

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

List I / List II

(Contribution)

- | | |
|---|--|
| A. Profits as dynamic surplus
B. Profits as a reward to introduce innovations
C. Profits as a reward for uncertainty bearing
D. Profits arise due to monopoly power enjoyed by the | (Economist)
1. Joseph Schumpeter
2. M. Kalecki
3. J.H. Knight
4. J.B. Clark |
|---|--|

producers

Code :

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

2. Which one of the following pairs is *not* correctly matched with regard to balance of payments accounts ?

- | | |
|--|--|
| (a) Import of goods
(b) Receipts of transfer payments
(c) Direct investment receipt
(d) Portfolio investment payments | - Debit in the current account
- Credit in the current account
- Credit in the capital account
- Debit in the current account |
|--|--|

3. Which of the following is/are implied by the doctrine of unbalanced growth ?

1. **Unequal development of various sectors often generates conditions for rapid development.**
2. The investment should be dispersed over a wide range of industries.
3. The goal of complete balance in the economy is not realized.

Select the correct answer using the code given below :

- | | |
|--------------------------------|------------------------------------|
| (a) 1 only
(c) 1 and 3 only | (b) 2 and 3 only
(d) 1, 2 and 3 |
|--------------------------------|------------------------------------|

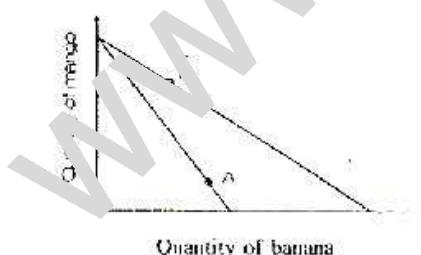
4. Which of the following statements is/are correct ?

1. Laspeyres' index generally shows an upward bias.
2. Paasche's index generally shows an upward bias.
3. Laspeyres' index generally shows a downward bias.
4. Paasche's index generally shows a downward bias.

Select the correct answer using the code given below :

- | | |
|----------------------------|------------------------------|
| (a) 1 and 4
(c) 2 and 3 | (b) 1 only
(d) 1, 3 and 4 |
|----------------------------|------------------------------|

5.



In the above figure showing budget lines, a consumer was initially at point A. There was a price change and she moves to point B. It follows that

- (a) bananas are a normal good
 - (b) bananas are an inferior good.
 - (c) mangoes are an inferior good.
 - (d) the consumer is confused.
6. Price discrimination may be possible when

- the nature of the commodity or service is such that there is no possibility of transference from one market to the other.
- the markets are separated by large distance or tariff barriers.
- several groups of buyers require the same service from clearly differentiated commodities.
- buyers are well informed and rational.

Which of the statements given above are correct ?

- (a) 1 and 2 only
- (b) 1, 3 and 4
- (c) 2 and 3 only
- (d) 1, 2 and 3

7. Suppose, spot rate of dollar today in India is Rs. 42 and 3 month forward rate is Rs. 48. How can an Indian importer who has to pay \$20,000 in 3 months' time, hedge his foreign exchange risk ?

- (a) There is no risk, rupee is quite stable.
- (b) The importer should enter into a forward contract to sell dollars.
- (c) The importer should buy his required amount of dollars today only and hold it for three months.
- (d) The importer should enter into a forward contract to buy dollars.

8. Inflation helps in redistribution of income through

- (a) proportional change in price of everything including prices of assets and debt instruments
- (b) disproportional change in price of everything including prices of assets and debt instruments
- (c) rising price of everything including prices of assets and debt instruments
- (d) falling price of everything including prices of assets and debt instruments

9. Lead bank scheme is designed to

- (a) have more concentrated effort of a bank in a particular district.
- (b) control the activities of non-banking financial institutions.
- (c) help the weaker sections in a particular district.
- (d) regulate the use of credit.

10. The existence of a natural rate of unemployment suggests that

- (a) there is no inflation-unemployment trade-offs in the long run
- (b) nominal wage increases lag price in the long run
- (c) nominal wage increases lead price in the long run
- (d) the short run Phillips curve is steeper than the long run Phillips curve.

11. Consider the following information :

Investment	Initial cost	Investment period	First year pay-off	Second year pay-off
A	Rs. 3,000	2 years	Rs. 2,500	Rs. 3,500
B	Rs. 3,000	2 years	Rs. 2,000	Rs. 4,000

If the cost of capital (rate of interest) of both the investments is 10% per year, which one of the following is correct ?

- (a) Investment A is preferable
- (b) Investment B is preferable
- (c) Both the investments are equally preferable
- (d) Cannot determine on the basis of given information

12. Given below is the GNP per capita of India for the years 2008 and 2009 :

Year	in US \$	in PPU US \$
2008	620	3,106
2009	720	3,460

From the information given above we may conclude that during that period the cost of living in India in comparison to USA has

- (a) increased.
 - (b) decreased.
 - (c) remained the same.
 - (d) cannot be concluded on the basis of given information.
13. Suppose, nominal GNP in the year 1990 was Rs. 100 billion and in the year 2000 Rs. 360 billion. During this period the GNP deflator

average rate of growth of real GNP was approximately

- (a) 1% (b) 10%

(c) 13%

(d) cannot be calculated on the basis of given information

14. On the basis of the following information about firms A and B, identify with the help of the code given below, the value added by firms A and B respectively, considering that the economy has only these two firms:

(Rs. in lakhs)

Exports by firm A	40
Imports by firm A	100
Sales to households by firm A	180
Sales to firm B by firm A	80
Sales to firm A by firm B	60
Sales to households by firm B	120

Code :

- (a) Rs. 140 lakh and Rs. 100 lakh
 (b) Rs. 200 lakh and Rs. 180 lakh
 (c) Rs. 100 lakh and Rs. 140 lakh
 (d) Rs. 300 lakh and Rs. 120 lakh

15. Is there any difference between forward and futures markets in foreign exchange?

- (a) No, both deal with future delivery of foreign exchange.
 (b) No, both markets can be availed of by telephones "over the counter" of a commercial bank.
 (c) Yes, only a limited number of currencies are traded in the futures market and that also in standardized amounts.
 (d) No, if one agrees on the date of delivery and brokerage, it is immaterial which of the markets one is talking of.

16. Does Ricardian theory discuss the determination of international price ratios?

- (a) No, it only talks about specialization in production and trade theory stops there.
 (b) Yes, the pre-trade prices will prevail.
 (c) Yes, the importers and exporters will decide it through bilateral talks.
 (d) No, it was left for J.S. Mill to bring in law of reciprocal demand to settle prices.

17. Balance statement of XYZ Bank is given below:

Assets	Rs.	Liabilities	Rs.
Reserves	10,000	Deposits	1,30,000
Loans	10,000		
Securities	1,10,000		

Assuming a cash reserve ratio of 5%, how much excess reserves would this bank have after a cheque of Rs. 2,000 was drawn and cleared against it?

- (a) Rs. 8,000 (b) Rs. 2,000
 (c) Rs. 1,600 (d) Rs. 1,500

18. Consider the following statements:

- Longer the time producers go to make adjustment in the level of output in response to a change in price, the greater the elasticity of supply.
- Sharper the change in marginal cost, lesser elastic will be the supply of output.
- If infrastructural facilities are available for expanding output, the elasticity of supply in response to the rise in price will be relatively large.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 and 3 only
 (c) 1 and 2 only (d) 1, 2 and 3

19. The recent global financial turmoil has adverse impact on the Indian financial markets, particularly the equity market and the foreign exchange segment. However, the banking sector has not been significantly impacted by these developments. Which one among the following is the main reason behind this?

- (a) Comfortable capital adequacy ratio, asset quality, profitability indicators and lower non-performing assets
 (b) Fiscal stimulation package announced by the Central

Government for some select industries

- (c) Strong foreign exchange reserves of the Reserve Bank of India
 (d) More credit by the banks to the housing and real estate sector
 Regional disparity in per capita income in India has increased in the post reform period due to many factors. Which among the following factors has not contributed to the growth in such disparity

- (a) Decline in the share of public investment
 (b) Change in policy regime regulating investment locations
 (c) Poor governance and poor infrastructure
 (d) Allocation of Central Government funds through the award of Finance Commission

21. A consumer purchases 80 units of a commodity when its price is Rs. 1 per unit and purchases 48 units when its price rises to Rs. 2 per unit. What is the price elasticity of demand for the commodity calculated by Arc elasticity formula?

- (a) 0.75 (b) 1.50
 (c) 2.00 (d) 1.75

22. Consider the following statements about deficient demand:
 1. Deficient demand exists when aggregate demand for goods and services falls short of aggregate supply of output which can be produced by fully employing the given resources in the economy.
 2. Deficient demand lowers both output and employment and gives rise to unemployment of labour.

Which of the statements given above are correct?

- (a) 1 only (b) 2 only
 (c) Both 1 and 2 (d) Neither 1 nor 2
 The growth process that is sustainable and yields broad-based benefits and ensures equality of opportunity for all is termed as

- (a) Faster growth (b) Inclusive growth
 (c) Balanced growth (d) Sustained growth

24. The notion that trade between nations can be profitable even if one of the two nation can produce both the commodities more efficiently than the other nation is the gist of

- (a) Absolute cost advantage theory
 (b) Comparative cost advantage theory
 (c) Opposite unity cost theory
 (d) Factor endowment theory

25. Given a curvilinear demand curve being tangent to a straight line demand curve, the point elasticity of demand at the point of tangency

- (a) is the same.
 (b) is different.
 (c) can be the same or different
 (d) cannot be inferred without additional information.

26. A consumer spends all his income,

- in = Rs. 1,000, on two goods, x and y. The price of x is Rs. 5 and the price of y is Rs. 20. His demand function for good x is given by $2m/5p$. If the price of x falls to Rs. 4, his demand for x goes up to

- (a) 60 units (b) 80 units
 (c) 100 units (d) 120 units

27. Which one of the following is a transfer payment?

- (a) Net factor income earned from abroad
 (b) Interest on public debt paid by the Government
 (c) Bonus to employees by the government or enterprises
 (d) Employers' contribution to contributory provident fund of employees

28. When Reserve Bank of India purchases a Rs. 1,00,000 bond from an investment dealer and that dealer deposits the proceeds in a demand deposit in Bank A, then Bank A's

- (a) excess reserves rise by Rs. 1,00,000
 (b) total reserves rise by Rs. 1,00,000
 (c) lending capacity increases by Rs. 1,00,000
 (d) bond holding increases by Rs. 1,00,000

29. Credit will contract when

- (a) bank rate is lowered
 (b) bank rate is raised
 (c) reserve requirement ratio is lowered
 (d) open market operations policy of buying government bond is adopted.

30. Arrange the following markets according to increasing degree of

- depreciation of rupee.

 - purchase of foreign exchange by the central bank in order to prevent depreciation of the rupee.
 - sale of foreign exchange by the central bank to prevent the appreciation of the rupee.
 - purchase of foreign exchange by the central bank in order to prevent appreciation of the rupee.

48. Structural transformation is that process in which

 - the contribution to national income by the manufacturing sector increasingly becomes higher than that by the agricultural sector.
 - the contribution to national income by capital goods is more in comparison to labour.
 - the contribution to national income by foreign investment is more in comparison to domestic investment.
 - production is mainly meant for personal consumption and not for investment.

49. Which one among the following statements is correct ?

 - Sum total of the first order differences from arithmetic mean is always zero.
 - In a relatively skewed distribution sum total of the first order differences from the median is zero.
 - Sum total of the first order differences from median is always equal to zero.
 - Sum total of the first order differences from mode is always equal to zero.

50. Which of the following statements is/are correct according to the law of variable proportion ?

 - The marginal product curve cuts the average product curve at its highest point.
 - Average product curve cuts the marginal product curve at its highest point.
 - Marginal product becomes zero at the highest point of the total product curve.
 - Total product curve is concave throughout from the origin.

Select the correct answer using the code given below :

 - 1 only
 - 1 and 3 only
 - 3 and 4 only
 - 1, 2 and 3

51. Which one among the following measures is most appropriate to compare the dispersion in two variables measured in different units of measurement ?

 - Range
 - Quartile deviation
 - Variance
 - Coefficient of variation

52. What is the Safeguard Clause in GATT Article 11 ?

 - It protects the interest of capitalist countries.
 - It safeguards the interest of poorer nations.
 - It refers to measures that can be applied in case of serious injury to a trading partner.
 - It is related to tariff measures and revenues.

53. Which one of the following is correct in case of a production function of the form $C = AK^{a_1}L^{a_2}$ (Symbol have usual meanings)

 - The degree of homogeneity is necessarily one.
 - Marginal product of a unit input is equal to its average product.
 - Elasticty of substitution is equal to $a_1 + a_2$.
 - Capital elasticity of output is equal to a_2 .

54. Coefficient of correlation between two variables is 0.9. If one of the variables is regressed on the other, which one of the following is correct ?

 - 90 percent of the variation in the dependent variable is explained by the variation in the explanatory variable.
 - 0.90 per cent of the variation in the dependent variable is explained by the variation in the explanatory variable.
 - 81 per cent of the variation in the dependent variable is explained by the variation in the explanatory variable.
 - 0.81 per cent of the variation in the dependent variable is explained by the variation in the explanatory variable.

55. Which among the following are the cost-push causes of inflation ?

 - Deficit financing
 - Increase in interest rates
 - Increase in population
 - Increase in oil prices
 - Mounting public expenditure

Select the correct answer using the code given below

 - 2, 3, 5 and 6
 - 2, 3 and 5 only
 - 3 and 5 only
 - 1, 2, 4 and 6

56. Given (in Rs. million)

Direct personal taxes	:	300
Depreciation	:	230
Indirect taxes	:	200
Government transfer payments	:	25
Gross investment	:	450
Net exports	:	(-) 70
Consumption expenditure	:	2,000
Government expenditure	:	500

Which one of the following is the value of national income (in Rs Million) ?

 - 2930
 - 2500
 - 2525
 - 2700

57. Which one of the following statement is correct in case of constant returns to scale ?

 - Long run average cost (LAC) curve is the locus of minimum points of short run average cost (SAC) curves.
 - LAC is U-shaped.
 - LAC is greater than the long run marginal cost.
 - LAC coincide with the horizontal axis.

58. Which one of the following statements correctly describes the relationship between multiplier and accelerator ?

 - Both show the effect of change in income on investment.
 - Both show the effect of change in investment on income.
 - Multiplier shows the effect of change in income on investment and Accelerator shows the effect of change in investment on income.
 - Multiplier shows the effect of change in investment on income and Accelerator shows the effect of change in income on investment.

59. Given the total cost as C, the price of labour (L) as P_L , price of capital (K) as P_K , from which one of the following functions, can an iso-cost curve be drawn ?

 - $K = CT/P_K + (CP_L)L$
 - $C = CP_L + (CP_K)K$
 - $C = K/P_K + L/P_L$
 - $L = CP_K - (CP_L)K$

60. Which one of the following is the inter-quartile range for the given data ?

 - 45, 48, 55, 58, 65, 66, 72, 76, 78, 79, 81
 - 25
 - 80
 - 35
 - 23

61. Which one among the following is *not* part of the stimulus packages awarded by the Government of India in the year 2008 - 09 to help export sector in general and some sectors affected or likely to be affected by the global recession in particular ?

 - Inclusion of handicrafts items in Vishesh Krishi and Gram Udyog Yojana
 - Constitution of a high level committee for fast track resolution of a number of procedural issues to reduce delays for the exporters
 - Reduction of excise duty across the board by 4 per cent for all products including petroleum products
 - Extension of export obligation period against advance authorization up to 36 months without payment of composition fee

62. If you take the arithmetic mean of the Laspeyres' and Paasche's price indices, you shall get

 - Drobish-Bowley Price Index
 - Marshall-Edgeworth Price Index
 - Walsch Price Index
 - Fisher's Price Index

63. Consider the following statements about trade finance :

- transactions (mostly short-term credit) in the world.

 - The recent global financial crisis has impaired the access to trade finance.
 - Developed economies are most vulnerable to the shortage in trade finance.

Which of the statements given above is/are correct ?

 - 1 only
 - 1 and 2 only
 - 2 and 3 only
 - 1, 2 and 3

64. Match List I with List II and select the correct answer using the code given below the lists (where E_s = elasticity of substitution):

List I / List II

A. Kinked isoquant	1. $E_s \rightarrow \infty$
B. Downward sloping straight line isoquant	2. $E_s = 0$
C. Cobb-Douglas type isoquant	3. $E_s = \infty$
D. Downward sloping isoquant	4. $E_s = 1$

Code :

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

65. Which one of the following is *not* an objective of food management in India ?

 - Procurement of foodgrains from farmers at remunerative prices
 - Distribution of foodgrains to the consumers, particularly the vulnerable sections of the society, at affordable prices
 - Export of foodgrains to earn foreign exchange
 - Maintenance of food buffers for food security and price stability

66. If the production function for good x is given as $Q = 2K + \sqrt{L}$; where Q is total output, K refers to quantity of capital and L refers to quantity of labour; the marginal product of labour is given by

(a) $\frac{1}{2\sqrt{L}}$	(b) $2\sqrt{L}$
(c) $\frac{1}{2}$	(d) 2

67. In India, the share of agriculture in GDP has declined at a very fast rate in the recent years. This is due to

 - lack of diversification of rural economy.
 - slow growth in the prices of agricultural commodities.
 - saturation of employment opportunities in the agriculture sector.
 - very slow growth rate of agriculture and a rapid rate of growth of other sectors.

68. Consider the following demand curve and the points marked on it.

Arrange the points shown in the above graph according to their increasing value of point elasticity of demand (in absolute sense) using the code given below:

 - a_1, a_2, a_3, a_4
 - a_4, a_2, a_3, a_1
 - a_4, a_3, a_2, a_1
 - a_1, a_4, a_3, a_2

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

List I / List II

A. Rybczynski Theorem	1. The effect of tariff on factor prices
B. Metzler Effect	2. The effect of factor growth on production and trade
C. Stolper Samuelson	3. The effect of tariffs on domestic

D. Immiserising Growth

4. The effect of growth on terms of trade

Code :

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

70. Net National Product at Market price is higher than Net National Product at Factor cost if

 - Government subsidies > Indirect taxes
 - Government subsidies < Indirect taxes
 - Government subsidies = Indirect taxes
 - Government subsidies \leq Indirect taxes

71. The cost of bank credit is determined in India by a system of benchmark prime lending rate which is charged by a bank to the most creditworthy customers, and all bank loans are given at a rate equal to or higher than the benchmark prime lending rate. Of the following, what determines this rate of interest ?

 - It is fixed by the Reserve Bank of India.
 - It is determined by the Ministry of Finance.
 - It is determined by the bank concerned.
 - It is a competitive rate determined by market forces of supply and demand for credit.

72. Capital goods

In the diagram given above, the production possibility curve shows that

 - a nation which produces at point A rather than at point B could expect a more rapid rate of growth.
 - a nation which produces at point B rather than at point A could expect a more rapid rate of growth.
 - there is a negative relationship between rate of growth and output.
 - more growth is possible only when there is outward shift of the curve.

73. For a positively skewed distribution, which one of the following is true ?

 - Mean < Mode < Median
 - Mean < Median < Mode
 - Mean > Mode > Median
 - Mean > Median > Mode

74. Which of the following statements is/are correct ?

 - FDI in India under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India.
 - Investors are only required to notify the concerned regional office of RBI before receipt of inward remittances and file required documents with that office before the issue of shares to foreign investors.

Select the correct answer using the code given below:

 - 1 only
 - 2 only
 - Both 1 and 2
 - Neither 1 nor 2

75. Which of the following statements is/are correct ?

When with a fall in price of a commodity total expenditure

 - decreases, the demand for the commodity is elastic.
 - increases, demand for the commodity is inelastic.
 - remains constant, demand for the commodity is unitary elastic.

2	900	500
3	800	600
4	700	700
5	600	800
6	500	900
7	400	1000
8	300	1100

Suppose the government gives the firms a subsidy of Rs. 2 per unit of the good, what will be the new equilibrium price of the good?

- (a) Rs. 5
- (b) Rs. 4
- (c) Rs. 3
- (d) Rs. 2

91. Ad valorem tax is based on

- (a) income.
- (b) real value of goods.
- (c) money value of goods
- (d) volume of goods

92. If a firm's average total cost is Rs. 30 at 5 units of output and Rs. 32 at 6 units of output, which one among the following is the marginal cost of producing the 6th unit?

- (a) Rs. 2
- (b) Rs. 12
- (c) Rs. 32
- (d) Rs. 42

93. The life cycle hypothesis of consumption implies that consumption is related to

- (a) price expectation over one's lifetime.
- (b) transitory income.
- (c) permanent income.
- (d) expected lifetime income.

94. Which one of the following is unemployment rate?

- (a) Percentage of unemployed to total population
- (b) Percentage of unemployed to total labour force
- (c) Percentage of unemployed to total workforce
- (d) Percentage of unemployed to total persons not in labour force

95. When price elasticity of demand of a good is greater than one, then expenditure on the good

- (a) rises with a price fall.
- (b) declines with a price fall.
- (c) rises with a price rise.
- (d) remains the same irrespective of price rise or fall.

96. Transaction-precautionary demand for money is

- (a) positively related to both level of income and rate of interest.
- (b) negatively related to both level of income and rate of interest.
- (c) positively related to the level of income and negatively related to the rate of interest.
- (d) negatively related to the level of income and positively related to the rate of interest.

97. Assume that the demand curve for compact discs (CD) slopes downwards and the supply curve slopes upwards. If the price of CD players decreases, then, *ceteris paribus*

- (a) the equilibrium price of CD will fall.
- (b) the equilibrium price of CD will rise.
- (c) the equilibrium price of CD will stay the same.
- (d) none of the above are correct.

98. Which of the following statements with regard to the National Rural Employment Guarantee Act (NREGA), 2005 is/are correct?

1. The legislation makes the Government legally bound to provide employment to those who seek it.
2. As a district is created under the Act, the Sampooran Gramin Rozgar Yojana is automatically merged in the NREGA.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

99. Consider a consumer whose consumption basket contains only two goods X and Y. His budget is such that if he spends his entire income on these two goods, he can purchase 4 units of X and 6 units of Y or 12 units of X and 2 units of Y. If he spends all his income on good X, how many units of X can he buy?

- (a) 7
- (b) 15
- (c) 16
- (d) 18

100. India has witnessed a number of acute problems immediately prior to implementation of economic reforms in early

1990s. These were

- (a) Industrial backwardness
- (b) Balance-of-payments crisis
- (c) Backwardness of agriculture
- (d) Shortage of foodgrains

101. The inverse demand function for tea is given by $P_d = 18 - 3q_d$, where p_d is the price in rupees for a 500 gm packet of tea and q_d is the quantity demanded. The inverse supply curve is given by $p_s = 6 + q_s$. Now, suppose the government decides to give a subsidy of Rs. 2 per packet to tea suppliers, what will be the new equilibrium price (p) and quantity demanded (q) by consumers after the introduction of subsidy?

- (a) $p = 3, q = 9$
- (b) $p = 7.5, q = 3.5$
- (c) $p = 9, q = 3$
- (d) $p = 9.5, q = 3.5$

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

List I (Type of budget deficit)	List II (Measurement of deficit)
A. Revenue deficit	1. Gap between total expenditure and total receipts
B. Fiscal deficit	2. Excess of revenue expenditure over revenue receipts
C. Primary deficit	3. Fiscal deficit less interest payments
D. Budgetary deficit	4. Difference between revenue receipts plus current non-debt capital receipts and total expenditure including loans, net of repayments

Code :

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

103. In which one of the following categories of farmers was the period for repayment of overdrafts extended under the Agricultural Debt Waiver and Debt Relief Scheme in the Union Budget 2009-10?

- (a) Farmers having upto one hectare of land
- (b) Farmers having upto one and a half hectares of land
- (c) Farmers having upto two hectares of land
- (d) Farmers having more than two hectares of land

104. Assuming constant returns to scale, if all the three factors X, Y and Z are paid according to their marginal productivity then the Euler's theorem implies

- (a) $Q = MP_x + MP_y + MP_z$
- (b) $Q > MP_x \times X + MP_y \times Y + MP_z \times Z$
- (c) $Q < MP_x \times X + MP_y \times Y + MP_z \times Z$
- (d) $Q = MP_x \times X + MP_y \times Y + MP_z \times Z$

105. During the year 2008-09, in India there has been a dip in the growth rate of GDP from 9 per cent to 6.7 per cent. Among the following sectors, which sector registered the highest fall?

- (a) Mining and quarrying
- (b) Manufacturing
- (c) Construction
- (d) Electricity, gas and water supply

106. Does the index number reflect only approximate changes in the relative level of a phenomenon? Why?

- (a) Yes, because there is no unique formula.
- (b) Yes, since index numbers are computed from sample data, all errors inherent in any sampling procedure creep into its construction.
- (c) Yes, because weights depend on subjective selection.
- (d) No, if the index number satisfies the tests for adequacy, it reflects accurate changes.

107. Poverty gap is the

- (a) sum of the difference between the poverty line and actual income levels of all people living below that line.
- (b) sum of the difference between the poverty line and actual income

- | | | | | |
|---|-----------------------------|--------|--------|--------|
| levels of all people living above that line. | | | | |
| (c) sum of the difference between per capita income and actual income. | | | | |
| (d) difference between number of persons above poverty line and number of persons below poverty line. | | | | |
| 108. Which of the following is/are the possible effects of deficit financing? | | | | |
| 1. Increase in money supply with the public | | | | |
| 2. The rise in the level of incomes | | | | |
| 3. The fall in the general price level | | | | |
| Select the correct answer using the code given below: | | | | |
| (a) 1 only | (b) 1 and 2 only | | | |
| (c) 2 only | (d) 1, 2 and 3 | | | |
| 109. The inverse demand curves for a profit maximizing discriminating monopolist who sells his product in two sub-markets are given as $p_1 = 200 - q_1$ and $p_2 = 300 - q_2$. The total cost function is $c(q_1 + q_2) = (q_1 + q_2)^2$. What will be the levels of output sold in two sub-markets? | | | | |
| (a) $q_1 = 33-33$ and $q_2 = 66-67$ | | | | |
| (b) $q_1 = 24-67$ and $q_2 = 16-33$ | | | | |
| (c) $q_1 = 16-67$ and $q_2 = 66-67$ | | | | |
| (d) $q_1 = 33-33$ and $q_2 = 50-67$ | | | | |
| 110. Given, | | | | |
| Initial Level of Equilibrium national income | Rs. 2,000 crores | | | |
| Total Autonomous Investment (I) | Rs. 50 crores | | | |
| Consumption function (C) (where, Y = National Income) | $20 + 0.8 Y$ | | | |
| What will be the new level of equilibrium national income, if investment is increased by Rs. 40 crores? | | | | |
| (a) Rs. 2,040 crores | (b) Rs. 2,090 crores | | | |
| (c) Rs. 2,070 crores | (d) Rs. 2,290 crores | | | |
| 111. Which one of the following statements refers to "disinflation"? | | | | |
| (a) A simultaneous existence of high rate of inflation and high unemployment in a country. | | | | |
| (b) A process of reversing inflation but without creating unemployment and reducing output. | | | | |
| (c) A policy of moderating rising prices and also to pull the system out of the depth of depression. | | | | |
| (d) A situation of general depression and widespread unemployment caused by deficiency of effective demand. | | | | |
| 112. Capital deepening ceases | | | | |
| (a) as a result of population growth. | | | | |
| (b) when there is an additional increase in the population. | | | | |
| (c) when the rate of return from capital is equal to the real rate of interest. | | | | |
| (d) when the real rate of interest falls, <i>ceteris paribus</i> . | | | | |
| 113. Given below are information regarding the weekly take-home pay of an employee and consumer price index for four years: | | | | |
| Year | 2001 | 2002 | 2003 | 2004 |
| Weekly take-home pay (Rs.) | 129.5 | 116.40 | 135.40 | 138.10 |
| Consumer price index | 112.80 | 127.40 | 143.50 | 149.80 |
| In which year did the employee have the highest buying power? | | | | |
| (a) 2001 | (b) 2002 | | | |
| (c) 2003 | (d) 2004 | | | |
| 114. The economic rent earned by any factor will be highest if its elasticity of supply is | | | | |
| (a) zero | (b) between zero and one | | | |
| (c) equal to one | (d) infinite | | | |
| 115. A country's offer curve will be straight line when its price elasticity of supply for export is | | | | |
| (a) infinitely large | (b) unitary | | | |
| (c) zero | (d) negative | | | |
| 116. Consider the following statements: | | | | |
| 1. India spends more than 1 per cent of its GDP on Research and Development (R&D). | | | | |
| 2. India's spending on R&D in relation to GDP has increased in the past few years. | | | | |
| 3. In comparison to China, India's spending on R&D in relation to GDP is low. | | | | |
| Which of the statements given above is/are correct? | | | | |
| (a) 1, 2 and 3 | (b) 2 and 3 only | | | |
| (c) 1 and 2 only | (d) 3 only | | | |
| 117. A person is earning Rs. 2,000 per month in his present job and can earn a maximum of Rs. 1,800 per month in the next job. What are his economic rent and transfer earnings respectively? | | | | |
| (a) Rs. 3,800 and Rs. 1,800 | (b) Rs. 200 and Rs. 2,000 | | | |
| (c) Rs. 200 and Rs. 1,800 | (d) Rs. 1,800 and Rs. 3,800 | | | |
| 118. According to open economy-flow mechanism, which one of the following sequences of events is supposed to bring about adjustment in a deficit nation? | | | | |
| (a) Increase in the money supply, rising internal prices, falling exports and rising imports | | | | |
| (b) Reduction in the money supply, falling internal prices, rising exports and falling imports | | | | |
| (c) Reduction in the money supply, rising internal prices, rising exports and falling imports | | | | |
| (d) Reduction in the money supply, falling internal prices, falling exports and rising imports | | | | |
| 119. What is meant by the term "neutrality of money"? | | | | |
| (a) Management of money and credit to control inflation | | | | |
| (b) Promotion of price stability and exchange stability | | | | |
| (c) Doing away with the disturbing effects of changes in the quantity of money on important economic variables like income, output and employment | | | | |
| (d) Acceleration of growth rate in the economy | | | | |
| 120. An increase in national income because of an increase in prices only is called an increase in | | | | |
| (a) national income in real terms | | | | |
| (b) national income at constant prices | | | | |
| (c) nominal national income | | | | |
| (d) national income at base year prices | | | | |

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|----------|----------|----------|----------|----------|
| 1. (B) | 2. (D) | 3. (A) | 4. (A) | 5. (B) |
| 6. (D) | 7. (C) | 8. (A) | 9. (A) | 10. (A) |
| 11. (C) | 12. (A) | 13. (D) | 14. (B) | 15. (C) |
| 16. (A) | 17. * | 18. (A) | 19. (A) | 20. (D) |
| 21. (A) | 22. (C) | 23. (B) | 24. (B) | 25. (B) |
| 26. (C) | 27. (C) | 28. (C) | 29. (A) | 30. (C) |
| 31. (C) | 32. (D) | 33. (A) | 34. (A) | 35. (B) |
| 36. (A) | 37. (B) | 38. (A) | 39. (B) | 40. (A) |
| 41. (A) | 42. (B) | 43. (B) | 44. (B) | 45. (C) |
| 46. (B) | 47. (D) | 48. (A) | 49. (A) | 50. (B) |
| 51. (B) | 52. (D) | 53. (D) | 54. (A) | 55. (B) |
| 56. (C) | 57. (A) | 58. (D) | 59. (C) | 60. (D) |
| 61. *B | 62. (A) | 63. (B) | 64. (D) | 65. (C) |
| 66. (A) | 67. (D) | 68. (B) | 69. (C) | 70. (B) |
| 71. (C) | 72. (B) | 73. (A) | 74. (C) | 75. (C) |
| 76. (C) | 77. (B) | 78. (D) | 79. (C) | 80. (C) |
| 81. (D) | 82. (D) | 83. (A) | 84. (B) | 85. (D) |
| 86. (B) | 87. (A) | 88. (C) | 89. (D) | 90. (C) |
| 91. (C) | 92. (D) | 93. (D) | 94. (C) | 95. (A) |
| 96. (C) | 97. (D) | 98. (C) | 99. (C) | 100. (B) |
| 101. (B) | 102. (B) | 103. (D) | 104. (D) | 105. (D) |
| 106. (C) | 107. (A) | 108. (A) | 109. * | 110. (D) |
| 111. (B) | 112. (C) | 113. (C) | 114. (A) | 115. (B) |
| 116. (B) | 117. (C) | 118. (C) | 119. (C) | 120. (C) |

Examrace