

Examrace

Competitive Exams: Economics MCQs (Practice_Test 64 of 122)

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1. ◦ **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)** : It this position of zero economic profit, there is not tendency on the part of an 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
2. ◦ **Assertion (A)** : If the government expenditure and taxation are increased by an equal amount, the equilibrium income of the economy will remain the same, ceteris peribus.
 - **Reason (R)** : a given change in the government expenditure affects aggregate spending more than an equal amount of tax.
 - 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
3. ◦ **Assertion (A)** : In India, monetary policy along cannot eliminate inflation.
 - **Reason (R)** : There are structural factors which make price rigid in the downward direction but flexible in the upward direction.
 - 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

4. ◦ **Assertion (A)** : Variance is always greater than the standard deviation.
- **Reason (R)** : Variance is the square of the standard deviation.
- 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
5. ◦ **Assertion (A)** : Devaluation leads to expenditure switching.
- **Reason (R)** : Devaluation a make 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
6. ◦ **Assertion (A)** : Indirect taxes are generally regressive in character.
- **Reason (R)** : They are imposed uniformly on all taxpayers irrespective of their incomes.
- 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
7. ◦ **Assertion (A)** : There does not seem to be any clear cut evidence that growth rates of income or income per capita are positively correlated with the resources used through planning in a mixed economy.
- **Reason (R)** : Planning models are inconsistent unless they use linear programming techniques.
- 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
8. ◦ **Assertion (A)** : This is mostly due to the market failures in the less developed countries caused by a variety of imperfections existing in such economies.

- **Reason (R)** : This is mostly due to the market failures in the less developed countries caused by a variety of imperfections existing in such economies.
 - 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
- 9.○ **Assertion (A)** : There has been a large accretion to the foreign exchange reserves of India since 1991 – 92.
 - **Reason (R)** : Except for 1995 – 96, the capital account in the balance of payments of India has shown surplus in relation to the corresponding current account deficit in each of the last 10 years.
 - 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
- 10.○ **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
- 11.○ **Assertion (A)** : The gains from trade are determined by the terms of trade.
 - **Reason (R)** : The gains from trade depend on the difference 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
- 12.○ **Assertion (A)** : India's external debts situation has improved significantly in recent years.

- **Reason (R)** : There has been effective external debt management by the Government.
 - 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
- 13. ○ **Assertion (A)** : Revenue deficit of the Central Government has been increasing with the passage of time.
 - **Reason (R)** : Increasing interest payments are the most important cause of increasing revenue deficit.
 - 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
- 14. ○ **Assertion (A)** : Annual rate of inflation in terms of Wholesale Price Index (WPI) increased from 3.3 % in 1999 – 2000 to 7.1 % in 2000 – 01.
 - **Reason (R)** : There was substantial rise in administered prices of petroleum products.
 - 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
- 15. Assertion (A) There was negative growth rate of agriculture in 2000 – 10. Reason (R) : This was primarily due to a decline in the production of coarse cereals and livestock.
 - 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