economic activities

C. the stock of goods available

D. the increase in the wealth of the economy

102. The GNP at factor cost is equal to GNP at market prices

A. (+) Subsidies

B. (–) Indirect taxes

C. (+) Indirect taxes (–) Subsidies

D. (–) Indirect taxes (+) Subsidies

103. Which of the following is the broadest measure of National Income?

A. Gross National Income

B. Net National Income

C. Disposable Income

D. Personal Income

104. Transfer payments are

A. only gifts between private individuals

B. payments for past services rendered

C. payments that are not related to the performance of current productive activities

D. exchanges of funds between different levels of government

105. The following is not included while estimating the GNP by income method

A. Wages

B. Rent

C. Profit

D. Taxes

106. Difference between GNP at market prices and NNP at factor cost is

A. depreciation

B. net indirect taxes

C. depreciation and net indirect taxes

D. subsidies

107. When nominal GNP is Rs. 1100 and real GNP is Rs. 1000, the GNP deflator is

A. 9.09

B. 90.91

C. 1.11

D. 110

108. The total income earned in any given year by resource suppliers is measured by

A. GNP

B. NNP

C. PI

D. NI

109. Transfer payments are included in

A. NNP

B. GNP

C. PI

D. NI

110. The difference between Net National Product (NNP) and Net Domestic Product (NDP) is

A. Net exports

B. Net income from abroad

C. Net foreign aid

D. Net borrowing from abroad

111. Estimates of GDP by PPP method seeks to measure in real terms

A. relative level of economic well-being across countries

B. level of human development

C. ability to repay external debt

D. None of the above

112. Assertion (A): Transfer earnings are not to be included in the national income estimation.

Reason (R): Transfer earnings are not payments for factor services.

Codes:

A. Both A and R are individually true and R is the correct explanation of A.

B. Both A and R are individually true, but R is not a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

113. An economy's Net National Income is $ 20000 million, indirect taxes are $ 2000 million, subsidies are $ 1000 million and its population 150 million.

What will be the National income at factor cost?

A. $ 21000 million

B. 19000 million

C. 23000 million

D. 22000 million

114. Given

C = 50 + 0.5 Y

I = 80

G = 100

the equilibrium level of income is

A. 460

B. 560

C. 230

D. 360

115. Which one of the following is NOT included while estimating national income through income method?

A. Rental Income

B. Undistributed Profits

C. Mixed Income

D. Pensions

116. Given are the following informations about an economy

Consumption = 5000

Gross Investment = 1000

Govt. Purchases = 800

Exports = 600

Imports = 800

Depreciation = 250

What is the GNP at market prices?

A. 7100

B. 6850

C. 6600

D. 6350

117. The GNP of an economy at market prices is Rs.10,000, Net factor income from abroad is Rs. 1000, indirect taxes Rs. 800, subsidies Rs. 500 and depreciation Rs. 1000.

What is the GDP at market prices?

A. 9,000

B. 7700

C. 11000

D. 13300

118. Consider the following statements

1. At the time of rising prices, NNP at current prices is less than NNP at constant prices.

2. At the time of rising prices, NNP at current prices is higher than NNP at constant prices.

3. NNP at current prices and NNP at constant prices are always same irrespective of changes in prices.

4. NNP at current prices is equal to NNP at constant prices at the time of stable prices.

Which of these statements are correct?

A. 1 and 2

B. 1 and 3

C. 2 and 3

D. 2 and 4

119. Assume that between 2005 and 2010, GNP increased from Rs. 1000 crore to Rs. 1500 crore and the index of prices increased from 100 to 200. Which one of the following expresses GNP for 2010 in terms of 2005 prices?

A. 1000 crore

B. 750 crore

C. 1500 crore

D. 500 crore

120. Which one of the following statements relating to transfer payments, capital gains and illegal activities is correct?

A. Market transactions such as transfer payments, capital gains are included and illegal activities are omitted in national product

B. Market transactions such as transfer payments, capital gains and illegal activities are omitted in national product

C. Market transactions such as transfer payments are included but capital gains and illegal activities are omitted in national product

D. All the three market transactions should be included in national product

121. In 2010 GNP at current prices was Rs. 750 crores. Compared to 2005 the price level was higher by 50 percent. In 2010 GNP at 2005 constant prices will be

A. Rs. 750 crore

B. Rs. 600 crore

C. Rs. 500 crore

D. Rs. 725 crore

122. National Income total reveals

A. the spending side

B. the production side

C. the distributive side

D. the investment side

123. A durable-use goods is presumed to be consumed

A. gradually over life time

B. in the year when it remains no more useful

C. in the year it is manufactured

D. in the year it is purchased by the consumer

124. Which of the following is not a public good?

A. The Police Force

B. National Defence

C. Street lighting

D. Electricity

125. If gross investment falls to zero, national income does not fall to zero because of

A. Consumption

B. The Bank Rate

C. The multiplier

D. The accelerator

126. A criticism of Gross National Product as a criterion of economic measurment is that it

A. is impossible to express it in terms of constant price

B. does not include the value of services

C. does not include the unpaid services of housewives

D. does not include imports and exports

127. Which of the following statements is true about the national income accounts?

A. They allow for changes in the quality of goods and services

B. They measure social costs

C. They measure economic and social values

D. None of the above

128. Which one of the following measures does not include final goods and services?

A. GNP

B. NNP

C. Disposable income

D. National income

129. The price index for two years 2001 and 2009 is 100 and 185 respectively. National income calculated at current price during the two years is Rs. 40000 crore.

Considerably 2001 as the base year, what is the real national income in 2009?

A. Rs. 40095 crore

B. Rs. 85000 crore

C. Rs. 45990 crore

D. Rs. 38960 crore

130. Assume that inventories grow rapidly because sales fail to reach the levels expected by entrepreneurs. This generally indicates that

A. investment is in excess of saving

B. intended saving is in excess of intended investment

C. short-term investment is in excess of income

D. intended investment is zero

131. Disposable income plus direct taxes paid by households and miscellaneous receipts of government administrative departments equals

A. Net national product at factor cost

B. Net domestic product at market prices

C. Private income

D. Personal income

132. Gross national product and gross domestic product of an economy would tend to be equal if

A. total receipts on account of exports are more than total payments on account of imports

B. total receipts on account of exports are less than total payments on account of imports

C. total receipts on account of exports are equal to total payments on account of imports

D. None of the above

133. Match the following :

List I	List II
(a) C + I + G + (X–M)	1. NDP
(b) GDP-Depreciation	2. NDP_{FC}
(c) NDPMP –IT + S	3. Disposable income
(d) PY– Direct taxes	4. GNP

Codes:

	(a)	(b)	(c)	(d)
A.	3	2	1	4
B.	4	1	2	3

C. 3 4 1 2

D. 1 2 3 4

134. While calculating national income, a transfer payment can be recognised if

A. no money transaction is involved

B. consumer income is increased

C. no good or service is produced in the process

D. no tax relief, is involved

135. What should be substituted for X and Y in the following equation?

GNP at market prices = GNPFC – X + Y

A. Indirect taxes, zero

B. Indirect taxes, subsidies

C. Subsidies, Indirect taxes

D. Zero, subsidies

136. Using the following data, NDPFC will be

1. GNPFC = 71047

2. Indirect taxes less subsidies = 8344

3. Depreciation = 4486

4. Net Factor income from abroad =

(–232)

A. 86137

B. 74905

C. 71047

D. 66793

137. A transfer income is best defined as one

A. which does not represent income for economic activity

B. which arises when people do unpaid jobs for each other

C. which is paid entirely out of some one else's income

D. which is made up of unearned income

138. Calculate national income by income and expenditure methods from the data given below

1. Wages = 1500

2. Rent = 500

3. Interest = 500

4. Profits = 1500

5. Consumption = 2500

6. Net domestic investment = 200

7. Net Foreign investment = 200

Codes:

A. 4000

B. 4500

C. 5000

D. 3500

139. National product at market prices is higher than national product at factor cost by the amount of

A. Indirect taxes

B. Subsidies

C. Indirect taxes + subsidies

D. Indirect taxes – subsidies

140. Which of the following is not investment?

A. Expenditure on purchase of capital goods

B. Expenditure on purchase of foodgrains

C. Expenditure on expansion of the plant

D. Expenditure on setting up a new plant

141. Wages and Salaries = 30,000

Interest and Profit = 15,000

Transfer and incomes = 2000

Rent = 5000

Social Security Contribution = 2000

Undistributed profits = 2500

Personal taxes = 1500

Personal income is equal to

A. 53500

B. 55500

C. 57000

D. 50000

142. Wages and Salaries = 30,000

Interest and Profit = 15,000

Transfer and incomes = 2000

Rent = 5000

Social Security Contribution = 2000

Undistributed profits = 2500

Personal taxes = 1500

Personal disposable income is equal to

A. 57500

B. 56000

C. 52000

D. 50000

143. Which of the following is not included in a country's capital stock?

A. Company debentures and Shares

B. Raw materials in the hands of producers

C. Docks and Harbours

D. Finished goods in the hands of producers

144. If value added at different stages are added, the total will

A. equal the value of the final product

B. overestimate the value of the final product

C. underestimate the value of the final product

D. misrepresent the value of the final product

145. If depreciation of capital assets is ignored fromnational income, it will result in

A. depletion of capital assets

B. overestimation of National Income

C. exaggerating the value of capital goods

D. underestimating the value of output

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1									10
D									D
11									20
B	D	D	D	D	A	D	A	D	D
21	22	23	24	25	26	27	28	29	30
A	D	B	B	B	A	D	A	C	B
31	32	33	34	35	36	37	38	39	40
C	A	B	D	A	D	D	D	B	D
41	42	43	44	45	46	47	48	49	50
D	B	C	B	C	D	A	C	B	A
51	52	53	54	55	56	57	58	59	60
D	B	A	B	A	C	C	D	C	D
61	62	63	64	65	66	67	68	69	70
C	B	C	B	A	B	A	D	C	C
71	72	73	74	75	76	77	78	79	80
B	A	A	C	A	C	A	C	B	B
81	82	83	84	85	86	87	88	89	90
D	D	D	D	D	A	D	B	A	A
91	92	93	94	95	96	97	98	99	100
A	A	A	D	B	C	B	A	D	D
101	102	103	104	105	106	107	108	109	110
B	D	B	C	D	C	A	D	C	B
111	112	113	114	115	116	117	118	119	120
A	A	A	A	D	C	A	D	B	B
121	122	123	124	125	126	127	128	129	130
C	C	D	D	A	C	D	C	C	B
131	132	133	134	135	136	137	138	139	140
D	C	B	C	C	D	A	A	D	B
141	142	143	144	145					
A	C	A	A	B					

1. It is generally believed that a rise in the tax rate would normally lead to a rise in the revenue. But there is also a view the reduced rates on income tax would lead to a significant rise in income tax revunue. This later view has been attributed to

A. Arthur Laffer

B. Robert Lucas

C. Herbert Simon

D. H.B. Say

2. Match List I with List II and select the correct answer using the codes given below the lists–

(a) Service Tax	1. Central government
(b) Stamp duty	2. State government
(c) Property tax	
(d) Sales tax	

Codes:

	(a)	(b)	(c)	(d)
A.	1	2	2	–
B.	1	2	–	2
C.	–	1	2	–
D.	–	1	–	2

3. After allowing for state's share of taxation which of the following tax revenue brings in the largest amount of revenue to the Central Governmnet?

A. Corporation tax

B. Income tax

C. Custom duties

D. Union Excise duties

4. Fiscal Policy is concerned with

A. Public Revenue

B. Public Expenditure & Debt

C. Bank Rate Policy

D. Both (A) and (B)

5. As per the recommendations of the Finance commission, besides income tax, the net proceeds of which of the following tax(es) is/are to be shared between the Centre and the states?

1. Additional duties of excise

2. Wealth tax on agricultural properties

3. Union Excise Duties

Select the correct answer using the codes given below–

A. 1, 2 and 3

B. 3 alone

C. 1 and 2

D. 2 and 3

6. Match List I (Nature of deficit) with List II (How it is calculate) and select the correct answer using the codes given below the lists

List I	List II
(a) Fiscal deficit	1. (Revenue and interest receipts) minus (Revenue expendiutre)
(b) Revenue deficit	2. Revenue receipts + Recovery of loans and other receipts) minus (Total expenditure)
(c) Budgetary deficit	3. Receipts minus disbursements in Capital account
(d) Capital deficit	4. (Total receipts)–(Total disburse-ments)

Codes:

	(a)	(b)	(c)	(d)
A.	1	2	4	3

B. 2 1 4 3

C. 2 1 3 4

D. 1 2 3 4

7. Consider the following statements–

The incidence of corporate income tax under competition depends upon

1. the elasticity of substitution between factors in the non-corporate sector industries.

2. the income elasticity of demand for the output of the corportate sector industries.

3. the elasticity of substitution in demand between the outputs of the corporate sector and the noncorporate sector industries.

4. the difference between the factor proportions in the corporate and non-corporate sectors

Of these statements.

A. 1 and 4 are correct

B. 1, 3 and 4 are correct

C. 2, 3 and 4 are correct

D. 1, 2 and 3 are correct

8. Which of the following is/are included in the capital budget of the Government of India?

A. Borrowings from the RBI.

B. Loans received from foreign governments.

C. Expenditure on acquisition of assets like roads, buildings, machinery etc.

D. Loans and advances granted to the States and Union Territories.

Select the correct answer using the codes given below–

A. 1, 2 and 4

B. 2 and 3

C. 1 alone

D. 1, 2, 3 and 4

9. Which one of the following forms the largest share of deficit in Government of India budget?

A. Budgetary deficit

B. Fiscal deficit

C. Revenue deficit

D. Primary deficit

10. Municipalities finance their expenditure by imposing among others

A. Sales tax

B. Profession tax

C. Excise duties

D. Gift tax

11. A Finance Bill is a bill which

A. authorises expenditure out of the consolidated fund of India.

B. authorises expenditure out of the contingency Fund of India.

C. gives effect to the financial proposals of the government for the succeeding financial year.

D. authorises the government to spend the money raised through taxes etc.

12. Which one of the following entails minimum expenditure by the Government of India?

A. interest payments

B. defence expenditure

C. education, art, culture, scientific services and research

D. None of the above

13. Assertion (A) : A progressive income tax is based on equimarginal sacrifice.

Reason (R) : Higher the income, lower will be the marginal utility of money for the taxpayer.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

14. Consider the following statements

The two main objectives of fiscal policy in developing countries are

1. rapid economic growth

2. price stability

3. full employment.

4. equitable distribution

Of these statements.

A. 1 and 2 are correct

B. 2 and 3 are correct

C. 2 and 4 are correct

D. 1 and 4 are correct

15. The whole burden of a tax will be borne by the sellers, if

A. the demand for a commodity is inelastic and supply is perfectly elastic

B. the elasticity of demand for a commodity is same as the elasticity of supply of the commodity

C. the demand for a commodity is perfectly elastic and supply is inelastic

D. the elasticity of demand for a commodity is less than the elasticity of supply of that commodity.

16. Which one of the following pairs is correctly matched?

A. Fiscal deficit – G.D.P.

B. Primary deficit – Money Supply

C. Monetised deficit – Interest Payments

D. Budget deficit – Revenue expenditure and receipts of Revenue Account

17. Consider the following statements The Indian Income Tax is

1. progressive

2. proportionate

3. direct 4. income-elastic

Of these statements–

A. 1, 2 and 4 are correct

B. 1, 2 and 3 are correct

C. 1, 3 and 4 are correct

D. 2, 3 and 4 are correct

18. The main sources of revenue of the Central Government are

1. income tax

2. corporate tax

3. custom duties

4. excise duties

On the basis of their importance their correct sequence in ascending order is

A. 4, 3, 2, 1

B. 1, 2, 3, 4

C. 4, 2, 1, 3

D. 3, 1, 2, 4 19.

Agricultural taxation in India is difficult because of

A. Scattered nature of land holdings

B. Seasonality of production

C. the fact that agriculture is not taxed anywhere in the world

D. increasing overhead cost of tax collection and the lack of political will

20. Which one of the following heads of expenditure of the Central Government, accounts for the largest amount of revenue expenditure?

A. Defence

B. Interest Payments

C. Subsidies

D. Grants to states and Union Territories

21. Which one of the following dealt exclusively with taxation of agricultural wealth and income in India?

A. John Mathai Committee 1953

B. Kaldor's Report 1956

C. Wanchoo Committee 1971

D. Raj Committee 1972

22. Which one of the following types of revenues is not shared by the Central Government with the State Governments?

A. Central Sales tax

B. Income tax

C. Excise duty

D. Customs duty

23. Which one of the following sources is not considered as a source of Government revenue?

A. Taxes

B. Surpluses of public enterprises

C. Transfer payments

D. Mobilisation of internal loans and deposits

24. Assertion (A) : Public Finance is a normative Science.

Reason (R) : The objective of fiscal operation implies proper allocation of resources, distribution of income, Full employment and stability with growth.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

25. Assertion (A) : Customs duties primarily influence commodity prices.

Reason (R) : Quantitative restrictions are designed to determine the amount of goods imported or exported.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true but R is not correct explanation of A.

C. A is true but R is false

D. A is false but R is true

26. In India, federal financial assistance to states is given on the basis of

A. the tax effort of the states

B. the revenue collection of the states

C. population, tax effort and special problems of the states

D. the demands of the states

27. Which one of the following taxes belongs exclusively to the state governments of India?

A. Income Tax

B. Agricultural Income Tax

C. Excise Duties

D. Wealth Tax

28. Exemption from the entertainment tax is granted if the entire proceeds are devoted to

1. postal savings

2. shares in new industrial undertakings

3. charitable purposes

4. redemption of debt

Select the correct answer using the codes given below

A. 1 and 2

B. 1 and 3

C. 2 and 3

D. 3 and 4

29. The most expensive head under public-revenue expenditure in the Union Budgets of the last decade has been

A. defence

B. interest payments

C. subsidies

D. social services

30. Which of the following effects of deficit financing of the Central Government affects the common man most adversely?

A. Forced savings

B. Credit creation by banks

C. Inflationary rise in prices

D. Changes in the pattern of social investment

31. The rapid increase of public debt of the Central Government since 1950–51 has been due to

A. uncontrolled inflation

B. mounting shares of state governments fromrevenues raised by the central government

C. mounting costs of financing public expenditure

D. rising population

32. Hot money refers to the

A. short-term capital movements from one country to another seeking either a higher rate of interest or safety of capital irrespective of the rate of interest

B. long term capital movements from one country to another seeking rate of interest

C. medium-term capital movements from one country to another

D. currency which is very much in demand in the foreign exchange market

33. “Maximum social welfare” in public finance is attained when

A. marginal disutility of taxation is greater than the marginal utility of public expenditure

B. marginal disutility of taxation is less than the marginal utility of public expenditure

C. marginal disutility of taxation is equal to marginal utility of public expenditure

D. taxation and public expenditure are at the lowest level

34. Which of the following pairs are examples of direct tax?

1. Income Tax and Wealth Tax.

2. Sales Tax and Excise Duty.

3. Capital gains Tax and Corporation Tax.

Select the correct answer using the codes given below

A. 1 and 3

B. 1 and 2

C. 2 and 4

D. 2 and 3

35. Consider the following statements

Non-Plan Revenue Expenditure includes expenditure incurred on

1. interest payments.

2. maintenance of capital assets.

3. flood control.

Of these statements

A. 2 and 3 are correct

B. 1 and 2 are correct

C. 1 and 3 are correct

D. 1, 2 and 3 are correct

36. Consider the following statements

The division of incidence of a tax between buyers and sellers is governed by

1. elasticity of demand and supply.

2. cost conditions.

3. market structure.

Of these statements

A. 1 and 2 are correct

B. 2 and 3 are correct

C. 1 and 3 are correct

D. 1, 2 and 3 are correct

37. Capital gains mean

A. increase in the sales on which capital is invested

B. increase in the value of the property owned

C. gross profit earnings on a capital-asset

D. marginal efficiency of capital

38. Consider the following statements

A government may cover up the deficit by

1. Withdrawing its cash balances from the central bank of the country.

2. borrowing from the central bank and commercial banks.

3. printing new money.

Of these statements

A. 1 and 2 are correct

B. 1 and 3 are correct

C. 2 and 3 are correct

D. 1, 2 and 3 are correct

39. Since 1990, savings of the household sector in India have been

A. greater than the savings of the private corporate sector but less than the savings of the public sector

B. less than the savings of the private corporate sector but more than the savings of the public sector

C. greater than the savings of the private corporate sector as well as the savings of the public sector

D. less than the savings of the private corporate sector as well as the savings of the public sector

40. Consider the following statements

The Reserve Bank of India

1. acts as a Banker's Bank

2. act as a controller of capital issues

3. issues currency notes of various denominations

4. acts as a lender of the last resort for the sick industrial units

Which of the above statements are correct?

A. 1, 2, 3 and 4

B. 1, 2 and 3

C. 2 and 4

D. 1 and 3

41. Match List I with List II and select the correct answer using the codes given below the lists :

List I	List II
(a) Revenue deficit	1. Total expenditure minus revenue receipts
(b) Budget deficit by RBI	2. Net increase in holding of Treasury Bills and its contribution to market borrowings of governnment
(c) Monetised deficit	3. Total expenditure minus total receipts
(d) Fiscal deficit	4. Revenue expenditure minus revenue receipts

Codes:

	(a)	(b)	(c)	(d)
A.	4	3	1	2
B.	3	4	1	2
C.	3	4	2	1
D.	4	3	2	1

42. Which one of the following DOES NOT come under the jurisdiction of state taxation?

A. Land revenue

B. Taxes on agricultural income

C. Taxes on land and buldings

D. Personal income tax

43. Which one of the following is the most important source of revenue of state governments in India?

A. Land revenue

B. State excise duties

C. Sales tax

D. Stamps and registration fees

44. Assertion (A) : More reliance should be placed on progressive income taxes.

Reason (R) : It is in accordance with the principles of equity.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

45. Consider the following items included in a Balance Sheet

1. Demand deposits

2. Borrowings from the other banks

3. Cash kept with other banks

4. Endorsement of bills of exchange.

Which of these are shown in the liability column of the Balance Sheet of a commercial bank?

A. 1, 2 and 3

B. 1, 2 and 4

C. 1 and 3

D. 2 and 4

46. The incidence of a Sales tax will be on the sellers when

A. the demand for the commodity is perfectly elastic

B. the demand for the commodity is perfectly inelastic.

C. the demand curve is a rectangular hyperbola

D. the demand for the commodity is moderately elastic

47. Match List I (Tax) with List II (Imposed and collected by) and select the correct answer using the codes given below the list:

List I	List II
(a) Corporation Tax	1. State
(b) Sales Tax	2. Municipal Corporation.
(c) House Tax	3. Government of India
(d) Wealth Tax	

Codes:

	(a)	(b)	(c)	(d)
A.	3	1	2	3

B. 2 1 1 3

C. 2 3 3 2

D. 3 2 2 1

48. Which among the following is a pure public good?

A. defence preparedness

B. penicillin

C. medical education

D. Subsidy

49. Which one of the following is not a liability of a Commercial Bank?

A. Time deposits

B. Security holdings

C. Borrowing from the Central Bank

D. Deposits of other banks with it

50. Which one of the following is the aim of functional finance?

A. Maintenance of full employment with economic stability

B. Promotion to export

C. Alleviation of poverty

D. Redistribution of income

51. Fiscal Policy is not effective when

A. IS schedule has a zero slope and LM schedule has a slope greater than zero.

B. IS schedule has a zero slope and LM schedule has a slope of infinity

C. Both IS and LM schedules have slopes greater than zero but less than infinity.

D. IS schedule has a slope greater than zero (mod value) but less than infinity and the LM schedule has a zero slope.

52. Maximum Social Advantage is achieved when

A. cost of production is equal to benefit of production.

B. marginal disutility of tax revenue is equal to marginal utility of public expenditure.

C. monetary costs exceed social costs.

D. None of the above

53. Taxable capacity is a function of

A. distribution of income

B. size of national income

C. size of population

D. all the above

54. Which one among the following can not be made a progressive tax?

A. Income tax

B. Property tax

C. Corporate tax

D. Excise duty

55. The incidence of a sales tax will be

A. wholly on the buyers

B. wholly on the sellers

C. distributed equally between the buyers and the sellers

D. distributed between the buyers and sellers in the ratio of elasticity of demand and elasticity of supply to the taxed commodity

56. Who among the following suggested tax on expenditure?

A. Kaldor

B. Musgrave

C. Dalton

D. Larner

57. Consider the following items :

1. Expenditure on asset formation

2. Interest payment

3. Investment on education and health

4. Expenditure on collecting loans

Of the above which are included in the capital expenditure of government budgets? Select the correct answer from the codes given below

A. 1, 2 and 4

B. 2, 3 and 4

C. 1 and 3 only

D. 2 and 4 only

58. Budgetary deficit of the Government of India is equal to

A. total plan and non-plan expenditure minus revenue receipts

B. total capital expenditure minus capital receipts

C. total revenue and capital expenditure minus revenue receipts and capital receipts.

D. total expenditure minus market borrowings.

59. A curve which show the relationship between tax rate and tax revenue is known as

A. Laffer curve

B. Phillips curve

C. Lorenz curve

D. Ogive curve

60. Budgetary deficit does not take into account

A. Revenue Deficit

B. Capital Budget Deficit

C. Balance of Payments Deficit

D. Interest Payment on Public Debt

61. Who among the following economists improved Dalton's doctrine of Maximum Social Advantage?

A. De Marco

B. R.A. Musgrave

C. Philip A. Taylor

D. R.N. Bhargava

62. Which of the following come under non-plan expenditure of Government of India?

I. Subsidies

II. Interest payment

III. Defence expenditure

IV. Expenditure on development of infrastructure

Choose the correct answer from the codes given below

A. I, II, and III only

B. I and III only

C. II and IV only

D. II and III only

63. Fiscal Policy operates by changing

A. Government expenditure and taxation

B. Supply and demand for money

C. Quantity of export and import

D. Interest rate structure

64. The tax which is not shared by states is

A. Sales tax

B. Income tax

C. Corporation tax

D. Central Excise duty

65. Which is false about the rising of fiscal deficit in India?

A. printing of new notes

B. increase in the small savings of post offices

C. sale of securities by the central government

D. increase in the net receipts on account of provident fund

66. What is the effect of import tax (implies by a country) on the savings of consumer?

A. Increase

B. Decrease

C. Remain unchanged

D. None of the above

67. Which one of the following is not an objective of fiscal policy?

A. Economic growth

B. Price stability

C. Maximization of employment level

D. Regulating of financial institutions

68. Which of the following does not measure income in equality?

A. Lorenz Curve

B. Per capita income

C. Ginni's coefficient

D. Percentage of population in different income groups.

69. Black money in India

A. raises prices alone

B. encourages lavish consumption alone

C. causes only loss of revenue to government

D. affects all the above three

70. When was Service Tax introduced in India for the first time?

A. 1990-91

B. 1994-95

C. 1996-97

D. 1999-2000

71. Agricultural income tax is a source of revenue to

A. Central Government

B. State Government

C. Local Administration

D. Central and State Government

72. Which sector has maximum share in Gross Domestic Saving in India?

A. Private Corporation

B. Government sector

C. Domestic sector

D. Public sector

73. The Chairman of the 15th Finance Commission is

A. N.K. Singh

B. Raja J. Chalia

C. T.S. Papola

D. Y.K. Alagha

74. Assuming a declining marginal utility of money schedule, which one of the following principles will call for “maximum progression”?

A. Principle of equal absolute sacrifice

B. Principle of equal proportional sacrifice

C. Principle of equal marginal sacrifice

D. None of the above

75. If supply is perfectly inelastic, then the short run impact of a specific sales tax would be to shift the tax burden

A. entirely on to the consumers

B. entirely on to the producers

C. equally between the producers and the consumers

D. on to other goods where the supply condition may be more elastic

76. Consider the following statements :

1. In the context of the classical model loan finance may be a means of transferring the burden to the future generation.

2. Foreign borrowing permits financing public programmes without placing a burden on the present generation.

3. Foreign borrowing is not burdensome to the future generations even if the funds are used unproductively.

Of the above statements

A. 1 alone is correct

B. 1 and 2 are correct

C. 2 and 3 are correct

D. 1 and 3 are correct

77. Which of the following is a Direct tax?

A. Entertainment Tax

B. Estate Duty

C. Excise Duty

D. Sales Tax

78. Fiscal deficit in the Union Budget means:

A. the difference between current expenditure and current revenue

B. the sum of budgetary deficit and net increase in internal and external borrowings

C. the sum of monetised deficit and budgetary deficit

D. net increase in Government's borrowing from the RBI

79. The Central Government has had to resort to substantian borrowing since the early 80s, mainly because

A. it had expanded its expenditure on the social sector significantly

B. it had embarked on an ambitious space programme

C. the revenue expenditure had systematically outstepped current revenues

D. the revenue expenditure has systemati-cally outstepped capital receipts

80. The government has recently stressed the importance of limiting the quantum of fiscal deficit to 5 per cent of GDP. In this context fiscal deficit has been defined as the

A. difference between all receipts and expenditure, both revenue and capital

B. increase in net RBI credit to the Central Government

C. excess of total expenditure including loans net of lending over revenue receipts, grants and nondebt capital receipts

D. excess of revenue expenditure over revenue and capital receipts

81. Consider the following statements :

The objective of personal income tax reform in the recent past has been to

1. bring the “hard-to-tax” groups into the tax net

2. adopt a highly progressive rate schedule

3. choose moderate rates

4. allow as few deductions and exemptions as is possible

Of the above statements

A. 1, 2 and 3 are correct

B. 2, 3 and 4 are correct

C. 1, 2 and 4 are correct

D. 1, 3 and 4 are correct

82. Assertion (A) : The imposition of a per unit tax causes the monopolist’s average cost and marginal cost curves to shift up.

Reason (R) : The per unit tax is like a variable cost.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

83. Consider the following statements regarding savings in different sectors of an economy

1. savings of private corporate sector constitute undisturbed profits

2. savings of private corporate sector consitute excess of income over expenditure

3. savings of government sector constitute excess of revenue receipts over revenue expenditure

4. savings of government sector constitute excess of total revenue over total expenditure

Of the above statements

A. 2 and 3 are correct

B. 3 and 4 are correct

C. 1 and 3 are correct

D. 2 and 4 are correct

84. Which one of the following statements is incorrect?

A. Laffer curve depicts the relationship between tax rates and tax revenue

B. According to the Laffer curve, an increase in tax rates at relatively low rates will increase tax revenue

C. According to the Laffer curve, after certain point, further increases in tax rates will reduce tax revenue

D. According to the Laffer curve, an increase in tax rate will always increase the tax revenue

85. India's Fiscal policy since independence has centred around

A. more borrowings

B. higher taxation

C. deficit financing

D. all the three

86. The long term Fiscal Policy formulated in the context of the Seventh Five Year Plan lays emphasis on

A. tackling problem of poverty and unemployment

B. reforming tax system

C. capital formation by increasing money income and reducing consumption

D. making taxes easily comprehensible to the tax payers

87. Loans to foreign governments is

A. revenue expenditure

B. capital expenditure

C. both revenue and capital expenditure

D. neither revenue nor capital expenditure

88. Central assistance for state and UT Plan is a part of

A. plan expenditure

B. non-plan expenditure

C. revenue expenditure

D. None of the above

89. If external debt of country rises faster than its interest obligations, it is a case of

A. liquidity trap

B. debt trap

C. poverty trap

D. export led growth

90. The Finance Commission does all the following functions except one. Which is that?

A. works out allocation of taxes in the divisible pool

B. looks into financial relations between the centre and the states

C. allocates Grants in aid to the states and Union Territories

D. assists the Planning Commission in making Five Year Plans

91. The basis of corporate tax is

A. total turnover of the company

B. profit after distribution of dividend

C. profit before distribution of dividend

D. capital employed in the company

92. Expenditure on 'general services' is

A. Revenue Expenditure

B. Capital Expenditure

C. Plan Expenditure

D. None of the above

93. Which one of the following taxes is levied by the central but wholly assigned to the states

A. personal income tax

B. excise on drugs and narcotics

C. railway passenger tax

D. gift tax

94. Food and fertilizer subsidies are included in

A. capital expenditure

B. revenue expenditure

C. plan expenditure

D. all of the above

95. Which one of the following taxes have the largest share in the gross tax revenue of the Union Government?

A. Custom duties

B. Excise duties

C. Income tax

D. Wealth tax

96. In the Indian context deficit financing means

A. an excess of government's revenue over expenditure

B. an excess of government's current expenditure over its current revenue

C. an excess of government's total expenditure over its total revenue

D. None of these

97. In a.....budget revenue equals expenditure.

A. surplus

B. deficit

C. balanced

D. None of the above

98. Which of the following taxes is levied by the State Government only?

A. Entertainment tax

B. Wealth tax

C. Income tax

D. Corporation tax

99. Union Excise duties are a part of Central Governments

A. Tax revenue

B. Non tax revenue

C. Capital receipts

D. None of the above

100. Biggest source of capital receipts of the Union Government is

A. market borrowings

B. external assitance

C. small savings

D. provident fund

101. Zero-Based Budgeting (ZBB) lays emphasis on

1. unlimited deficit financing

2. preparing new budget right from the scratch

3. preparing the budget neglecting history of expenditure

Select the correct answer using codes given below:

A. 1, 2 and 3

B. 1 and 3

C. 2 and 3

D. 1 and 2

102. Which of the following is not a direct tax?

A. Income tax

B. Tax on wealth

C. Tax on expenditure

D. Tax on entertainment

103. Excise duties, which are the biggest source of revenue of the Union Government, are levied on

A. sale of goods

B. production of goods

C. consumption of goods

D. resale of goods

104. Who appoints the Finance Commission?

A. President of India

B. Prime Minister of India

C. Chairman of the Rajya Sabha

D. Speaker of the Lok Sabha

105. The controlling authority of Government expenditure is

A. Reserve Bank of India

B. Planning Commission

C. Finance Ministry

D. Finance Commission

106. Which one of the following taxes is not levied by state Governments?

A. Agricultural Income tax

B. Profession tax

C. Excise on liquor

D. Corporation tax

107. MODVAT means

A. Modified Value Added Tax

B. Moderate Value Added Tax

C. Modest Value Added Tax

D. Modern Value Added Tax

108. Market borrowings of the Central Government are included in

A. capital receipts

B. non-tax revenue

C. tax revenue

D. None of the above

109. In order to reduce inequalities, the government should adopt

A. proportional system of the taxation

B. progressive system of taxation

C. regressive system of taxation

D. None of the above

110. In India, the states get maximum income from

A. sales tax

B. land revenue

C. agricultural income tax

D. state excise duties

111. Interest payment is an item of

A. revenue expenditure

B. capital expenditure

C. plan expenditure

D. None of the above

112. Loans to public enterprises is a part of

A. capital expenditure

B. revenue expenditure

C. both revenue and capital expenditure

D. None of the above

113. All the revenues received, loans raised and money received in repayment of loans by the Union government go into

A. Consolidated Fund of India

B. Contingency Fund of India

C. Public Account of India

D. Prime Minister's Relief Fund

114. Indirect tax are objectionable because they

A. are hard to collect

B. are regressive

C. do not raise enough revenue

D. are particularly hard on the rich

115. The MODVAT scheme of taxation benefits

A. those manufacturers who import components

B. those manufacturers who depend on indigenous material

C. it is neutral between the above two

D. those manufacturers who are importing technology

116. The effect of deficit financing is

A. always inflationary

B. never inflationary

C. sometimes inflationary and sometimes not so depending on the response of output and the dose of deficit financing

D. always inflationary unless accompanied by effective counteracting measures

117. Octrio is levied and collected by

A. Centre

B. State Government

C. Local bodies

D. All the above

118. Black money is generated in India because of

A. high tax rates

B. existence of several controls and regulations

C. political corruption

D. all the three above

119. The Union Government does NOT issue one of the following

A. 14-day Treasury Bills

B. 91-day Treasury Bills

C. 364-day Treasury Bills

D. 365-day Treasury Bills

120. Which tax is collected by Panchayat?

A. Sales Tax

B. Custom Duty

C. Land Revenue

D. Tax on local fairs

121. Narasimhan Committee Report relates to

A. Insurance Sector Reform

B. Banking Sector Reform

C. Agricultural Sector Reform

D. Industrial Sector Reform

122. Which of the following Fiscal action is likely to be most effective in curbing inflation?

A. incurring budget surplus which is used to retire debt held by the public

B. incurring a budget surplus and allowing that surplus to accumulate as idle treasury balances

C. incurring a budget surplus which is used to retire debt held by commercial banks

D. incurring a budget deficit by borrowing from the public

123. Given a proportional income tax structure and balanced budget, an autonomous increase in investment will increase the level of equilibriumincome and the budget will

A. still be in balance

B. have a surplus

C. have a deficit

D. the outcome is uncertain

124. Provision of social goods poses problem because

A. such goods tend to be non-rival in consumption

B. consumption preferences with repsect to such goods are not revealed

C. market mechanism is not well suited for the provision of such goods

D. All the above

125. In a competitive market, a tax on wage income falls wholly on labour if

A. labour supply is inelastic

B. labour supply is elastic

C. labour supply is highly elastic

D. demand for product is perfectly elastic

126. The imposition of a selective Sales Tax will raise the price of the taxed product by equal amount if it is produced under

A. constant cost

B. increasing cost

C. decreasing cost

D. imperfect competition

127. The Principle of Maximum Social Advantage is concerned with

A. taxation only

B. expenditure only

C. public debt only

D. both taxation and public expenditure

128. Justice in taxation is best ensured by applying the principle of

A. equal absolute sacrifice

B. equal proportional sacrifice

C. equal marginal sacrifice

D. None of these

129. Tobin tax is a tax on

A. exports

B. imports

C. transactions in foreign exchange

D. sales

130. Budegtary deficit does NOT take into account

A. revenue deficit

B. capital budget deficit

C. balance of payment deficit

D. interest payment on public debt

131. In the post-liberalisation period, the share of directtaxes in gross tax revenue in India has

A. increased

B. decreased

C. first increased and then decreased

D. remained the same

132. Which of the following taxes is an exclusive source of revenue for the state governments?

A. Excise duties

B. Customs duties

C. Land revenue

D. Wealth tax

133. Which one of the following is NOT a source of the Union tax revenue?

A. Property tax

B. Wealth tax

C. Corporate tax

D. Customs duties

134. Which one of the following states is NOT a high income state according to the report of the Eleventh Finance Commission?

A. West Bengal

B. Goa

C. Haryana

D. Gujarat

135. The receipts from disinvestment of public-sector under takings are shown under which one of the following sub-heads in the budget of the Government of India?

A. Revenue receipts

B. Non-tax revenue receipts

C. Non-debt capital receipts

D. Debt capital receipts

136. Tax is added to price when

A. Demand is perfectly elastic

B. Demand is highly inelastic

C. Supply is highly elastic

D. Supply is perfectly elastic

137. The value-added tax differs from a turn-over tax in that the VAT

A. has costs of materials deducted from the tax base

B. is collected at the final stage of production

C. is of lower rate than the turnover tax

D. all the above three are true

138. The policy of surplus-budgeting may be resorted to when economy is confronted with

A. inflation and is experiencing economic from

B. deflation and unemployment

C. recession and unemployment

D. depression and low investment

139. The one rupee currency note bears the signature of the

A. Governor, Reserve Bank of India

B. The Minister For Finance

C. Chairman, State Bank of India

D. None of the above

140. With which branch of public finance is ‘Functional Finance’ related?

A. Distribution

B. Stabilisation

C. Both (A) and (B)

D. Allocation

141. Union Government incurs expenditure on

A. Administrative services only

B. Economic services only

C. Social and community services only

D. All of the above

142. The most important feature of the tied aid is that

A. it can be used only in the public sector

B. it is to be shared equally between the public and the private sectors

C. it is to be used only for the purpose for which it has been extended and to be used in procuring resources from the specified sources

D. it can be used only in the private specified

143. Biggest source of capital receipts of the Union Government is

A. market borrowings

B. external assistance

C. small savings

D. provident fund

144. Power to levy Corporation Tax falls in

A. Union List

B. State List

C. Concurrent List

D. None of the above

145. The Income Tax Act, which is now in force was enacted in the year

A. 1928

B. 1961

C. 1971

D. None of these

146. The Economist on whose suggestions the Wealth Tax, Gift Tax and Expenditure Tax were introduced in India is

A. V. K. R. V. Rao

B. Kaldor

C. Galbraith

D. None of the above

147. “Indian Tax Reform” is a book written by

A. A.M. Khusro

B. J.K. Mehta

C. P.R. Bhahma Nanda

D. N. Kaldor

148. The Chelliah Committee was formed

A. to suggest reforms in Income Tax

B. to suggest reforms in Indirect Taxes

C. to estimate level of Black Money and study allied matters

D. None of the above

International Economics
(Including Balance of Payments)

C	C	A	C	C	A	C	B	9	10
21	22	23	24	25	26	27	28	B	B
D	D	C	A	B	C	B	D	19	20
31	32	33	34	35	36	37	38	D	B
C	A	C	A	D	C	B	D	29	30
41	42	43	44	45	46	47	48	B	C
A	D	C	A	A	A	A	A	39	40
51	52	53	54	55	56	57	58	C	D
B	B	D	D	D	A	C	C	49	50
61	62	63	64	65	66	67	68	B	A
B	A	A	A	B	A	D	B	59	60
71	72	73	74	75	76	77	78	A	C
B	C	A	B	B	A	B	B	69	70
81	82	83	84	85	86	87	88	D	B
D	A	D	D	D	B	B	A	79	80
91	92	93	94	95	96	97	98	C	C
C	A	C	B	B	C	C	A	89	90
101	102	103	104	105	106	107	108	B	D
C	D	B	A	C	D	A	A	99	100
111	112	113	114	115	116	117	118	A	A
A	A	A	B	B	C	C	D	109	110
121	122	123	124	125	126	127	128	B	A
B	B	D	D	A	A	D	C	119	120
131	132	133	134	135	136	137	138	D	D
A	C	A	A	B	B	D	A	129	130
141	142	143	144	145	146	147	148	B	C
D	C	A	A	B	B	D	C	D	D

1. Consider the following statements :

As per the Trade Related Investment measures (TRIM)

1. all restrictions on foreign capital companies are to be scrapped

2. no restrictions will be imposed on any area of investment

3. imports of raw materials are to be allowed freely

4. import of part of the output will be mandatory

Which of the above statements are correct?

A. 1, 3 and 4

B. 1, 2 and 3

C. 1, 2 and 4

D. 2, 3 and 4

2. The automatic borrowing rights of a member of IMF are determined by

A. the seriousness of its balance of payments disequilibrium.

B. its subscribed quota in fund.

C. the size of its holding of reserve currencies.

D. the value of its currency in terms of gold.

3. Consider the following statements :

Foreign Portfolio Investment in India means.

1. investment by a foreign firm to start a subsidiary.

2. investment by a foreign firm to take over an existing firm

3. foreign investment in shares.

4. foreign investment in bonds.

Which of the above statements are correct?

A. 1, 2 and 3

B. 2, 3 and 4

C. 2 and 3

D. 3 and 4

4. Which one of the following pairs is NOT correctly matched?

A. WTO — Generally forbids the use of quantitative restriction in trade.

B. IMF — Provides finance to correct disequilibrium in balance of payments.

C. SAARC — Promotes trade among South Asian countries.

D. ASEAN — Economic organisation of all Asian countries

5. Consider the following assumptions :

1. Perfect competition

2. Perfect mobility of factors between countries

3. Constant returns to scale

Which of the above assumptions are associated with Ricardo's Theory of Comparative Costs?

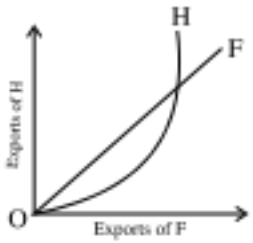
A. 1, 2 and 3

B. 1 and 2

C. 1 and 3

D. 2 and 3

6. Consider the following diagram showing OH and OF as the offer curves of two countries, H and F.



The diagram indicates that

A. H is a large country.

B. F is a large country

C. Both H and F are large countries.

D. Both H and F are small countries.

7. An import tariff in a labour surplus economy distributes income in favour of

A. Land lords

B. Wage earners

C. Owners of capital and skills

D. Governments

8. Customs union always leads to

A. trade diversion alone

B. trade creation alone

C. both trade diversion and trade creation

D. neither trade diversion nor trade creation

9. If the price elasticity of demand for exports is zero, then exports in local currency will

A. be the same after devaluation

B. fall after devaluation

C. substantially increase after devaluation

D. partially increase after devaluation

10. Which one of the following statements is NOT correct?

A. Trade between two countries can take place when their supply and demand conditions are identical

B. Trade between two countries can take place with different supply conditions and similary demand conditions.

C. Trade between two countries can take place with identical supply conditions and dissimilar demand conditions.

D. Trade between two countries can take place with different supply and demand conditions.

11. For the Heckscher-Ohlin theory of trade to be valid, the relative factor endowments of two countries should be

A. close to each other

B. as divergent as possible

C. identical

D. None of these

12. An Optimum tariff

A. improve the terms of trade

B. keeps the terms of trade constant

C. lowers the terms of trade

D. reduced the country's welfare level

13. Consider the following statements:

Devaluation results in a

1. rise in the domestic price of imports

2. rise in the domestic price of exports

3. rise in the domestic price of exports and imports

4. fall in the foreign price of exports

Which of the above statements are correct?

A. 1, 2 and 3

B. 1 and 2

C. 2, 3 and 4

D. 1 and 4

14. Which one of the following items is NOT included in the 'invisibles' on current account of the balance of payments of India?

A. Foreign travel

B. Transportation

C. Insurance

D. Loans from foreign banks

15. Which one of the following items is NOT included in the current account of India's balance of payments?

A. Short-term commercial borrowings

B. Investment income

C. Non-monetary gold movements

D. Transfer payments

16. Hot money refers to the

A. Short-term capital movements from one country to another seeking either a higher rate of interest or safety of capital irrespective of the rate of interest

B. Long-term capital movements from one country to another seeking higher rate of interest

C. Medium-term capital movements from one country to another

D. Currency which is very much in demand in the foreign exchange market.

17. Which one of the following represents capital account convertibility of a currency?

A. Freedom to transact in foreign currency on account of trade in goods and services.

B. Freedom to transact in foreign currency on account of trade in services only

C. Freedom to transact in financial assets with foreign countries without restrictions.

D. No restrictions on remittances by nationals of a country to another country.

18. Over-valuation of currency is NOT desirable, when

A. a country is under the sudden necessity of making large purchases from abroad.

B. a country is under the sudden necessity of acquiring large amounts of foreign currency to pay its debts.

C. the prices in the country are higher than the corresponding prices in other countries.

D. a country wants to boost up its exports and reduce its imports.

19. Which one of the following is the major characteristic of foreign direct investment (FDI)?

A. It is non-debt creating capital flow.

B. It is portfolio investment in stock market.

C. It is that investment which involves debt servicing.

D. It is investment made by foreign institutional investors in government securities.

20. Dumping aims at flooding a foreign country with

A. high-priced commodities

B. low-priced commodities

C. commodities with similar prices

D. commodities with fluctuating prices

21. Consider the following statements:

If the offer-curve is a straight line.

1. high tariff rates can improve terms of trade.

2. low tariff rates can improve terms of trade.

3. absence of tariff can improve terms of trade.

Of these statements:

A. 1 alone is correct

B. 2 alone is correct

C. 3 alone is correct

D. 2 and 3 are correct

22. A tariff will not have any effect on revenue if the duty imposed is

A. 50%

B. 100%

C. non-prohibitive

D. prohibitive

23. Under which of the following conditions will there be the possibility of trade between two countries whose factor endowments are identical?

A. When there are differences in commodity prices in the consumers in the two countries.

B. When there are differences in commodity prices in the two countries.

C. When cost of production of different commodities differs between the two countries.

D. When production functions of the same goods are identical in the two countries.

24. The infant industry argument is often advocated in the context of

A. price discrimination

B. product diversificaiton

C. protection

D. resource mobilisation

25. In a word, with only two goods, X and Y, and the full employment of factors, a rise in the price of a commodity, X, leads to

A. an increase in the real reward of the factor used intensively in the production of X.

B. a decrease in the real reward of the factor used less intensively in the production of Y.

C. an increase in the real reward of the factor used more intensively in the production of Y.

D. an increase in the real reward of the factor used less intensively in the production of X.

26. Assertion (A) : Free international trade necessarily lowers the real wage of the scarce factor of production in terms of any good.

Reason (R) : If the real wage declines in terms of every good, real income must suffer regardless of the tastes and expenditure patterns of the labourers as consumers.

A. Both A and R are true and R is the correct explanation of A

B. Both A and R are true, but R is NOT a correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

27. Assertion (A): Devaluation can correct the imbalance in the balance of payment.

Reason (R): Devaluation raises the price of imported goods and reduces the foreign price of exports of the devaluing country.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true and R is not a correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

28. Assertion (A) : Marshall–Lerner condition should be fulfilled if devaluation is to be sucessful.

Reason (R) : Devaluation makes exports costly and imports cheaper.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

29. Assertion (A) : Customs duties primarily influence commodity prices.

Reason (R) : Quantitative restrictions are designed to determine the amount of goods imported or exported.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

30. Assertion (A): Devaluation changes ipso facto exchange rates.

Reason (R): Revaluation is the opposite of devaluation.

A. Both A and R are true and R is the correct explantion of A.

B. Both A and R are true, but R is not the correct explanation of A.

C. A is ture, but R is false.

D. A is false, but R is true.

31. Assertion (A): The Ricardian theory of comparative costs is based on the labour theory of value.

Reason (R): Labour theory of value holds good in domestic trade, but breaks down when applied to international trade.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

32. Which of the following items may be included in the Current Account part of the Balance of Payments Statements?

1. Merchandise exports.

2. Foreign tourist's expenditure in home country.

3. Foreign Short-term investment in home country.

4. Banking, insurance and transport services.

5. Income received on investments abroad.

Select the correct answer using the codes given below:

A. 1 alone

B. 1, 2, 3 and 4

C. 1, 2, 4 and 5

D. 1, 3 and 4

33. Which one of the following pairs is correctly matched?

A. Lowering of the value — Revaluation of a country’s currency

B. Decline in the value of — Depreciation a country's currency in terms of other currencies

C. Increase in the value of a — Devaluation country's currency in terms of other currencies

D. Increase in a country's — Depression foreign exchange reserves

34. The rate of exchange at equilibrium is one that maintains

A. the balance between imports and exports

B. the balance of payments at equilibrium, over a certain period, without any net change in the country's foreign exchange reserves

C. the balance of payments at equilibrium with domestic deflationary policy

D. Satisfactory foreign-exchange-reserve at the disposal of the monetary authority.

35. Which one of the following pair is not correctly matched?

A. Special duty — Duty based on quantity

B. Autarky — Absence of trade

C. Quota — Non-tariff distortion

D. Optimum tariff — Exchange control

36. Which one of the following pairs is not correctly matched.

A. Taussing — Barter terms of trade

B. Prebisch — Deteriorating terms of trade

C. Marshall — Offer curves

D. Walras — Dumping conditions

37. Consider the following statements:

Foreign indirect investment includes

1. Global Depository Receipts and Foreign Currency Convertible Bonds.

2. Foreign Institutional Investment.

3. Non-resident External Deposits.

4. Investment of a Multinational company in a domestic power project.

Of these statements:

A. 1 and 2 are correct

B. 1 and 3 correct

C. 1, 2 and 4 are correct

D. 2, 3 and 4 are correct

38. Consider the following statements:

The equivalance between the effects of a tariff and a quota which limits imports by the same amount depends on the assumption that,

1. there are competitive condiditons prevailing abroad.

2. there is perfect competition among quota holders.

3. there is free competition within the domestic import competing industry.

Of these statements

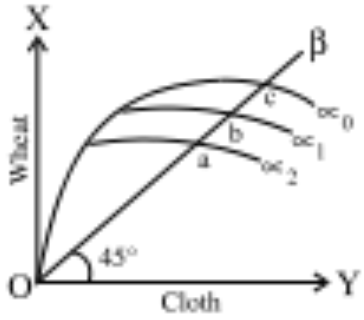
A. 1 alone is correct.

B. 1 and 2 are correct.

C. 1, 2 and 3 are correct.

D. 2 and 3 are correct.

39. The three offer curves viz., $\propto_0, \propto_1, \propto_2$ of country $\propto$cut the offer curve of β at points a, b, c which is equivalent to internatonal terms of trade as shown in the diagram below:



From the above graph, it can be easily deduced that

A. $\propto$ reaps all gains from trade at all points viz. a.b.c.

B. $\propto$ reaps all gains from trade at point C only .

C. Both $\propto$ and β share gains from trade reciprocally.

D. Both $\propto$ and β gains from trade, but $\propto$ gains more than β.

40. The terms of trade for a country will improve as a result of currency devaluation (where S_x = export elasticity of supply, S_m = import elasticity of supply, D_x = export elasticity of demand, D_m = import elasticity of demand) if

A. $S_x . S_m > D_x . D_m$

B. $D_x . D_m > S_x . S_m$

C. $D_x . D_m = S_x . S_m$

D. $S_x . S_m / D_x . D_m < 1$

41. Denoting the price of capital and labour by P_K and P_L respectively and countries by A and B, if

$(P_K / P_L)_A > (P_K / P_L)_B$

A. Country B is relatively labour abundant.

B. Country A is relatively labour abundant.

C. Country A is relatively capital abundant.

D. Relative factor abundance is indeterminate.

42. The Singer-Prebisch theory maintains that

A. less developed countries suffer a welfare loss fromsecular decline in terms of trade due to primary product exports.

B. Less developed countries always gain in trade when they trade with developed countries.

C. Less developed countries lose in terms of welfare but gain in terms of foreign exchange.

D. Dependence upon trade for development is not harmful to less developed countries.

43. For a closed economy having no foreign trade which one of the following is correct?

A. GDP = GNP

B. GDP > GNP

C. GDP < GNP

D. None of these

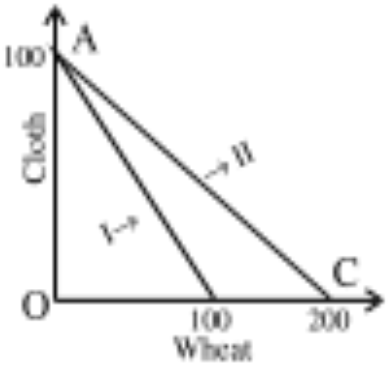
44. Match List-I with List-II and select the correct answer using the codes given below the lists:

List-I	List-II
(a) Unrequited receipts	1. Gifts, reparations received from foreigners
(b) Accomodating transfer	2. Lending, borrowing finance and gold
(c) Transfer items	3. Commercial imports and exports
(d) Autonomous items	4. Currency transfer by monetary authority

Codes:

	(a)	(b)	(c)	(d)
A.	1	4	2	3
B.	4	1	2	3
C.	1	4	3	2
D.	4	1	3	2

45. In the given diagram curves I and II represents respectively production-possibility curves of countries A and B. The diagram refers to a two country, two commodity model. When free trade opens up, each country specialises on the lines of Ricardian model of trade. At some point of time, the terms of trade are settled at domestic exchange ratio of country 'A'. In this case, gain from international trade will accrue.



A. Wholly to country 'A'.

B. Wholly to country 'B'.

C. to both the countries in equal proportions

D. to both the countries but 'B' will gain more than 'A'.

46. Match List-I with List-II and select the correct answer using the codes given below the lists:

List-I	List-II
(a) Free trade area	1. No restriction on trade and factor movement
(b) Customs union	2. Trade is free and no customs duties
(c) Common market	3. No customs duties; duties on non-members
(d) Economic union	4. Advanced stage of integration

Codes:

	(a)	(b)	(c)	(d)
A.	2	1	3	4
B.	3	2	4	1
C.	2	3	1	4
D.	1	3	4	2

47. Which of the following pairs of GATT rounds and the associated years are correctly matched?

1. First Round 1948

2. Kennedy Round 1964-67

3. Tokyo Round 1973-79

Select the correct answer using the codes given below:

A. 1, 2 and 3

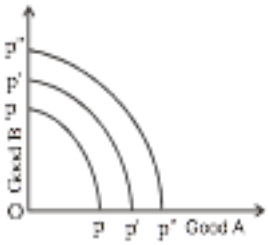
B. 1 and 2

C. 2 and 3

D. 1 and 3

48. The given diagram represents a country producing only two goods 'A' and 'B'. PP represents the production possibility curve.

Consider the following statements in this regard:



An outward shift of the production possibility curve (to p' p', p" p") will take place due to

1. technological progress

2. increase in available resources

3. increase in consumption

Of these statements:

A. 1, 2 and 3 are correct

B. 1 and 2 are correct

C. 2 and 3 are correct

D. 1 and 3 are correct

49. The optimum tariff is at a point where the elasticity of the offer curve is

A. infinity

B. unity

C. greater than unity but less than infinity

D. less than unity

50. If the demand of the domestic consumers is infinitely elastic and the supply of the foreign producer is perfectly inelastic, then the whole of the tariff will

A. be paid by the domestic consumers.

B. be paid by the foreign producers

C. be equally shared by the domestic consumers and the foreign producer.

D. yield neither revenue nor protection to either of them.

51. One of the advantages of free trade is improvement in the distribution of income. Free trade thus results in some income redistribution by

A. raising the income of the poor.

B. lowering the income of the rich.

C. raising the income of the poor and lowering the income of the rich.

D. lowering the price of the scarce factor and raising the price of the abundant factor.

52. The main objective of the World Trade Organization is to secure among others

A. a general agreement among Common Market Countries on technical training and mutual prices of traded goods.

B. the maintenance of intellectual property rights and patent rights of member countries

C. an improvement in the USA's terms of trade in the next decade.

D. a reduction in tariffs through negotiation, elimination of import quotas and globalization of international trade.

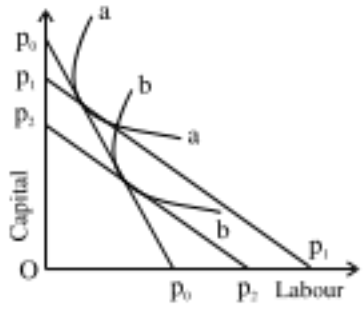
53. Match List-I with List-II and select the correct answer using the codes given below the lists:

List-I	List-II
(a) Supply side of International Trade	1. David Ricardo
(b) Demand side of International Trade	2. Bastable and Alfred Marshall
(c) Opportunity cost of International Trade	3. G. Haberler
(d) Real cost theory of International Trade	4. Alfred Marshall and Edgeworth

Codes:

	(a)	(b)	(c)	(d)
A.	1	4	2	3
B.	1	4	3	2
C.	4	1	2	3
D.	4	1	3	2

54. In the given diagram, curves aa and bb represent the isoquants for goods A and B. P_0 P_0 represents relative factor prices in country I. P_1 P_1 and P_2 P_2 represent relative factor prices in country II. Which of the following inferences can be drawn from the data presented in the diagram?



1. Goods A is the capital intensive goods.

2. Goods B is a labour intensive goods.

3. Capital is cheap in country 1.

Select the correct answer using the codes given below:

A. 1, 2 and 3

B. 1 and 2

C. 2 and 3

D. 1 and 3

55. Match List-I with List-II and select the correct answer using the codes given below the lists

List-I	List-II
(a) Hamilton-List effects	1. Trade creation and Trade diversion
(b) Marshall-Lerner	2. Infant-Industry argument
(c) F.Y. Edgeworth	3. Elasticity approach
(d) Jacob Viner	4. Impoverishing growth

Codes:

	(a)	(b)	(c)	(d)
A.	2	3	1	4
B.	2	3	4	1
C.	3	2	4	1
D.	3	2	1	4

56. Assertion (A): A change in the income terms of trade is an indicator of welfare.

Reason (R): Income terms of trade measure the quantity of imports bought by exports.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A

C. A is true, but R is false.

D. A is false, but R is true.

57. Dusenberry was of the opinion that less developed countries will have serious and adverse effect on their balance of payments due to

A. backwash effect

B. spread effect

C. demonstration effect

D. multiplier effect

58. The balance of payments of a country is in equilibrium when the

A. demand for the domestic currency is equal to its supply.

B. demand for the domestic currency is the highest.

C. demand for the domestic currency is the lowest.

D. demand as well as supply of the domestic currency are the highest.

59. Assume that the nominal rate of tariff on imports of final commodity is 30%. The nominal rate of traiff on the imported inputs is 10% and the ratio of imported inputs to the value of the final commodity is 50%. Then the effective rate of tariff will be

A. 50%

B. 40%

C. 30%

D. 10%

60. In a three-country two-commodity model, countries being of unequal sizes, the domestie exchange ratio are as under:

Country	Domestic Exchange Ratio
1	2a : 1b
2	1a : 1b
3	1a : 2b

As per this model, the stability in international trade is most likely at the international terms of trade of

A. 2a : 1b

B. 1a : 1b

C. 1a : 2b

D. 0.5a : 1b

61. The country is likely to be better off after export-ledgrowth provided that

A. gains from export-led-growth exceed the losses from worsening terms of trade.

B. gains from growth off-set the losses from worsening terms of trade.

C. the long-run terms of trade are favourable.

D. the elasticity of demand for imports is less than unity

62. Which one of the following assumptions is the most important assumption in the Heckscher–Ohlin theorem of international trade?

A. Two factor model

B. Two commodities

C. No tariff

D. Constant tastes

63. The Ricardian theory of comparative advantage relates to

A. short-run outcome

B. long-run outcome

C. intermediate outcome

D. all the above

64. Where the foreign offer curves has an elasticity of one, the optimum tariff will be

A. infinity

B. unity

C. less than unity

D. zero

65. If the sum of the elasticities of the exports and imports is less than one, any devaluation will further aggravate the deficit in the BOP. Who has given this view?

A. Marshall and Lerner

B. Harrod and Domar

C. Solow and Swan

D. Hickscher and Ohlin

66. Given the usual shapes of LM and IS curves and BOP curve, if there is a shift in the LM curve to the right, the economy will face

A. Surplus in the balance of payment and a fall in the rate of interest

B. Deficit in the balance of payment and an increase in the rate of interest

C. Surplus in the balance of payment and an increase in the rate of interest.

D. Deficit in the balance of payment and a fall in the rate of interest.

67. Assertion (A): Heckscher-Ohlin theory invalidates the classical theory of comparative costs.

Reason (R): Heckscher-Ohlin theory goes behind the comparative cost theory.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

68. Assertion (A): Factor price equalisation theorem deals with the effect of trade on factor prices.

Reason (R): Trade in goods has no effect on factor prices.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is not a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

69. ‘Most Favoured Nation Clause’ under GATT requires

A. Preferential treatment to particular identified countries.

B. Preferential treatment only to developing countries.

C. Preferential treatment to countries with a balance of payments deficit.

D. Preferential treatment to all member countries of GATT.

70. Which of the following items were responsible for most of the increase in international liquidity since World War-II?

1. Gold

2. Dollars

3. Other Convertible Currencies

4. SDRs

Select the correct answer using the codes given below:

A. 1, 2 and 4

B. 1 and 3

C. 2 and 3

D. 2 and 4

71. Direct control refers to

A. interference with the operation of the market forces.

B. price and wage control.

C. trade and exchange control.

D. all of the above.

72. Consider the following statements:

Under the gold-standard inflow of gold from the deficit to the surplus nation results in

1. a fall in the interest rate in the surplus nation.

2. a fall in the interest rate in the deficit nation.

3. an outflow of capital from surplus to deficit nation.

4. an outflow of capital from deficit to surplus nation.

Of the above statements:

A. 1 and 4 are correct

B. 1 and 3 are correct

C. 2 and 3 are correct

D. 2 and 4 are correct

73. According to the elasticity approach, for a devaluation to have a positive effect on a country's trade balance, the sum of the elasticities of demand for a country's exports and of its demand for imports has to be equal to

A. unity

B. less than unity

C. zero

D. greater than unity

74. Which one of the following transactions represents a credit entry in the current account of a country's balance of payments?

A. Merchandise imports

B. Transportation services rendered by foreign companies

C. Expenditure of foreign tourists in a country.

D. Fees paid to foreign contractors and engineers.

75. Which one of the following pairs is correctly matched?

A. Change in imports – Average propensity associated with a given to import change in income

B. Value of imports as a – Marginal propensity percentage of total to import national income

C. Change in nation's income – Foreign trade caused by a change in its multiplier exports

D. When some products – Balanced growth contribute much more to growth than others

76. Match List-I with List-II and select the correct answer using the codes given below the lists:

List-I	List-II
(a) Buying and selling of home currency in the foreign exchange market by government or its authorised agency	1. Pegging Operation
(b) Charging different prices in different markets for an internationally traded commodity	2. Dumping Operation
(c) The price of imports paid by local purchasers, which is more than their normal value	3. Free on board (f.o.b.)
(d) Local producers of an export good receiving only the price of the good as it leaves the country.	4. Cost, insurance and freight (c.i.f.)

Codes:

	(a)	(b)	(c)	(d)
A.	2	1	3	4
B.	1	2	4	3
C.	3	1	2	4

D. 1 4 3 2

77. A country is said to be relatively well-endowed with capital if the

A. aggregate value of capital in the country is greater than that of labour and land.

B. the wage-rental ratio in that country is higher in relation to that in its trading partners.

C. the interest rate on capital is lower in that country relatively to the interest rate in its trading partners.

D. the per capita amount of investment in the country had shown a rising trend.

78. Match List-I with List-II and select the correct answer using the codes given below the lists

List-I	List-II
(a) Classical theory of comparative cost advantage	1. David Ricardo
(b) Vent for surplus theory	2. G. Haberler
(c) Theory of opportunity cost	3. J.S. Mill
(d) Theory of reciprocal demand	4. Adam Smith

Codes:

	(a)	(b)	(c)	(d)
A.	1	4	2	3
B.	1	2	3	4
C.	4	1	2	3
D.	3	1	2	4

79. Match List-I with List-II and select the correct answer using the codes given below the lists:

List-I	List-II

(Assumption)	(Implication)
(a) No transport costs in trade	1. Commodity prices same in the two countries
(b) Perfect competition in factor markets	2. Optimal allocation of factors
(c) Factor intensities differ between goods	3. Techniques of production same in the two goods
(d) Production functions same in both countries	4. Techniques of production same in the two countries

Codes:

	(a)	(b)	(c)	(d)
A.	2	1	5	4
B.	3	4	2	1
C.	3	2	4	1
D.	1	2	3	4

80. The tariff which maximises a country's economic welfare is called

A. protective tariff

B. discriminatory tariff

C. non-discriminatory tariff

D. optimum tariff

81. The scope of international trade and division of labour is limited by

A. availability of technology

B. size of the international market

C. availability of capital

D. surplus production of Capital exports

82. In Heckscher-Ohlin theory of international trade, the most important source of difference in relative commodity prices between nations is a difference in

A. factor endowments

B. technology

C. tastes

D. demand conditions

83. Assertion (A): The gains from trade are determined by the terms of trade.

Reason (R): The gains from trade depend on the differences in comparative cost ratios.

A. Both A and R are individually true and R is the correct explanation of A

B. Both A and R are individually true, but R is NOT the correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

84. Assertion (A): Special Drawing Rights (SDRs) have the characteristics of an international currency.

Reason (R): SDRs were introduced to increase international liquidity

A. Both A and R are individually true and R is the correct explanation of A.

B. Both A and R are individually true, but R is NOT the correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

85. Assertion (A): Devaluation leads to expenditure switching.

Reason (R): Devaluation makes imports relatively costlier than domestic goods.

A. Both A and R are individually true and R is the correct explanation of A.

B. Both A and R are individually true, but R is NOT the correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

86. Which one of the following pairs is not correctly matched?

A. Gross barter — Taussing

terms of trade

B. Purchasing power — J.S. Mill

parity theory

C. Offer Curves — A. Marshall

D. Factor-endowment — Heckscher-model

Ohlin

87. Which one of the following pairs is not correctly matched?

A. Exchange depreciation — Market mechanism

B. Devaluation — Policy action of the government

C. Deflation — Cheap money policy

D. Exchange Control — Foreign exchange rationing

88. The flexible exchange rate has a number of advantages. Which one of the following is not to be considered as such an advantage?

A. The exchange rate moves in a free market to equate demand and supply so that the market does not face the problem of scarcity or surplus of foreign currency.

B. It permits a continued existence of free trade and convertible currencies.

C. It permits a country to follow independent monetary and fiscal policies.

D. There is no need for keeping official foreign exchange reserves.

89. Which of the following statements is not correct in respect of the balance of payments of a country?

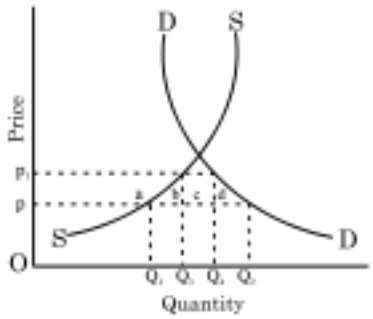
A. The current account of balance of payments consists of exports and import of goods and the capital account consists of export and import of services, borrowings and lendings.

B. The surplus on current account in the balance of payments must be equal to the deficit on capital account and vice versa.

C. If in the actual balance of payments, the credit and debit do not balance, the balance is usually achieved by adding one item “errors and omissions”.

D. The balance of payments of a country must always balance in the accounting sense.

90.



The above graph shows different effects of tariffs in partial equilibrium. Which one of the following indicates the revenue effect of a tariff equal to PP1 per unit?

A. Area represented by 'a'.

B. Area represented by 'b'.

C. Area represented by 'c'.

D. Area represented by 'd'.

91. Gains in trade results from

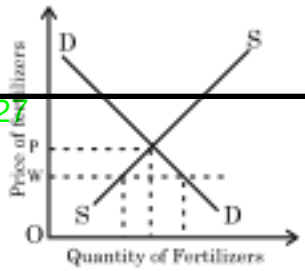
A. exporting as much as possible and receiving gold

B. reallocation of existing goods between the two countries

C. the fact that exchange brings both specialisation and reallocation of greater output and the increased welfare in each country.

D. One country receiving both imports and gold.

92.



Consider the following statements:

Under free trade

1. Prices of fertilizers will be lowered compared to world prices.

2. Consumption of fertilizers will increase.

3. Imports of fertilizers will be zero.

Which of these statements are correct?

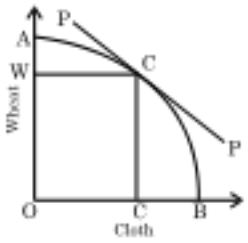
A. 1 and 2

B. 1 and 3

C. 2 and 3

D. 1, 2 and 3

93.



In respect of the production possibility curve under increasing opportunity costs given above, consider the following statements:

1. The production possibility curve is not indentical with price curve as in the case of constant costs.

2. There would be complete specialisation of a country in a single commodity in a two commodities and two countries model.

Which of the statements is/are correct?

A. 1 only

B. 2 only

C. Both 1 and 2

D. Neither 1 nor 2

94. Which one of the following is non-debt flow of capital between countries?

A. Commercial borrowings

B. Portfolio investment

C. Short-term borrowings from IMF.

D. Sale and purchase of bonds in the capital markets

95. Consider the following statements :

Under the Gold standard system, represented

1. Common unit value.

2. International means of payment

3. A store of value

Which of these statements are correct?

A. 1 and 2

B. 1 and 3

C. 2 and 3

D. 1, 2 and 3

96. Which one of the following is a possible compromise between the fixed and the flexible exchange rate systems?

A. Adjustable peg system

B. Crawling peg system

C. Managed floating system

D. All the above three

97. Match List-I with List-II and select the correct answer using the codes given below the lists :

List-I (Institution)	List-II (Main Objective)
(a) IMF	1. To promote viable and durable multilateral trading system.
(b) UNCTAD	2. To promote harmony between developed and developing countries on trade-related developmental issue.
(c) World Bank	3. To promote socio-economic development of the member countries.
(d) WTO	4. To reduce the degree of balance of payments disequilibrium of the member countries.

Codes:

	(a)	(b)	(c)	(d)
A.	4	3	2	1
B.	1	2	3	4
C.	4	2	3	1
D.	1	3	2	4

98. Which of the following does not form a part of the foreign exchange reserve of India?

A. Gold

B. SDRs

C. Foreign Currency assets

D. Foreign currency and securities held by the banks and corporate bodies

99. Assertion (A): Intellectual property rights were brought into the Uruguay Round trade Negotiations.

Reason (R): International trade restrictions can be used to discourage the violation of intellectual property rights.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is NOT a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

100. Assertion (A): The open-economy Keynesian multiplier is less than the closed economy Keynesian multiplier.

Reason (R): The marginal propensity of import is always greater than the marginal propensity to consume.

A. Both A and R are true and R is the correct explanation of A.

B. Both A and R are true, but R is NOT a correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

ANSWERS

1	2	3	4	5	6	7	8	9	10
B	B	D	D	A	B	C	C	A	A
11	12	13	14	15	16	17	18	19	20
B	A	D	D	C	A	C	D	A	B
21	22	23	24	25	26	27	28	29	30
A	D	A	C	A	A	A	C	B	A
31	32	33	34	35	36	37	38	39	40
A	C	B	B	D	D	B	A	A	B
41	42	43	44	45	46	47	48	49	50
B	A	A	C	B	C	C	B	C	B
51	52	53	54	55	56	57	58	59	60
D	D	B	A	B	A	C	A	A	D
61	62	63	64	65	66	67	68	69	70
A	A	B	A	A	A	A	B	D	A
71	72	73	74	75	76	77	78	79	80
B	C	D	C	C	B	D	A	D	A
81	82	83	84	85	86	87	88	89	90
B	A	A	A	A	B	D	C	A	C
91	92	93	94	95	96	97	98	99	100
C	A	A	B	D	D	C	D	B	A

Indian Economy

1. Which state has maximum branches of public sector commercial banks?

A. Uttar Pradesh
B. Maharashtra
C. Karnataka
D. Gujarat

2. In which plan phase of industrialisation was initiated?

A. Fourth
B. Third
C. Second
D. First

3. Which is the first Export Processing Zone declared as Free Trade Zone in India?

A. Santacruz
B. Kandla
C. Falta
D. Noida

4. Which institution is known as ‘soft loan window’ of World Bank?

A. IFC
B. IDA
C. IMF
D. Indian Development Forum

5. ‘Backwash Effect’ was firstly introduced by

A. Gunnar Myrdal
B. Peter Suderland
C. Arthur Dunkel
D. Kindelberger

6. Meera Seth Committee was related to

A. Development of Handlooms
B. Sex-differentiation in employment
C. Abolition of Child Labour
D. Welfare of working women

7. Finance Commission is appointed by the President under Article

A. 256 of constitution
B. 280 of constitution
C. 293 of constitution
D. 356 of constitution

8. ‘SAPTA’ is related to

A. Education
B. Trade
C. Security
D. Environment

9. National Income estimates in India is prepared by

A. NITI Aayog
B. RBI
C. Finance Ministry
D. C.S.O.

10. Scheduled bank is that bank which is

A. Nationalised

B. Not–nationalised
C. Based at foreign country
D. Included in the second schedule of R.B.F.

11. The definition of small scale industry in India is based on

A. Sales of a unit
B. Investment in machines and equipment
C. Market coverage
D. Export capacity

12. Which one of the following committees was set up to review the concept of poverty line?

A. S. Chakravarty Committee
B. K.N. Wanchoo Committee
C. D.T. Lakdawala Committee
D. R.C. Dutt Committee

13. Which one of the following is not the canon of taxation as stated by Adam Smith?
A. Canon of productivity
B. Canon of convenience
C. Canon of certainty
D. None of these

14. According to 2011 census the state having highest urban population is

A. U.P.
B. Maharashtra
C. Tamil Nadu
D. Kerala

15. Which place India holds in milk production?

A. Fourth
B. Third
C. Second
D. First

16. Who is the chairman of Island Development Authority?

A. President
B. Prime Minister
C. Home Minister
D. Planning Minister

17. The book 'Politics with Charkha' is written by

A. Ashok Mehta
B. J.B. Kriplani
C. K.G. Mashruwala
D. Morarji Desai

18. The base year of the present Wholesale Price Index (WPI) is

A. 2011-12
B. 1971-72
C. 1980-81
D. 1981-82

19. The base year of present Consumer Price Index (CPI) for industrial labourers is

A. 2016
B. 1981
C. 1982
D. 1985

20. CAPART is related with

A. Assisting and evaluating rural welfare programmes
B. Computer hardware
C. Consultant service of export promotion
D. Controlling pollution in big industries

21. Note issuing deptt. of RBI should always possess the minimum gold stock of worth

A. Rs. 85 crores
B. Rs. 115 crores
C. Rs. 200 crores
D. None of these

22. Which of the following does not grant any tax rebate?

A. National Saving Certificate
B. Indira Vikas Patra
C. National Saving Scheme
D. Public Provident Fund

23. 13th Finance Commission was constituted under the chairmanship of

A. C. Rangrajan
B. V.L. Kelkar
C. K.C. Pant
D. None of these

24. SEBI was established in

A. 1993
B. 1992
C. 1988
D. 1990

25. The working of SEBI includes

A. To regulate the dealings of share market
B. To check the foul dealings in share market
C. To control the inside trading of shares
D. All of these

26. The “Ad hoc Treasury Bill System” of meeting budget deficit in India was replaced by ‘Ways and means Advances System’ which has come into force on

A. March 31, 1997
B. April 1, 1996
C. April 1, 1997
D. None of these

27. Asian Development Bank has opened its Residential Office in

A. New Delhi
B. Kolkata
C. Mumbai
D. Bangalore

28. Which statement of the following is true for IMF?

A. It is not an agency of UNO
B. It can grant loan to any country of the world
C. It can grant loan to state Govt. of a country
D. It grants loan only to member nations

29. Chairman of Tax Reform Committee was

A. Pranab Mukherjee
B. K.P. Narsimham
C. S. Janakiraman
D. Raja Chelliah

30. Which of the following is public sector organisation?

1. FCI Food Corporation of India
2. FCI Fertilizer Corporation of India
3. Cotton Corporation of India
4. Jute Corporation of India

A. only 1 and 2
B. only 2, 3
C. only 3, 4
D. All of these

31. Find the odd one out

A. SAIL
B. BHEL
C. ONGC
D. ESSAR OIL

32. SAIL was established in

A. 1974
B. 1984
C. 1990
D. 1964

33. Rural women can avail the benefit of Mahila Samriddhi Yojana if they open their account in–

A. Rural Post Offices

B. Commercial Banks
C. Rural Development Bank
D. Any of the above

34. Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched in

A. 2000
B. 1999
C. 2001
D. 2004

35. The Headquarter of CAPART is situated at

A. Mumbai
B. Kolkata
C. New Delhi
D. Bangalore

36. The main security guard of International Trade is

A. IMF
B. World Bank
C. WTO
D. IFC

37. Which is true for existing Economic and Industrial Policies of Indian Govt?

1. FERA was abolished
2. MRTP was abolished
3. Cash compensatory support for exports was abolished
4. Industrial licensing (except a few goods) was abolished

A. 1, 2, 3 and 4
B. 1, 3 and 4
C. only 3 and 4
D. only 2 and 3

38. Cheque which is crossed can be encashed only

A. Through SBI
B. Through the payee
C. Through any bank
D. None of these

39. Post office funds will now be managed in capital market by

A. Unit Trust of India Mutual Fund
B. SBI Mutual Fund
C. LIC Mutual Fund
D. Both (A) and (B)

40. One major proposal of New Industrial Policy (1991) was

A. NRIs will not be allowed for capital investment in India
B. All types of industries have been made licence free
C. Import restrictions of technical know-how for one year
D. Facility of direct foreign investment upto 51% in high priority industries.

41. 'Closed Economy' is that economy in which

A. Only export takes place
B. Money supply is fully controlled
C. Deficit financing takes place
D. Neither export nor import takes place

42. Which one of the following method is not used by N.S.S.O. for the measurement of unemployment in India?

A. Current Monthly Status
B. Current Weekly Status
C. Current Daily Status
D. Usual Principal Status

43. National Rural Development Institute is situated at

A. Shimla
B. Hyderabad
C. Patna
D. New Delhi

44. Which of the following have/has not been included in wealth of a nation?

A. Mines
B. Dams
C. Money Supply
D. Animals

45. Which statement of the following is false (according to literacy data of 2011 census)?
A. Literacy rate was calculated among people having age 6 years or above
B. During 2001-2011, the number of literate population increased
C. Indian literacy rate was estimated to be 73%
D. Kerala was cent-per cent literate state

46. The Headquarter of World Bank is situated at

A. Manila
B. Washington D.C.
C. New York
D. Geneva

47. Which state has a lower literacy rate than country's literacy rate according to 2011 census?

A. Maharashtra
B. Gujarat
C. Odisha
D. West Bengal

48. Assertion (A): From the point of view of technique of planning, there was little difference between India's 2nd and 3rd plan.
Reason (R): Despite sticking to Mahalanobis model both followed a balanced development approach.

A. Both A and R are true and R is the correct explanation of A
B. Both A and R are true, but R is not a correct explanation of A
C. A is true, but R is false
D. A is false, but R is true

49. Which pair is not correct?

A. EXIM Bank Financing for export-import
B. RBI Banker's bank
C. IDBI Industrial finance
D. FCI Financial assistance to commercial institutions

50. Which of the rate is not determined by RBI?

A. Bank Rate

B. CRR
C. SLR
D. PLR

51. Which of the following controls the working of share market in India?

A. MRTP Act
B. FERA
C. BIFR
D. SEBI

52. The main foodgrains of India is

A. Rice
B. Wheat
C. Sugarcane
D. Maize

53. Which rank India attains in tobacco production in the world?

A. First
B. Sixth
C. Second
D. Fourth

54. Which district of Hindi speaking belt has firstly been declared as fully literate?

A. Narsinghpur (M.P.)
B. Palampur (H.P.)
C. Jhunjhanu (Rajasthan)
D. Palamu (Jharkhand)

55. Which sector has the maximum quantum of disguised unemployment in India?

A. Agriculture
B. Industry
C. Trade
D. Transport

56. 'Food for work programme' was renamed as

A. RLEGP
B. IRDP
C. NREP
D. MNP

57. The proportion of rainfed agriculture to the net sown area in India is about

A. 45%
B. 75%
C. 50%
D. 52.4%

58. India has emerged in the world as the

A. Second Largest Steel Producer
B. Third Largest Steel Producer
C. Fourth Largest Steel Producer
D. None of these

59. Who is the ex-officio chairman of 'National Child Labour Abolition Authority'?

A. Prime Minister
B. Industry Minister
C. Social Welfare Minister
D. Labour Minister

60. Employees State Insurance Scheme in India was introduced in

A. 1947
B. 1952
C. 1955
D. 1972

61. The goods can be taxed heavily to earn additional revenue if they are

A. Highly elastic
B. Unit elastic
C. Perfectly elastic
D. Inelastic

62. Scheduled Bank is that bank which is

A. Nationalised
B. Not nationalised
C. Based at foreign country
D. Included in the second schedule of RBI

63. For which type of fertilizer India is fully dependent on imports?

A. Nitrogen Fertilizer
B. Phosphetic Fertilizer
C. Potash Fertilizer
D. None of these

64. Which fertilizer is mostly consumed in India?

A. N
B. P
C. K
D. All are used in equal ratio

65. UNO has the maximum dues on

A. India
B. Mexico
C. USA
D. Japan

66. Match the following:

List-I	List-II
A. Aquaculture	(1) Silk
B. Floriculture	(2) Grapes
C. Sericulture	(3) Flower
D. Viticulture	(4) Fisheries

	A	B	C	D
A.	4	3	2	1
B.	3	4	1	2
C.	3	4	2	1
D.	4	3	1	2

67. The CSO has changed the base year for national income estimates. The new base year is

A. 1990-91

B. 2011-12
C. 1994-95
D. 1995-96

68. The Ex-officio Secretary of NDC is

A. Secretary of Finance Ministry
B. General Secretary of Lok Sabha
C. Secretary of NITI Aayog
D. Vice-Chairman of NITI Aayog

69. India's National Hydroelectric Power corporation is establishing ‘Tamarthi Power Project’ in

A. Bangladesh
B. Bhutan
C. Myanmar
D. Nepal

70. ‘Hydro carbon Vision-2025’ is associated with

A. Storage of petroleum products
B. Euro-I & Euro II
C. Green house effect
D. None of these

71. Which state possesses the maximum percentage of SC population?

A. U.P.
B. M.P.
C. Kerala
D. Punjab

72. Which country is not the member of IMF?

A. Russia
B. Uzbekistan
C. India
D. None of these

73. What is ‘NIKKEI’?

A. Share Price Index of Tokyo Share Market

B. Name of Japanese Central Bank
C. Japanese name of Country's Planning Commission
D. Foreign Exchange Market of Japan

74. Which statement is correct for Indian Planning Commission?

A. It is not defined in Indian Constitution
B. Members and Vice-Chairman of it do not have fixed working duration
C. Members do not require any minimum education
D. All of these

75. SEBI is a:

A. Statutory body
B. Advisory body
C. Constitutional body
D. Non-statutory body

76. Who is the Chairman of NDC?

A. Finance Minister
B. Prime Minister
C. Home Minister
D. Lok Sabha Speaker

77. NABARD was established on the recommendation of

A. Public Account Committee
B. Shivaraman Committee
C. Narsimham Committee
D. None of these

78. "World Economic Outlook" report is published by:

A. IMF
B. World Bank
C. RBI
D. UNCTAD

79. The field given to Rangarajan Committee was

A. Modernisation of Cloth Industry
B. To probe Share scam

C. To probe Sugar scam
D. To suggest measures for controlling BOP deficit

80. VAT is imposed

A. Directly on consumer
B. On final stage of production
C. On first stage of production
D. On all stages between production and final sale

81. Kutir Jyoti scheme is associated with

A. Promoting cottage industry in villages
B. Promoting employment among rural unemployed youth
C. Providing electricity to rural families living belowthe poverty line
D. All of these

82. The Headquarter of 'Economic and Social Commission for Asia and Pacific' is at

A. Singapore
B. Bangkok
C. Manila
D. Hong Kong

83. OTCEI is

A. Atomic submarine of China
B. Economic policy of USA
C. A Indian Share Market
D. A defence research organisation

84. Which is the most liquid measure of money supply?

A. M_1
B. M_2
C. M_3
D. M_4

85. M_3 measure of money supply does not include

A. Cash with public
B. Demand deposits with Post offices

C. Demand deposits with Banks
D. Time deposits with Banks

86. Which public sector enterprise has become the largest from annual sales point of view?

A. BHEL
B. SAIL
C. IOCL
D. Coal India Ltd

87. NITI Aayog was constituted in

A. 1948
B. 1949
C. 2015
D. 1951

88. Which of the following represents the correct combination of sex-ratio in India in 1951 and 2011?
A. 941, 933
B. 946, 943
C. 946, 927
D. 972, 933

89. Gresham's Law is related to

A. Consumption and Demand
B. Supply and Demand
C. Circulation of Money
D. Deficit Financing

90. TRYSEM was

A. a modern technique of agriculture production
B. a code used in space science
C. a programme to train rural youth for self employment
D. None of these

91. Kelkar committee report is related on

A. Tax Reforms
B. Financial Sector Reforms

C. Trade Reforms
D. Administrative Reforms

92. The process of budget making after re-evaluating every item of expenditure in every financial year is known as

A. Performance Budgeting
B. Deficit Budgeting
C. Zero Based Budgeting
D. Fresh Budgeting

93. Which place India holds in milk production?

A. Fourth
B. Third
C. Second
D. First

94. In which production India has attained self-sufficiency?

A. Fertilizers
B. Foodgrains
C. Edible oil
D. Petroleum

95. What is ‘Super 301’?

A. A name of modern computer
B. A new variety of Rice
C. American trade law
D. American treatment name for Aids

96. If the capital stock is always stable, its depreciation will be

A. High
B. Low
C. Zero
D. Infinite

97. The proportion of labour in GNP becomes low, due to the following reason

A. Wages lag behind prices
B. Prices lag behind wages

C. Profit lags behind prices
D. Prices lag behind profit

98. When development in economy takes place the share of tertiary sector in National Income?

A. Declines
B. Increases
C. Remains constant
D. First rises and then falls

99. Which country among following is relatively more industrialised?

A. Bangladesh
B. Thailand
C. India
D. Pakistan

100. Plan expenditure in India is met by

A. Internal debt and other resources
B. Assistance from Aid India Club
C. Assistance from IMF
D. Assistance from OECD countries

101. National Income in India is estimated by

A. NITI Aayog
B. Finance Commission
C. Indian Statistical Institute
D. Central Statistical Organisation

102. Population Density means

A. No. of persons living per sq. km.
B. No. of persons living per kilometre
C. Ratio of population living below poverty line to total population
D. No. of persons in a village

103. Which tax is collected by Panchayat?

A. Sales Tax
B. Custom Duty

C. Land Revenue
D. Tax on local fairs

104. Centralised planning was first adopted in the economy of

A. Russia
B. Poland
C. China
D. India

105. Which sector got high rate of growth in its co-operative units?

A. Sugar
B. Cotton Textile
C. Jute
D. Cement

106. Which among the following states is a leading industrialised state?

A. West Bengal
B. Odisha
C. Maharashtra
D. Madhya Pradesh

107. The first fully literate district outside the Kerala State is

A. Wardhaman (West Bengal)
B. Chingelpattu (Tamil Nadu)
C. Nasik (Maharashtra)
D. Merkata (Karnataka)

108. The Headquarter of IMF is in

A. New York
B. Washington D.C.
C. London
D. Manila

109. Which committee recommended tax on Agriculture Holdings?

A. Bhootlingam Committee
B. Wanchoo Committee
C. Raj Committee

D. None of these

110. Which bank in India performs duties of Central Bank?

A. Central Bank of India
B. State Bank of India
C. Reserve Bank of India
D. Both (A) and (B)

111. Which part of separated UTI is under SEBI's regulation?

A. UTI-I
B. UTI-II
C. Both the above
D. None of these

112. Mixed Economy means

A. Co-existence of small and large industries
B. Promoting both Agriculture and Industries in the economy
C. Co-existence of public and private sectors
D. Co-existence of rich and poor

113. Which statement of the following is true regarding India’s foreign trade over past three years?

A. Imports declined
B. Exports declined
C. Imports declined but exports increased
D. Both import and export increased

114. Foreign currency which has a tendency of quick migration is called

A. Scarce currency
B. Soft currency
C. Gold currency
D. Hot currency

115. Indian State having the lowest Infant Mortality Rate is

A. Maharashtra
B. Goa
C. Gujarat

D. Kerala

116. Which state in India has largest area under production of food grains?

A. Punjab
B. Uttar Pradesh
C. West Bengal
D. Andhra Pradesh

117. The main objective of TRYSEM was

A. To train rural youth for self employment
B. To train urban youth for self employment
C. Both of the above
D. None of these

118. Inside Trading is related to

A. Share Market
B. Horse racing
C. Taxation
D. Public Expenditure

119. The largest source of National Income in India is

A. Service Sector
B. Agriculture
C. Industrial Sector
D. Trade Sector

120. 'Public Sector' means

A. Government ownership on commerce and trade
B. Capitalist ownership on commerce and trade
C. Private ownership on trade
D. None of these

121. NABARD is

A. A bank
B. A board
C. A block
D. A department

122. Indian Green Revolution is the most successful in

A. Wheat and Potato
B. Jwar and Oil Seeds
C. Wheat and Rice
D. Tea and Coffee

123. The period of 12th plan in India was

A. 2000-2005
B. 2001-2006
C. 2012-2017
D. 2003-2008

124. Economic Planning is in

A. Union list
B. State list
C. Concurrent list
D. Not any specified list

125. Indian Banks have the maximum foreign branches in

A. Bangladesh
B. U.K.
C. USA
D. Sri Lanka

126. Which types of tax helps in reducing disparities of income?

A. Proportionate tax
B. Progressive tax
C. Regressive tax
D. All of these

127. Which Bank is limited to the needs of agriculture and rural finance?

A. SBI
B. IFC
C. NABARD
D. RBI

128. 'Golden Handshake Scheme' is associated with

A. Inviting foreign companies
B. Private investment in public enterprises
C. Establishing joint enterprises
D. Voluntary retirement

129. Which state has the lowest women literary rate in India (2011 census)?

A. Bihar
B. Jharkhand
C. U.P.
D. Rajasthan

130. Which country is the largest oil producing country of the world?

A. America
B. Saudi Arabia
C. Russia
D. None of these

131. Which is an indicator of economic under development and backwardness?

A. High birth rate
B. High illeteracy
C. High pressure of population on agriculture
D. All of these

132. Which of the following took the decision of establishing 'South Asian Development Fund'?

A. ADB
B. World Bank
C. SAARC
D. IMF

133. During 11th plan the annual growth rate in GDP at factor cost achieved was

A. 5.5%
B. 6.5%
C. 7.5%
D. 7.9%

134. TRIPS-'Trade Related Intellectual Property Rights' and TRIMS-'Trade Related Investment Measures' are associated with

A. Preston Proposal
B. Dunkel Proposal
C. Chelliah Committee
D. None of these

135. Which is true for Finance Commission?

A. It is a statutory body
B. It is constituted under article 280 of the constitution
C. Mr. K.C. Pant was Chairman of 10th Finance Commission
D. All of these

136. Assertion (A): According to National Sample Survey, the proportion of poor is higher in rural India than in urban.
Reason (R): After independence, the growth rate of industry has been lower than that of agriculture.

A. Both A and R are true and R is the correct explanation of A
B. Both A and R are true, but R is not a correct explanation of A
C. A is true, but R is false
D. A is false, but R is true

137. What is the CRR minimum limit for a commercial bank to be deposited with RBI?

A. 3%
B. 10%
C. 5%
D. 6%

138. Which is not a part of new economic reforms in India?

A. Globalisation
B. Centralisation
C. Privatisation
D. Liberalisation

139. The official exchange rate of Indian rupee is associated with

A. Pound Sterling
B. Dollar
C. SDR
D. A basket of selected currencies

140. As a result of Green Revolution which foodgrains had a reduced percentage in total foodgrain production?

A. Wheat
B. Rice
C. Cereals and Pulses
D. None of these

141. Which sector constitutes the maximum share in National Income of India?

A. Primary
B. Secondary
C. Tertiary
D. All the above have equal share

142. Corporate Tax is imposed by

A. State Government
B. Local Government
C. Central Government
D. Both Centre and State Government

143. The First Finance Commission was constituted in the year

A. 1947
B. 1950
C. 1951
D. 1952

144. Who has not yet been appointed Chairman of Finance Commission among the following?

A. Amrish Baghchi
B. Mahaveer Tyagi
C. N.K.P. Salve
D. Brahmanand Reddy

145. MRTP is related to

A. Monopoly and trade restrictions
B. Inflation control
C. Transport control
D. Foreign Exchange Regulations

146. The basis of determining dearness allowance to employee in India is

A. National Income
B. Consumer Price Index
C. Standard of Living
D. Per Capita Income

147. The State having the highest literacy rate among woman in India is

A. Tamil Nadu
B. Kerala
C. West Bengal
D. Maharashtra

148. IRDP was introduced in the year

A. 1978-79
B. 1979-80
C. 1980-81
D. 1981-82

149. The industry having the largest investment in Indian Economy is

A. Tea
B. Cement
C. Steel
D. Jute

150. The maximum outlay was proposed in 9th plan (among public sectors) in

A. Agriculture Sector
B. Transport Sector
C. Energy Sector
D. Communications Sector

151. The outlines of second five year plan was made by

A. B.N. Gadgil
B. VKRV Rao
C. P.C. Mahalanobis
D. C.N. Vakil

152. The main aim of fifth five year plan was

A. Poverty elimination
B. Self dependence
C. Both the above
D. None of these

153. NABARD was established in

A. Fourth Plan
B. Fifth Plan
C. Sixth Plan
D. Eighth Plan

154. The first type of co-operative societies established in India was

A. Credit Societies
B. Marketing Societies
C. Agriculture Societies
D. Housing Societies

155. Which currency has got the highest value when compared with Indian Rupee?

A. Marc
B. Yen
C. Rial
D. Pound sterling

156. The State with the second largest population in India is

A. Uttar Pradesh
B. Bihar
C. West Bengal
D. Maharashtra

157. Dalal street is situated at

A. London
B. Paris
C. Mumbai
D. New Delhi

158. RBI was nationalised in

A. 1959
B. 1947
C. 1945
D. 1949

159. R.N. Malhotra committee gave recommendations on the field of
A. Sick Industries
B. Tax Reforms
C. Insurance Sector
D. Banking Sector

160. India is not a member of

A. G-15
B. UNO
C. ASEAN
D. Commonwealth

161. Which states have not yet established any RRB?

A. Sikkim and Goa
B. Bihar and Rajasthan
C. Sikkim and Arunachal Pradesh
D. Nagaland

162. On the recommendations of Kelkar committee, no new RRB was established since

A. April 1987
B. April 1988
C. April 1989
D. April 1990

163. IRBI Industrial Reconstruction Bank of India was established in

A. 1975
B. 1985
C. 1990
D. 1992

164. The headquarter of SIDBI is in

A. Lucknow
B. New Delhi
C. Mumbai
D. Bangalore

165. LIC of India was established in

A. 1897
B. 1950
C. 1956
D. 1965

166. Consumer Protection Act (COPRA) was implemended in

A. 1985
B. 1986
C. 1987
D. 1988

167. Narsimham committee recommended to make banking structure of the country

A. Two tier
B. Three tier
C. Four tier
D. Five tier

168. ‘Canfina’ is associated with

A. Canara Bank
B. SBI
C. National Housing Bank
D. Standard Chartered Bank

169. Inside Trading is related to

A. Share Market
B. Horse Market
C. Taxation
D. Public Expenditure

170. Grameen Bank and Micro Credit are associated with

A. Manmohan Singh
B. Bill Gates
C. Md. Yunus
D. Aung San Su Ki

171. 20 rupee and above value notes are printed in

A. Currency Note Press, Nasik Road
B. Bank Note Press, Dewas
C. Security Printing Press, Hyderabad
D. All of these

172. Central Revenue Board was divided into ‘Central Excise and Custom Duty Board’ and ‘Central Direct Tax Board’ in

A. 1950
B. 1958
C. 1963
D. 1975

173. Which direct tax gives maximum net revenue to the Government

A. Corporate Tax
B. Income Tax
C. Wealth Tax
D. Gift Tax

174. The view that 'Planning in India should, in future, pay more attention to the people than to commodities' was given by

A. Amartya Sen
B. Yashwant Sinha
C. A.B. Vajpayee
D. None of these

175. Operation Flood programme was introduced in

A. 1951
B. 1970
C. 1975
D. 1985

176. Health Insurance Business is associated with

A. LIC
B. UTI
C. GIC
D. State Trading Corporation

177. DWCRA is now merged in

A. JRY
B. SJSRY
C. TRYSEM
D. SGSY

178. Which state has the highest per capita income?

A. Punjab
B. Goa
C. Maharashtra
D. Gujarat

179. According to 2011 census, per 1000 male female number is

A. 939
B. 959
C. 943
D. 927

180. Under Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) those urban areas were included which had a population

A. Upto 50,000
B. Between 50,000 and 1 Lakh
C. Between 50,000 to 5 Lakh
D. None of these

181. Name a Poverty Eradication Programme in which Banks played the dominant role

A. IRDP
B. MNP
C. Rojgar Bima Yojana
D. Jawahar Rojgar Yojana

182. SJSRY belongs to

A. Urban areas
B. Rural areas
C. Semi-urban areas
D. All of these

183. What is 'Hawala'?

A. Full details of a subject
B. Illegal transactions of foreign exchange
C. Illegal trading of shares
D. Tax evasion

184. Which plan was suspended one year before the time schedule?

A. First Plan (1951-56)
B. Third Plan (1966-71)
C. Sixth Plan (1980-85)
D. Fifth Plan (1974-79)

185. Which pair is not correct?

A. I Plan (1951-56)
B. III Plan (1966-71)
C. VI Plan (1980-85)
D. X Plan (2002-2007)

186. According to 2011 census, Indian Population was

A. 98.7 crore
B. 100.0 crore
C. 121.08 crore
D. 105.7 crore

187. Which Union Territory ensured Lowest Population in 2011 census?

A. Delhi
B. Chandigarh
C. Puducherry
D. Lakshadweep

188. The Headquarter of Asian Development Bank (ADB) is at

A. Singapore
B. Manila
C. Hong Kong
D. Tokyo

189. The Chairman of 10th Finance Commission was–

A. Pranab Mukherjee
B. K.C. Pant
C. Mohan Dharia
D. Man Mohan Singh

190. The aim of Differentiated Interest Scheme was to provide concessional loans to

A. Weaker Section of Society
B. Public Sector Industries
C. Public Limited Companies
D. Big Exporters

191. Which Indian plan ensured high growth rate as compared with targetted growth rate?

A. Fifth Plan
B. Fourth Plan
C. Second Plan
D. Eighth Plan

192. MRTP Act was implemented since

A. 1970
B. 1968
C. 1969
D. 1967

193. Which committee was constituted for reforms in taxstructure?

A. Narsimham Committee
B. Chelliah Committee
C. Gadgil Committee
D. Kelkar Committee

194. Match List-I with List-II and select the correct answer by using the codes given below the lists:

List-I	List-II
A. Balance of Payments & Foreign Investment	(1) Rakesh Mohan
B. Public Sector Enterprises Autonomy	(2) Arjun Sen Gupta
C. Small Scale Industries	(3) Rangarajan
D. Infrastructure Development	(4) Abid Hussain

	A	B	C	D
A.	1	4	2	3
B.	3	2	4	1
C.	1	2	3	4
D.	2	1	4	3

195. Assertion (A): Fiscal deficit is greater than budgetary deficit.

Reason (R): Fiscal deficit is the borrowing from the Reserve Bank of India plus other liabilities of the government to meet its expenditure.

A. Both A and R are true and R is the correct explanation of A
B. Both A and R are true, but R is not a correct explanation of A
C. A is true, but R is false
D. A is false, but R is true

196. Match List-I with List-II and select the correct answer by using the codes given below the lists:

List-I	List-II
A. Second Plan	(1) Priority to reducing unemployment and poverty by redistributive schemes
B. Fourth Plan	(2) Rapid industrialization with emphasis on heavy industry
C. Fifth Plan	(3) Perspective Plan for 15 years
D. Sixth Plan	(4) Shift in emphasis towards quick yielding projects and light industry

	A	B	C	D
A.	2	4	1	3
B.	1	2	3	4
C.	3	4	2	1
D.	3	4	1	2

197. Which one of the following pairs is not correctly matched?

A. EXIT policy — Import controls
B. EXIM scrips — Export subsidy
C. LERMS — Rupee convertibility
D. EPZ — Export promotion

198. Assertion (A): Agricultural production is characterised by growth and instability in India.
Reason (R): There are marked inter-regional and inter-crop variations in form production in India.

A. Both A and R are true and R is the correct explanation of A
B. Both A and R are true but R is not a correct explanation of A
C. A is true but R is false
D. A is false but R is true

199. Assertion (A): The industrial structure in India has become non-competitive over time.
Reason (R): The Goverment's licensing and other interventionist policies were devised to benefit the public.

A. Both A and R are true and R is the correct explanation of A
B. Both A and R are true, but R is not a correct explanation of A
C. A is true, but R is false
D. A is false, but R is true

200. Which one of the following is not correctly matched?

A. Rural Credit : NABARD
B. Industrial Finance : SIDBI
C. Rural poverty : SJSRY
D. Disguised : Subsistence agriculture unemployment

Passage Based MCQs

Directions: Read the following case study paragraphs carefully and answer the question based on the same.

PASSAGE-1

The central bank of India (Reserve Bank of India) is the apex institution that controls the entire financial market. It's one of the major functions is to maintain the reserve of foreign exchange. Also, it intervenes in the foreign exchange market to stabilise the excessive fluctuations in the foreign exchange rate. In other words, it is the central bank's job to control a country's economy through monetary policy.

If the economy is moving slowly or going backward, there are steps that central bank can take to boost the economy. These steps, whether they are

asset purchases or printing more money, all involve injecting more cash into the economy. The simple supply and demand economic projection is that currency will devalue. When inflation and economic growth occur and the opposite occurs, and the economy is growing, the central bank will use various methods to keep inflation in line with other economic factors such as wages and prices.

ANSWERS

1	A	2	C	3	A	4	B	5	A
6	A	7	B	8	B	9	D	10	D
11	B	12	C	13	A	14	B	15	D
16	B	17	B	18	A	19	A	20	A
21	D	22	B	23	B	24	C	25	D
26	C	27	A	28	D	29	D	30	D
31	D	32	A	33	A	34	A	35	C
36	C	37	C	38	C	39	D	40	D
41	D	42	D	43	B	44	C	45	D
46	B	47	C	48	C	49	D	50	D
51	D	52	A	53	C	54	A	55	A
56	C	57	D	58	B	59	D	60	B
61	D	62	D	63	C	64	A	65	C
66	D	67	B	68	C	69	B	70	A
71	D	72	C	73	A	74	D	75	A
76	B	77	A	78	C	79	C	80	D
81	C	82	B	83	C	84	A	85	B
86	C	87	C	88	B	89	C	90	C
91	A	92	C	93	D	94	B	95	C
96	C	97	A	98	B	99	B	100	A
101	D	102	A	103	D	104	A	105	A
106	C	107	A	108	B	109	C	110	C
111	B	112	C	113	D	114	D	115	D
116	B	117	A	118	A	119	A	120	A
121	A	122	C	123	C	124	C	125	B
126	B	127	C	128	D	129	A	130	C
131	D	132	C	133	D	134	B	135	D
136	C	137	A	138	B	139	D	140	C
141	C	142	C	143	C	144	A	145	A
146	B	147	B	148	A	149	C	150	C
151	C	152	C	153	C	154	A	155	D
156	D	157	C	158	D	159	C	160	C
161	A	162	A	163	B	164	A	165	C
166	B	167	C	168	A	169	A	170	C
171	B	172	C	173	A	174	A	175	B
176	C	177	D	178	B	179	C	180	B
181	A	182	C	183	B	184	D	185	B
186	C	187	D	188	B	189	B	190	A
191	D	192	A	193	B	194	B	195	A
196	A	197	A	198	A	199	A	200	C

For example, if the economy is heavily reliant on exports and their currency value becomes too high, importers of that country's commodities will seek cheaper supply; hence directly affecting the economy.

1. Which of the following tools are used by the central bank to control the flow of money in domestic economy?

A. Fiscal tools

B. Quantitative monetary tools

C. Qualitative monetary tools

D. Both (B) and (C)

2. Money supply is a ..... concept.

A. Flow

B. Stock

C. Ratio of stock and flow

D. None of above

3. Which of the following steps should take by the central bank if there is excessive rise in the foreign exchange rate?

A. Supply foreign exchange from its stock

B. Demand more of other foreign exchange

C. Allow commercial banks to work under less strict environment

D. Both (B) and (C)

4. Dear money policy of central bank, which is used to keep the growth steady and in-line with other economic factors, refers to

A. Tighten the money supply in the economy

B. Ease the money supply in the economy

C. Allow commercial banks to work under less strict environment

D. Both (B) and (C)

PASSAGE-2

The Reserve Bank of India raised inflation forecasts on the back of higher oil and other raw materials while it maintained the growth forecast at 9.5% for FY22 despite anemic investment demand.

Governor Shaktikanta Das said inflation measured by the consumer price index (CPI) might remain close to the upper tolerance band of 6% up to September expecting easing of pressure thereafter on kharif harvest arrivals.

[RBI has fixed inflation rate target in between 2%-6 %.]

The central bank projected CPI at 5.7% for FY22 compared to its earlier projection of 5.1%. “The supply-side drivers could be transitory while demand-pull pressures remain inert, given the slack in the economy. A pre-emptive monetary policy response at this stage may kill the nascent and hesitant recovery that is trying to secure a foothold in extremely difficult conditions,” Das said.

Crude oil prices are volatile with implications for imported cost pressures on inflation, RBI said. The combination of elevated prices of industrial raw materials, high pump prices of petrol and diesel with their secondround effects, and logistics costs continue to impinge adversely on cost conditions for manu-

facturing and services, although weak demand conditions are tempering the passthrough to output prices and core inflation.

1. How does RBI promote growth process of country:

A. By controlling price level in country

B. By changing various interest rates and money supply

C. By increasing supply of products

D. All of above

2. Why does RBI fix the inflation target?

A. To make growth process fast
B. To make coordination with government
C. To manage exchange rate
D. To stabilize economy

3. Why increasing crude oil prices are matter of concern:

A. Increasing crude oil prices are increasing transportation cost
B. Increasing crude oil prices are making economy potentially unstable
C. Increasing crude oil prices are volatising growth process
D. Increasing crude oil prices are adversely affecting demand

PASSAGE-3

India's total Money Supply (M3) stood at Rs. 18907383 crore as on April 9th 2020, recording a rise of 11.3% over the same time last year. Currency with the public stood at Rs. 2787941 crore, up 16.7% over the year. Demand deposits with banks were up 17% at Rs. 1867606 crore.

Time deposits with banks were also up 9.6% at Rs. 14205545 crore. The bank credit to commercial sector edged up 5.1% on year to Rs.11552069 crores. However, this indicates moderation from 7.2% at the same time last year.

1. How does increase in deposits with commercial banks will affect credit creation process?
A. Credit creation process will increase
B. Credit creation process will remain unaffected
C. Credit creation process will reduce
D. None of above

2. M3 is consist of:

A. C + OD + Time deposits
B. C + DD + OD + time deposits
C. M1 + deposits of post office saving bank
D. All of above

3. What is indicated by increasing deposits?

A. People prefer to save more now
B. Income level of people are increasing
C. People prefer to keep money in the bank accounts after demonetisation
D. All of above

PASSAGE-4

Repo (repurchase) rate also known as the benchmark interest rate is the rate at which the RBI lends money to the commercial banks for a short-term (a maximum of 90 days). When the repo rate increases, borrowing from RBI becomes more expensive. If RBI wants to make it more expensive for the banks to borrow money, it increases the repo rate similarly, if it wants to make it cheaper for banks to borrow money it reduces the repo rate. If the repo rate is increased, banks can't carry out their business at a profit whereas the very opposite happens when the repo rate is cut down. Generally, repo rates are cut down whenever the country needs to progress in banking and economy.

If banks want to borrow money (for short term, usually overnight) from RBI then banks have to charge this interest rate. Banks have to pledge government securities as collateral. This kind of deal happens through a re-purchase agreement. If a bank wants to borrow, it has to provide government securities at least worth ` 1 billion (could be more because of margin requirement which is 5%–10% of loan amount) and agree to repurchase them at ` 1.07 billion (US$15 million) at the end of borrowing period. So the bank has paid ` 65 million (US$910,000) as interest. This is the reason it is called repo rate.

1. What kind of tool Repo rate is?

A. Qualitative tool
B. Quantitative tool
C. Fiscal tool
D. None of these

2. Why Repo rate is called Repurchasing rate?

A. Commercial bank has to mortgage its securities with RBI
B. Commercial bank has to make an agreement to repurchase the securities mortgage with RBI
C. Commercial banks have to pay interest on borrowings
D. None of these

3. If inflationary conditions persist in economy then what should be done with Repo rate?

A. Repo rate should be reduced
B. Repo rate should be increased
C. Does not change Repo rate
D. None of above

4. On which type of borrowing Repo rate is charged by RBI?

A. On short term borrowings
B. On long term borrowings
C. Borrowings to maintain reserves
D. Borrowings to purchase assets

PASSAGE-5

The Indian economy has diversified quite significantly and been growing rapidly since 1991, and getting increasingly integrated with the global economy. Therefore, the fourth generation (1991-2014) of Indian banking saw landmark reforms such as issue of fresh licences to private and foreign banks to infuse competition, thereby enhancing productivity as well as efficiency by leveraging technology; introduction of prudential norms; providing operational flexibility coupled with functional autonomy; focus on implementation of best corporate governance practices; and strengthening of capital base as per the Basel norms.

Since 2014, the banking sector has witnessed the adoption of the JAM (Jan-Dhan, Aadhaar, and Mobile) trinity, and issuance of licences to Payments Banks and Small Finance Banks (SFBs) to achieve last-mile connectivity in the financial inclusion drive. For instance, SFBs had mobilised deposits of ` 82,488 crore and extended credit of ` 90,576 crore to small and marginal farmers, and MSMEs (micro small & medium enterprises) by the end of FY 2019-20.

Given the current challenges of a burgeoning population, the ongoing Covid-19 pandemic, and the West's intention to shift its manufacturing base as

well as supply/ value chains from China to India and elsewhere, it is essential to say 'yes' to fifth generation (2014 and beyond) banking reforms. This calls for a paradigm shift in the banking sector to improve its resilience and maintain financial stability.

The Narasimham Committee Report (1991), as well as the discussion paper on Banking structure in India – The way forward (Reserve Bank of India, 2013), emphasised that India should have three or four large commercial banks, with domestic and international presence, along with foreign banks. The second tier may comprise several mid-size lenders, including niche banks, with economy-wide presence.

1. How does financial inclusion programme "jan dhan yojana" affect financial conditions of commercial banks?

A. Availability of funds with commercial banks have increased

B. Availability of funds with commercial banks have decreased

C. Not affected in any way

D. None of the above

2. Small Finance Banks had mobilised deposits of Rs. 82,488 crore and extended credit of Rs. 90,576 crore to small and marginal farmers, and MSMEs (micro small & medium enterprises) by the end of FY 2019-20. How will it affect economy?

A. Growth of MSME and agriculture sector become faster

B. Financial inclusion of people

C. Economic strengthening of rural areas

D. All of above

3. What type of fourth generation reforms are made by government in banking sector?

A. Reduction in mandatory reserves

B. Operational flexibility

C. Improvement in competition

D. All of above

PASSAGE-6

Public expenditure accelerates the pace of GDP growth. Higher rate of GDP growth is achieved through (A) investment expenditure in public sector enterprises, (B) capital grants by the government for the purchase of capital equipment, (C) subsidies for the purchase of inputs, and (D) purchase of farm output at the minimum support price. Public expenditure promotes equality in the distribution of income and wealth. This is achieved by offering old-age pensions, as well as by providing free food, education, and health services to the Below Poverty Line Population.

Public expenditure plays a significant role in restoring economic stability. Particularly, when the economy is battling economic recession. The government expenditure (consumption expenditure as well as investment expenditure) raises the level of AD. Only when AD is raised that the vicious circle of economic recession is broken. Public expenditure generates investment-friendly environment in the economy. The government spends money on infrastructural development. It constructs roads, dams, bridges. It introduces faster and convenient means of transportation. Such facilities promote inducement to investment. Briefly, public expenditure is indispensable in any welfare state like India. It not only promotes GDP growth, but also promotes social welfare.

1. The construction of roads, dams, bridges is called:

A. Social development

B. Infrastructure development

C. Industrial development

D. Agrarian development

2. The government expenditure does not raise the level of AD:

A. True

B. False

C. Partially true

D. Partially false

3. Read the following statement:

Assertion (A): Public expenditure generates investment-friendly environment in the economy.

Reason (R): It raises the infrastructural development in the economy.

A. Both Assertion (A) and Reason (R) are true.

B. Both Assertion (A) and Reason (R) are false.

C. Assertion (A) is true and Reason (R) is false.

D. Assertion (A) is false and Reason (R) is true.

4. Which is included in the non-transfer income:

A. Old age pension

B. Subsidies

C. Retirement pension

D. Scholarship

PASSAGE-7

GDP growth is the central objective of government budgetary policy. It is achieved in two ways: (i) by making public investment expenditure, and (ii) by inducing private investment expenditure (through tax rebates and subsidies).

Allocation of Resources: Private enterprises will always desire to allocate resources to those areas of production where profits are high. However, it is possible that such areas of production (like production of alcohol) may not promote social welfare. Through its budgetary policy, the government of a country directs the allocation of resources in a manner such that there is a balance be-

tween the goals of profit maximisation and social welfare. Production of goods which are injurious to health (like Cigarettes and Whisky) is discouraged through heavy taxation. On the other hand, production of 'socially useful goods' (like, 'Khadi') is encouraged through subsidies.

1. Public enterprises will always desire to allocate resources to those areas of production, where:

A. Profits are high

B. Cost is low

C. Social welfare is high

D. Revenue is high

2. GDP growth is the central objective of government budgetary policy.

A. True

B. False

C. Partially true

D. Partially false

3. Suitable title for the passage:

A. GDP

B. Private enterprises

C. Subsidies

D. Government Budget

PASSAGE-8

Exchange rate between Indian Rupee and US Dollar has changed from 71. 49 (November, 2020) to 72.82 (January 2021) through changes to market forces of demand and supply. Therefore, it is believed that India's balance of payments this year going to be ‘’very very strong” Commerce and Industry Minister Piyush Goyal said on Monday.

1. Change from 1$ = 71.49 INR to 72.82 is called as .....

A. Appreciation

B. Depreciation

C. Revaluation

D. Devaluation

2. This kind of determination is applicable in ……. system of exchange rate

A. Flexible exchange rate system

B. Fixed exchange rate system

C. Managed floating

D. None of above

PASSAGE-9

India's foreign exchange reserves have jumped by $100 billion in 10 months to a record high of $534.5 billion. The rise has been led by strong foreign fund inflows recently and decline in import bill due to dip in crude oil prices and trade impact following COVID-19 pandemic. Reduced imports of gold also cut down India's import bill.

1. Import of Petroleum from Iran will be mentioned:

A. Credit side of Capital Account

B. Debit side of Capital Account

C. Credit side of Current Account

D. Debit side of Current Account

2. Increase in import duty of gold will lead to:

A. Reduction in import of gold

B. Import of gold will increase

C. No effect on import of gold

D. Outflow of Foreign Exchange

3. India's foreign exchange reserves has jumped high. The reason may be:

A. Inflow foreign exchange

B. Outflow of foreign exchange

C. Autonomous payments over Autonomous Receipts

D. All the above

PASSAGE-10

Each nation has its own currency when monetary transactions are conducted within the national borders, payments are made in the currency of that country for example Indian currency is called rupee. To be more exact it is called Indian rupee payments within the national borders of India are made in Indian rupees. Similarly, each other nation has its own currency, for example, Pakistan currency is called Pakistani rupee, USA currency US dollar, Kuwait currency Kuwaiti Dinar, UAE currency dirham and so on. Payments within the national borders of Pakistan are made in Pakistani rupees, payment within the national border of USA in USA dollars, etc. When transactions are conducted across National borders one currency must be converted into another. Conversion rate between two currencies is decided by two ways first fixed exchange rate and second floating or flexible exchange rate.

1. Exchange rate refer to the rate at which the following is exchanged:

A. Goods

B. Currencies

C. Services

D. All the above

2. Who fixed the flexible exchange rate?

A. Market force

B. Government

C. Both (A) and (B)

D. None of these

3. ..... refers to a system in which exchange rate for a currency is fixed by the government.

A. Fixed exchange rate

B. Flexible exchanged rate

C. Floating exchange rate

D. None of above

PASSAGE-11

Before colonial period, India was exporting manufactured goods which enjoyed worldwide demand. Under the colonial rule, India was reduced to a supplier of raw materials like jute, cotton, indigo, wool, sugar etc. and importer of finished consumer goods like silk and woolen clothes and light machinery manufactured in the factories of Britain. Additionally, the opening of Suez Canal intensified this control of Britishers over Indian foreign trade.

The remaining volume of foreign trade was allowed with a handful of countries namely China, Ceylon (Sri Lanka) and Persia (Iran). Interestingly, even this trade was heavily monitored by the colonials. As a matter of fact, there was a large generation of export surplus under the British Raj. India was a large exporter in the colonial period. However, it did not affect the country's economy. Commodities like food grains, cloths, kerosene hit the country hard with its scarcity. Ironically, this export surplus never made its way to India. It was used to make payments for an office set up in Britain, war expenses of the British and import of invisible items. Such brutalities eventually led to the dawn of a rising foreign trade aspect of India.

1. The opening of Suez Canal served as a direct route for ship operating between:

A. India and America

B. India and Sri Lanka

C. India and Pakistan

D. India and Britain

2. “The export surplus was used for the welfare of Indian Industry.”

A. True

B. False

3. Assertion (A): India became an exporter of primary products and an importer of finished consumer and capital goods produced in Britain.

Reason (R): Restrictive policies of commodity production, trade and tariff structure, composition and volume of India’s foreign trade.

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)

C. Assertion (A) is true, but Reason (R) is false.

D. Assertion (A) is false, but Reason (R)is true.

PASSAGE-12

The various social development indicators were also not quite encouraging. The overall literacy level was less than 16 per cent. Out of this, the female literacy level was at a negligible low of about seven per cent. Public health facilities were either unavailable to large chunks of population or, when available, were highly inadequate. Consequently, water and air-borne diseases were rampant and took a huge toll on life. No wonder, the overall mortality rate was very high and in that, particularly, the infant mortality rate was quite alarming about 218 per thousand in contrast to the present infant mortality rate of 63 per thousand. Life expectancy was also very low 44 years in contrast to the present 66 years. In the absence of reliable data, it is difficult to specify the extent of poverty at that time but there is no doubt that extensive poverty prevailed in India during the colonial period which contributed to the worsening profile of India’s population.

1. Which year is described as a “year of Great Divide”?

A. 1931

B. 1921

C. 1941

D. 1911

2. What were the causes of higher infant mortality rate during the British period?

A. Poor health care

B. Lack of education

C. Traditional outlook of society

D. All of above

3. During colonial period, India’s demographic profile showed:

A. High birth rate

B. High death rate

C. High infant mortality

D. All of these

PASSAGE-13

India’s economy under the British colonial rule remained fundamentally agrarian about 85 per cent of the country’s population lived mostly in villages and derived livelihood directly or indirectly from agriculture. However, despite being the occupation of such a large population, the agricultural sector continued to experience stagnation and, not infrequently, unusual deterioration. Agricultural productility became low though, in absolute terms, the sector experienced some growth due to the expansion of the aggregate area under cultivation. This stagnation in the agricultural sector was caused mainly because of the various systems of land settlement that were introduced by the colonial government. Particularly, under the zamindari systemwhich was implemented in the then Bengal Presidency comprising parts of India’s present day eastern states.

1. The main reason for stagnation in the agriculture sector the British rule was:

A. Technological deceleration

B. Problems of irrigation facilities

C. Land settlement system

D. Deindustrialization

2. “Commercialisation of agriculture increased the burden of revenue on farmers.”

A. Lower productive

B. Lower profit

C. Due to higher margins of Middlemen’s share

D. All of the above

3. Assertion (A): Zamindari (Semi Feudal Economy) in the colonial era were also responsible for the misery of the cultivators.

Reason (R): The terms of revenue settlement system introduced were harsh on the Zamindars.

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true, but Reason (R) is false.

D. Assertion (A) is false, but Reason (R)is true.

PASSAGE-14

A plan spells out how the resources of a nation should be use. It should have some general goals as well as specific objectives which are to be achieved within a specified period. In India plans were of five years duration and were called five-year plans (we borrow this from the former Soviet Union, the pioneer in national planning). Our plan documents up to the year 2017 not only specify the objectives to be attained in the five years of a plan but also what is to be achieved over a period of twenty years. This long-term plan is called ‘perspec-

tive plan'. The five-year plans were supposed to provide the basis for the perspective plan.

1. When did India give its first five-year plan ..... ?

A. 1950

B. 1951

C. 1947

D. 1949

2. Planning commission, the erstwhile central planning authority in the country, has been replaced by .....

A. NITI Aayog

B. UGC

C. Finance Commission

D. NTA

3. 'Government decides what goods are to be produced in accordance with the needs of society'. Under what type of economic system does this take place:

A. Capitalistic economy

B. Socialist economy

C. Both (A) and (B)

D. None of these

4. When was Indian planning commission constituted?

A. 6th August, 1952

B. 15th March, 1950

C. 15th August, 1947

D. 1st April, 1997

PASSAGE-15

The Green Revolution started in 1965 with the first introduction of HYV seeds in Indian agriculture. This was coupled with better and efficient irrigation and the correct use of fertilizers to boost the crop. The result of the Green Revolution was to make India self-sufficient when it came to food grains.

After 1997 India had to rebuild its economy. Over three-quarters of the population depended on agriculture in some way. But agriculture in India was faced with several problems. Firstly, the productivity of grains was very low, and India was still monsoon dependent because of lack of irrigation and other infrastructure.

There was also an absence of modern technology. And India had previously faced severe famines during the British Raj, who has only promoted cash crops instead of food crops. The idea was to never depend on any other country for food sufficiency.

So in 1965, the government with the help of Indian geneticists M.S. Swaminathan, known as the father of Green Revolution, launched the Green Revolution. The movement lasted from 1967 to 1978 and was a great success.

1. Green revolution is related with ..... .

A. Modern technology

B. Better irrigation facilities

C. HYV seeds

D. All of the above

2. Britishers encouraged Indian farmers to grow food crops. (true/false)

3. What was the need of green revolution to make India ..... ?

A. Sufficient production

B. Modernisation

C. Self-sufficient

D. None of these.

PASSAGE-16

We now look at some trends in the post-reform period. Data from Sri Lanka which started on a programme of economic reform in 1977 indicates that an in-

creasing awareness on health issues is coupled with the growing incidence of diseases associated with stress, particularly those of the cardio-respiratory kind (Gunawardena 1995). A similar pattern is emerging in India with the advent of tropical diseases like falciparum malaria and Japanese B encephalitis, stress- and environment related cardiovascular complaints, respiratory and endemic intestinal problems as well as nervous disorders (Ghosh 1996). It is likely that with continued rural-urban migration, the mushrooming of unhealthy towns and cities and the degradation of the natural environment combined with jobs which increasingly concentrate workers in industries, Export Promotion Zones and sweat shops, the range of diseases and illnesses will increase. Women and their health will be adversely affected as they form the basis of the pool of cheap labour, essential for the growth of EPZs.

1. Sri Lanka which started on a programme of economic reform inn ..... . (Choose the correct option)

A. 1978

B. 1977

C. 1990

D. 1992

2. A similar pattern is emerging in India with the growing incidence of diseases with stress, particularly those of the ..... kind. (Choose the correct option) (cardio-respiratory/heart diseases)

3. State whether the given statement is true or false: It is likely that with continued rural-urban migration, the mushrooming of unhealthy towns and cities and the degradation of the natural environment combined with jobs which increasingly concentrate workers in industries. (Choose the correct option) (True/False)

4. Read the following statements:

Assertion (A): Women and their health will be adversely affected.

Reason (R): As they form the basis of the pool of cheap labour, essential for the growth of Export Promotion Zones.

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true, but Reason (R) is false.

D. Assertion (A) is false, but Reason (R) is true.

PASSAGE-17

While the beginning of the current economic liberalization policy in India could be traced to the period much earlier than the 1990s, the explicit acceptance and implementation of the economic liberalization program during mid-1991 by Indian government could be seen as the starting point of the new reform program, and its subsequent change of approach and priorities about its governance. It was based on the belief that economic globalization/liberalization worked toward the integration of national economies into the international economy through trade, direct foreign investment, short-term capital flows, international flow of workers and humanity, and flow of technology. But in the process of liberalizing the economy, the state's role has transformed in prioritizing a strong military, police and legal structures, and functions to protect private property rights and ensure proper functioning of markets. If the markets do not exist in the areas of land, water, education, health care, social security, and so on, the state must take initiative in creating a market. After creating such markets, the state should keep its activities to bare minimum without interfering with the functions of the market for it to performefficiently. Such thinking based on Neoliberalism(Neoliberalism refers to a political ideology that espouses economic liberalism as a means of promoting economic development and securing political liberty.) started occupying the minds, in a measured manner, in the policy circle worldwide during the 1970s, which led to a major shift in the political–economic practices, and started moving toward deregulation, privatization, and withdrawal of state from many areas of social security, for efficient governance, based on market economy.

1. Liberalism as a means of:

A. Promoting economic development

B. Securing political liberty

C. Freedom of private enterprises

D. All the above

2. ..... refers to a political ideology that espouses economic liberalism as a means of promoting economic development and securing political liberty.

Choose the correct option:

(Neoliberalism/ Liberalism)

3. State whether the given statement is true or false: While the beginning of the current economic liberalization policy in India could be traced to the period much earlier than the 1990s.

Choose the correct option: (TRUE/FALSE)

4. Read the following statements:

Assertion (A): Started occupying the minds, in a measured manner, in the policy circle worldwide during the 1970s.

Reason (R): Which led to a major shift in the political– economic practices, and started moving toward deregulation, privatization, and withdrawal of state from many areas of social security, for efficient governance, based on market economy.

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true, but Reason (R) is false.

D. Assertion (A) is false, but Reason (R is true.

PASSAGE-18

The reduction of fiscal deficits is an inalienable component normally included in the conditionality of Structural Adjustment Program (SAP)5 and consequently government expenditures must be cut to meet the targets for reducing fiscal deficits. There are several studies that have pointed out the declining trend in social sector expenditures.

UNICEF's Adjustment with a Human Face was the first major study of SAPs to point out its impact on the vulnerable. This study has also shown that out of 78 countries that were implementing IMF-guided structural adjustment reforms, 91% had put a constraint on government expenditure, 83% had reduced the budget deficits, and 65% followed a policy of wage restraint. It has further noted a strong association between reduction in social sector expenditures and social indicators.

Thus, reducing the public debt and stabilizing the economy were the main objectives of India liberalizing its economy in 1991. This path toward reducing the fiscal deficit has resulted in pruning down the expenditure in social sectors (which includes education).

These measures in a longer run have affected the development and growth of social sectors by curtailing its new infrastructure and other resources.

1. The main objectives of India liberalizing its economy in 1991. (choose the correct alternative)

A. Reducing the public debt and stabilizing the economy

B. To improve economy

C. Improvement of education

D. None of these

2. The reduction of ..... is an inalienable component normally included in the conditionality of Structural Adjustment Program. (Choose the correct alternative) (fiscal deficits/Financial deficits)

3. State whether the given statement is true or false. UNICEF's Adjustment with a Human Face was the first major study of SAPs to point out its impact on the vulnerable. (Choose the correct alternative) (True / False)

4. Read the following statements:

Assertion (A): Indian economy has become a more vibrant economy.

Reason (R): Overall level of economic activity has trended up as indicated by GDP growth. Post LPG policies, the growth of GDP shot up to as high as 8 per cent per annum

A. Both Assertion (A) and Reason(R) are true, and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason(R) are true, and Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true, but Reason (R) is false.

D. Assertion (A) is false, but Reason(R) are true.

PASSAGE-19

New Economic Policy of India was launched in the year 1991 under the leadership of P.V. Narasimha Rao. This policy opened the door of the Indian Economy for the global exposure for the first time. In this New Economic Policy P.V. Narasimha Rao government reduced the import duties, opened reserved sector

for the private players, devalued the Indian currency to increase the export. This is also known as the LPG Model of growth.

New Economic Policy refers to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes to expand the economic wings of the country.

Former Prime Minister Manmohan Singh is considered to be the father of New Economic Policy (NEP) of India. Manmohan Singh introduced the NEP on July 24,1991. Main Objectives of New Economic Policy – 1991, July 24.

The main objectives behind the launching of the NewEconomic policy (NEP) in 1991 by the union Finance Minister Dr. Manmohan Singh are stated as follows:

(a) The main objective was to plunge Indian Economy in to the arena of 'Globalization' and to give it a new thrust on market orientation.

(b) The NEP intended to bring down the rate of inflation.

1. New Economic Policy of India was launched in the year 1991 under the leadership of …..... (choose the correct alternative)

A. P.V. Narasimha Rao

B. Atal Behari Bajpayi

C. Sharad Pawar

D. None of these

2. ..... is also known as the LPG Model of growth. (choose the correct alternative)) (New Economic Policy / New Education Policy)

3. State whether the given statement is true or false. Former Prime Minister Manmohan Singh is considered to be the father of New Economic Policy (NEP) of India. (choose the correct alternative) (True / False)

4. Read the following statements

Assertion (A): New Economic Policy is to expand the economic wings of the country.

Reason (R): Due to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes.

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true, but Reason (R) is false.

D. Assertion (A) is false, but Reason (R) is true.

PASSAGE-20

The performance of Indian economy during the period of first seven five -year plans (1950-1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries became far more diversified, with the stress being laid on the public investments in the industrial sector. The policy of import substitution led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus.

Although public sector expanded to a large extent but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth of entrepreneurship as there was no competition, no innovation and no modernization on the front of the industrial sector. Many Public Sector Undertakings (PSU's) incurred huge losses due to operational inefficiencies, red-tapism, poor technology and other similar reasons. These PSU's continued to function because it was difficult to close a government undertaking even it is a drain on country's limited resources. On the Agricultural front, due to the measures taken under the Green Revolution, India more or less became selfsufficient in the production of food grains. So the needs for reform of economic policy was widely felt in the context of changing global economic scenario to achieve desired growth in the country.

1. Which of the following was not a reason for the public sector to play a major role in the initial phase of Indian Economic Planning?

A. Private entrepreneurs lacked sufficient capital for investment.

B. Government aimed at social welfare.

C. The market was big enough to encourage private industrialists for investment.

D. The government wanted to protect the indigenous producers from the foreign competition.

2. The policy of ..... led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. (fill up the blank with the correct alternative)

A. Import substitution

B. Trade

C. Exports

D. None of these

3. State whether the given statement is true or false: Mechanization of the Indian agriculture was one of the cause of Green Revolution in India. (TRUE/FALSE)

4. Read the following statements:

Assertion (A): Many public sector undertakings incurred huge losses due to operational inefficiencies.

Reason (R): Red-tapism was one of the reasons for continuation of such enterprises. Select the correct alternative from the following:

A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason(R) are true and Reason (R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true, but Reason (R) is True.

D. Assertion (A) is false, but Reason (R) is true.

PASSAGE-21

The poverty lines refer to a cut-off point that divides people of a region as poor and non poor. Poverty line cutoff may be determined in the terms of income or in terms of consumption. The percentage of the population below the poverty line is called the headcount ratio.

The poverty incidence ratio is the same as the headcount ratio. Headcount ratio refers to the measurement of poverty in the term of number of person below the poverty line, where the poverty line means some cutoff point with respect to the individual consumption expenditure per month. The poverty line usually measured in terms of per capita expenditure.

Consumption reflects the actual use of goods and service by an individual as well as the type of goods used while income only shows the capacity to purchase.

1. A cut off point dividing people as poor and non poor indicates the number of those who are:

A. absolute poverty

B. below poverty line

C. Both (A) and (B)

D. None of the above

2. The absolute poverty in India is measured with reference to ..... (Head-count ratio/poverty line)

3. Poverty line cut off can be determined in terms of ..... (investment/consumption)

4. Poverty line is measured normally in terms of ..... (per capita expenditure/per capita income)

PASSAGE-22

This paragraph talks about economic inequalities in India that have been driven by the employment pattern and changes in labour market, which in turn have been affected by the macroeconomic policies and process as well as forms of social discrimination and exclusion. While many Asian economies have shown indications of rising inequalities in recent decades, the Indian experience is particularly remarkable in the way inequalities have intertwined with economic growth process. Structural change and the persistence of the low productivity employment in India are strongly related to following wage shares of national income and growing wage inequality and the close relationship between formal and informal sectors is the sharpest exemplar of this. Patterns of social discrimination along with gender and caste line have reinforced tendency to create segmented labour market that offer little incentives for the employers to focus on productivity improvement.

1. Why did the government shift its strategy from long term to short term programs to remove unemployment?

A. Short term policies are more effective

B. Long term policy do not give appropriate response

C. It is easy to check the progress

D. All the above

2. Increase in the proportion of casual worker as the proportion of the total work force is known as ..... (informalization/casualization)

3. ..... is used to measure the concept of relative poverty.

4. Women participation in rural areas is found to be higher in rural areas as compared with area in India due to which of the following reasons?

A. Widespread poverty

B. Male member do not earn sufficient income

C. Wages level are low in rural areas

D. All the above.

PASSAGE-23

The first ever Human Development Report (2001) of India has been released. It focuses on the vital-facts related to bureaucratic controls and poor governance of the country. The report was prepared by the Planning Commission under the guidance of its Deputy Chairman, Mr. K.C. Pant. This 297-page document was released on April 23, 2002 and submitted to the Prime Minister. The report states that from 1983 to 1993-94, the Human Development Index (HDI) improved by nearly 2.6 per cent per annum and by over 3 per annum during the period 1993-2001. Rural and urban areas have shown signs of improvement, according to the report.

Kerala, Punjab, Tamil Nadu, Maharashtra and Haryana have good HDIs. But states like Bihar, Uttar Pradesh, Mandhya Pradesh, Rajasthan and Odisha have HDIs close to nearly one-half to that to Kerala. Funds must be distributed efficiently and effectively so that human development processes do not suffer according to the report.

India's growth in terms of HDI has shown dismal trends during the recent past. Lack of resources, communal feelings and illiteracy are the chief causes of decay of the average Indian. Further, politicians, bureaucrats and other elements of the administration exploit the masses, executives, and business houses. The economic and political systems need serious transformations. The socio-cul-

tural fabric of the nation cannot be weaved again because of religious compulsions. Ironically, we believe in religion so that our passage into the next world could be smooth and sans agonies. But we are least worried about our courses of action (and their outcomes) in this world. Religion often forces us to dominate other communities and sects. We attack them at opportune moments and face reprisals from them. This vicious cycle has been going on in India for the past 3,000 years. In order to develop the quality of life of Indians, the administration must become honest, efficient, productive and agile. Plant workers must increase productivity and eschew violence and strikes. Businessmen must conduct their business operations with honesty; they never do so. Further, political parties must guide the electorate and also, the masses towards prosperity and not chaos. Our psyche has to be changed; a change of government cannot lead us to a new era sans corruption and poor governance. Economic growth is linked to social growth, moral awareness, health and education. Every industrialist must work for the benefit of his or her nation. We have least interest in our nation and that is why, we are not receiving anything from her.The targeted rate of growth (of GDP) for the Tenth Plan is 8 per cent. However, the GDP growth rate during the Ninth Plan was a meagre 5.4 per cent. During the Eighth Plan, this rate was 6.7 per cent. How can we ensure consistent human development on a national scale if our results always fall short of targets. Our economy should grow at the rate of 7-8 per cent. During 2001-02, it grew at the rate of 5.4 per cent.

1. Which state is lag in good HDI according to this report?

A. Punjab

B. Kerala

C. Bihar

D. Tamil Nadu

2. When was first report on HRD was published?

A. In 1998

B. In 2000

C. In 2001

D. In 2005

3. What was the target for GDP Growth during 10th five year plan?

A. 5%

B. 7%

C. 8%

D. 10%

4. Which is not related with human capital formation?

A. Education

B. Health

C. Skill

D. Internet

5. India's HDI rank was too low because of

A. Poor literacy rate

B. Poor education facilities

C. Poor health services

D. All of the above

PASSAGE-24

The objectives of public finance are to ensure macroeconomic stability, achieve the desired state of distribution, provide public services to accelerate growth and development. Fiscal policy has both macro and microeconomic aspects. Further, the objectives include allocating resources for the provision of public services. The important point is that ensuring security and protection of property rights is a basic public good and this can be provided only by the government. The governments have the task of distributing incomes and alleviating poverty.

After the Great Depression and influenced by Keynesian economics, public spending was assigned a central role. Thus, the role of public finance is inextricably linked to the role of the state. From merely ensuring safety, security and property rights, governments have expanded their activities to providing a variety of public services with externalities. The expansion has been a subject matter of debate. Musgrave considers that the expansion of the public sector has been a necessary and constructive development and strong public sector is needed along with the capitalist market. In contrast, Buchanan argues that dispute arises when the state expands to areas beyond the realm of boundaries of the protective state into a productive or tax-transfer state. In India, state in-

tervention through public finance policy has to play an important role besides ensuring the safety and security of people and their property rights. These include the need to overcome large social and physical infrastructure deficit, provide correctives to missing and imperfect markets, introduce measures to reduce acute inequalities and poverty and provide correctives to widespread information asymmetry. Interventions are needed also to provide externalities in terms of market development, irrigation, storage and price support in agriculture to deal with market imperfections and supply volatility. Similarly, generalized externalities have to be ensured for the manufacturing and service sectors through competitive levels of infrastructure. India's public finance policies have enabled the government to play a catalytic role in the development of the economy as a whole. In addition over the years, there has been a significant increase in transfers from the government such as for employment guarantee and food security, national housing scheme, Swachchh Bharat Abhiyan, Ujjawala Yojana, Pradhan Mantri Kisan Samman Nidhi, periodic loan waives, etc.

1. Which one of the following statements is correct?

(a) The expansion of the public sector has been a necessary and constructive development and a strong public sector is needed along with the capitalist market

(b) There are several reasons for the state to embrace a much larger role

(c) In India, state intervention through public finance policy has to play an important role

(d) Keynesian economics states that the state has to ensure full employment

Choose the correct answer from the options given below:

A. (a) and (b) only

B. (a), (b) and (c) only

C. (a) and (c) only

D. (a), (b), (c) and (d)

2. The statement, "Dispute arises when the state expands to areas beyond the realm of boundaries of the protective state into a productive or tax-transfer state", was given by

A. Musgrave

B. Keynes

C. Dalton

D. Buchanan

3. Which one of the following objectives of public finance is NOT correct?

A. Ensure macroeconomic stability

B. Ensure reduction of adverse balance of payments

C. Accelerate growth and development

D. Desired state of distribution

4. The externalities of the government intervention in the economy can be found in terms of

(a) Market development

(b) Money supply

(c) Storage and price support in agriculture

(d) Irrigation

Choose the correct answer from the options given below:

A. (c) and (d) only

B. (a), (b) and (d) only

C. (a), (b) and (c) only

D. (a) and (d) only

5. Which one of the following does NOT fall in the category of government transfers?

A. National Housing

B. Swachchh Bharat Abhiyan

C. Periodic loan waivers

D. Education

PASSAGE-25

There is considerable evidence that some consumers are willing to pay more for green goods. To produce green goods we need not to use skill and human resources. Green goods are goods that are manufactured in an environmentally friendly way (e.g. wood products from sustainable forests, electricity produced from wind power) without a direct impact on a consumer. These are referred to as impure Public goods - a package of Private good and Public good. Why consumers are willing to pay more for these goods is complex.

Whatever the reason, it is clear some consumers are willing to pay for green actions that do not benefit them directly. One example of green goods is 'green electricity'. Green power is simply electricity produced using renewable sources of energy. Of course, electricity itself is completely indistinguishable from non-green electricity. There are two ways in which consumers may buy green electricity; either by buying it directly or by contributing to the cost of building green electricity capacity. Consumers are clearly willing to spend more for green electricity and their preference for green production is indicated by the recent rise in popularity of retail carbon offsets. Offsets of emissions have long been used by firms to buy and sell the obligation to reduce emissions. In the USA, new emitters setting up a business in an urban area have to ‘offset’ their emission additions by finding (and paying) existing firms to reduce their emissions. In recent years, firms have used offsets to effectively reduce their emissions in order to provide a green image, particularly in the case of carbon emissions. The purchase of offsets by consumers is different when consumers buy offsets. They are making a purely voluntary contribution to the environment. Retail offsets are a way in which consumers can produce a green product from a brown product. For example, one can make his part of the flight carbon neutral by paying someone else to reduce his or her carbon emission. This is formalized in an offset market whereby sellers of offsets reduce emissions and then sell these ‘reductions’.

1. Green Electricity means

A. Electricity produced from renewable sources of energy

B. Electricity from Thermal plants

C. Electricity from Gas-powered plants

D. Hydro-power

2. Impure Public goods are

A. Private goods

B. Public goods

C. A package of Public and Private goods

D. Harmful goods for the society

3. Offset of emissions are used

(a) To reduce emissions

(b) To provide green image

(c) For emission addition

(d) To satisfy consumer preferences

Choose the correct answer from the options given below:

A. (a), (b) and (c) only

B. (a), (c) and (d) only

C. (a), (b) and (d) only

D. (b), (c) and (d) only

4. An example of green good is

(a) White paper

(b) Wind power

(c) Forest product

(d) Solar energy

Choose the correct answer from the options given below:

A. (a) and (b) only

B. (b) and (c) only

C. (c) and (d) only

D. (b) and (d) only

5. The way in which consumers can produce a green product from a brown product:

A. Monopoly

B. Retail offsets

C. Price discrimination

D. Fiscal deficit

PASSAGE-26

In agriculture, due to long time gap between crop sowing and realisation of income, farmers are in strong need for credit. Farmers need money to meet initial investment on seeds, fertilisers, implements and other family expenses of marriage, death, religious ceremonies, etc. So, credit is one of the important factors, which contribute to agricultural production. An efficient and effective rural credit delivery system is crucial for raising agricultural productivity and incomes.

1. Which one of the following is not a non-institutional source of credit?

A. Money lenders

B. Co-operative Credit

C. Trader and commission agents

D. Land development bank

2. ..... (NABARD/RBI) is the Apex Bank which coordinates the functioning of different financial institutions, working for expansion of rural credit.

3. Regulated markets were organised to protect the farmers from the malpractices of consumers. (True/ False)

PASSAGE-27

Prior to independence, farmers, while selling their produce to traders, suffered from faulty weighing and manipulation of accounts. Farmers who did not have the required information on prices prevailing in markets were often forced to sell at low prices. They also did not have proper storage facilities to keep back their produce for selling later at a better price. Measures that were initiated to improve the marketing aspect.

1. Government improve agriculture marketing system through ..... (Controlled market/Regulated market)

2. Agricultural marketing is a process that involves the

A. Transportation

B. Packaging

C. Grading

D. All of these

3. The first step was regulation of markets to create orderly and transparent marketing conditions. (True/False)

PASSAGE-28

At the time of independence, money lenders and traders exploited small and marginal farmers and landless labourers by lending to them on high interest rates and by manipulating the accounts to keep them in a debt-trap. A major change occurred after 1969 when India adopted social banking and multi-agency approach to adequately meet the needs of rural credit.

The institutional structure of moral banking today consists of a set of multi-agency institutions, namely, commercial banks, regional rural banks. cooperatives and land development banks. They are expected to dispense adequate credit at cheaper rates. Recently, self-help groups have emerged to fill the gap in the formal credit system. The SHGs promoter shift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates.

By May 2019, nearly 6 crore women in India have become member in 54 lakh women SHGs. About Rs 10- 15,000 per SHG as a community investment support fund are provided as part of renovating fund to take up self employment for income generation.

1. Was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system. (RBI/NABARD)

2. The ..... was a harbinger of major changes in the credit system as it led to the diversification of the portfolio of rural credit towards production-oriented lending.

A. Green Revolution

B. Golden Revolution

C. White revolution

D. None of these

3. Recently, Self Help Groups have emerged to fill the gap in the formal credit system. Such credit provisions are generally referred to as

A. Macro credit programmes

B. Micro credit programmes

C. Both (A) and (B)

D. None of these

4. Which of the following part is not a part of the institutional structure of rural banking today?

A. Commercial banks

B. Regional rural banks

C. Non-banking finance companies

D. Land development banks

PASSAGE-29

Rural Development is the key issue with the government. Without the development of rural areas India cannot increase its growth to desired level. Rural development does not mean only to develop its agriculture marketing and credit but also to develop education, training, and infrastructure in rural areas. The government has launched many programs especially of provision of credit and marketing facilities. The farmers often have shortage of funds. Farmers generally go to non-institutional sources for their short-term and long term-loans. But farmers are generally exploited. To help them government started provided loan through commercial banks and an apex bank named NABARD was established in 1982.

Government is also making efforts to improve agricultural marketing by removing the role of intermediaries where farmers can directly sell their produce to seller without involving any commission agent or middlemen.

1. Name the Non-institutional sources of credit

A. Landlords

B. Moneylenders

C. Traders and commission agents

D. All of above

2. NABARD is established in the year

A. 1982

B. 1992

C. 1981

D. 1991

3. Non-farm activities are promoted by government for

A. regular income to farmer

B. addressing the problem of disguised unemployment

C. reducing pressure on land

D. All of the above

PASSAGE-30

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D. (b), (c) and (d) only

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B. Retail offsets

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D. Fiscal deficit

5. Impure Public goods are:

A. Private goods

B. Public goods

C. A package of Public and Private goods

D. Harmful goods for the society

ANSWERS

PASSAGE-1

1	2	3	4
D	B	A	A

PASSAGE-2

1	2	3
B	D	B

PASSAGE-5

1	2	3
A	D	D

PASSAGE-6

1	2	3	4
B	B	A	C

PASSAGE-7

1	2	3
C	A	C

PASSAGE-8

1	2
B	A

PASSAGE-9

1	2	3
D	A	A

PASSAGE-10

1	2	3
B	A	A

PASSAGE-11

1	2	3
D	B	A

PASSAGE-12

1	2	3
B	D	D

PASSAGE-13

1	2	3
C	D	C

PASSAGE-14

1	2	3	4
B	A	B	B

PASSAGE-15

1	2	3
D	False	C

PASSAGE-16

1	2	3	4
B	Cardio-respiratory	True	A

PASSAGE-17

1	2	3	4
D	Neoliberalism	True	A

PASSAGE-3

1	2	3
A	B	D

PASSAGE-4

1	2	3	4
A	B	B	A

PASSAGE-18

1	2	3	4
A	Fiscal deficits	True	A

PASSAGE-19

1	2	3	4
A	New Economic Policy	True	A

PASSAGE-20

1	2	3	4
C	A	True	C

PASSAGE-21

1	2	3	4
A	Poverty line	Consumption	per capita expenditure

PASSAGE-22

1	2	3	4
A	Casualization	Gini Coefficient	D

PASSAGE-23

1	2	3	4	5
C	C	C	D	D

PASSAGE-24

1	2	3	4	5
C	D	B	A	D

PASSAGE-25

1	2	3	4	5
A	C	C	D	B

PASSAGE-26

1	2	3
B	NABARD	False

PASSAGE-27

1	2	3
Regulated market	D	True

PASSAGE-28

1	2	3	4
NABARD	B	B	C

PASSAGE-29

1	2	3
D	A	D

PASSAGE-30

1	2	3	4	5
A	C	D	B	C