

# PRACTICE PAPER

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Time allowed: 45 minutes

Maximum Marks: 200

General Instructions: Same as Practice Paper-1.

## SECTION-A: INTRODUCTORY MICROECONOMICS

Choose the correct option:

- When the problems of choice are studied at the level of individuals, it is called \_\_\_\_\_.  
(a) microeconomics (b) macroeconomics  
(c) positive economics (d) normative economics
- Profit maximisation is the main motive of decision-making in a:  
(a) market economy (b) centrally planned economy  
(c) mixed economy (d) semi-feudal economy
- Choice is the outcome of:  
(a) decision-making (b) selection (c) scarcity (d) none of these
- Change in demand is also called \_\_\_\_\_.  
(a) upward movement along the same demand curve (b) downward movement along the same demand curve  
(c) shift in demand curve (d) all of these
- A consumer demands 5 units of a commodity at the price of ₹ 4 per unit. He demands 10 units when the price falls to ₹ 3 per unit. Slope of demand curve is equal to \_\_\_\_\_.  
(a) -0.2 (b) 1.5 (c) 4 (d) 5
- As the flatness of the demand curve increases, the elasticity of demand becomes:  
(a) higher (b) lower (c) equal to infinity (d) equal to zero
- In the following question, two statements are given. Read the statements carefully and choose the correct alternative among those given below:  
**Statement 1** : The inverse relationship between own price of the commodity and its demand is called law of demand.  
**Statement 2** : Slope of demand curve for normal goods is upward sloping.  
**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
- In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct alternative among those given below:  
**Assertion (A)** : TU is the sum total of MU from all units of consumption of a commodity.  
**Reason (R)** : MU is the additional utility due to the consumption of an additional unit of a commodity.

**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

9. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Demand	(i) Specific quantity to be purchased against a specific price of the commodity
B. Substitute goods	(ii) Bread and butter
C. Normal goods	(iii) Income effect is negative
D. Increase in demand	(iv) More of a commodity is purchased at its existing price

**Alternatives:**

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

10.

Units Consumed	Total Utility
1	150
2	280
3	380
4	430
5	430
6	370

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

Find out the consumption level at which the consumer reaches the saturation point.

- (a) 3rd unit of the commodity                      (b) 4th unit of the commodity  
 (c) 5th unit of the commodity                      (d) 6th unit of the commodity

## SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

11. \_\_\_\_\_ is the central issue in microeconomics.

- (a) Determination of the overall level of output                      (b) Determination of employment  
 (c) Allocation of resources                      (d) None of these

12. Aggregate of rent, interest and profit is called \_\_\_\_\_.

- (a) compensation of employees                      (b) operating surplus  
 (c) mixed income                      (d) none of these

13. Which of the following is a factor input?

- (a) Land                      (b) Capital                      (c) Entrepreneurship                      (d) All of these

14. \_\_\_\_\_ investment includes both planned as well as unplanned investment.

- (a) Ex-ante                      (b) Ex-post                      (c) Desired                      (d) None of these

15. The formula of multiplier is \_\_\_\_\_.

- (a)  $\frac{1}{MPC}$                       (b)  $\frac{1}{MPS}$                       (c)  $\frac{1}{1 - MPS}$                       (d)  $\frac{1}{MPC - 1}$

16. Electronic transfer of money in terms of credit/debit entries of the account-holders in the banks is called:

- (a) e-marketing                      (b) e-business                      (c) e-money                      (d) e-banking

- 17. Money that is issued by the authority of the government is called:**  
 (a) full bodied money (b) credit money (c) fiat money (d) fiduciary money
- 18. The central bank:**  
 (a) is an apex bank (b) is the sole agency of note-issuing  
 (c) focuses on stability and growth of the economy (d) all of these
- 19. Which of the following is not an implication of downsizing the role of government?**  
 (a) Withdrawal of government from direct participation in productive activities  
 (b) Promotes liberalisation of the economy  
 (c) Abolishment of direct control such as licensing of industries  
 (d) None of these
- 20. Gift tax is a/an:**  
 (a) wealth tax (b) direct tax (c) indirect tax (d) none of these
- 21. Those receipts which arise from sources other than taxes are called:**  
 (a) tax receipts (b) non-tax receipts (c) revenue receipts (d) capital receipts
- 22. When domestic currency loses its value in relation to a foreign currency in the international money market, it is a situation of:**  
 (a) currency appreciation (b) currency depreciation  
 (c) currency devaluation (d) none of these
- 23. Rate of exchange as determined by the government is called:**  
 (a) fixed exchange rate (b) floating exchange rate  
 (c) flexible exchange rate (d) none of these

*In the following questions, two statements are given. Read the statements carefully and choose the correct alternative among those given below:*

**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

- 24. Statement 1 :** Deflationary gap can be corrected by increasing the level of AD.  
**Statement 2 :** Inflationary gap can be corrected by increasing the availability of credit in the economy.
- 25. Statement 1 :** In the Keynesian theory, technology is assumed to remain constant.  
**Statement 2 :** Keynes assumes that aggregate supply is perfectly elastic.

*In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct alternative among those given below:*

**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
- 26. Assertion (A) :** Unexpected obsolescence is an element of depreciation.  
**Reason (R) :** Loss of value of fixed assets owing to unexpected obsolescence is called capital loss.
- 27. Assertion (A) :** Profits earned by a company in India, which is owned by a non-resident is a part of domestic factor income of India  
**Reason (R) :** The company is generating profit within the domestic territory of India.
- 28. Assertion (A) :** Aggregate demand is negatively related to income.  
**Reason (R) :** Aggregate demand is a flow concept.

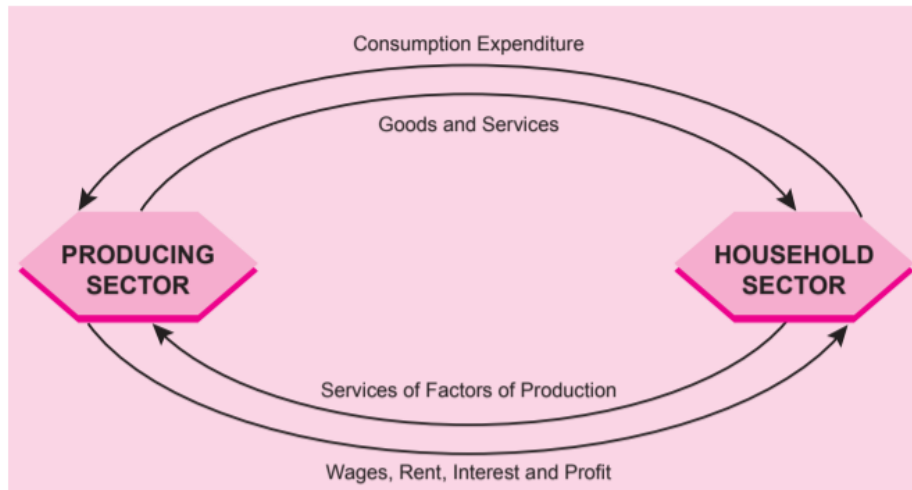
29. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Current transfers	(i) Bilateral transfers
B. Trade balance	(ii) Current account
C. External assistance	(iii) Foreign investment
D. NRI deposits	(iv) Borrowing

Alternatives:

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

30.



On the basis of the above diagram, what does the outer circle represent?

- (a) Money flow                      (b) Real flow                      (c) Circular flow                      (d) None of these

## SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. Which of the following countries has a low density of population.  
 (a) India                      (b) China  
 (c) Pakistan                      (d) Both (b) and (c)
32. The “One Child Policy” was discontinued in early 2016 as \_\_\_\_\_.  
 (a) it led to social discontentment due to son preference  
 (b) it led to widening of gap between the number of males and females in the country  
 (c) it led to rise in the proportion of elderly people in the country  
 (d) all of these
33. Which of the following countries has the highest sex ratio?  
 (a) India                      (b) China                      (c) Pakistan                      (d) Both (a) and (c)
34. Identify the incorrect statement.  
 (a) Poverty is the principal cause of environmental degradation in rural areas  
 (b) Expanding production activity is the principal cause of environmental degradation in urban areas  
 (c) Both (a) and (b)  
 (d) None of these
35. Expanding production activity often leads to \_\_\_\_\_ of resources.  
 (a) overuse                      (b) underuse                      (c) misuse                      (d) none of these



36. The three-tier healthcare system in India includes \_\_\_\_\_.  
 (a) central health centres (b) state health centres  
 (c) tertiary health centres (d) all of these
37. Which of the following is an option of employment outside agriculture?  
 (a) Animal husbandry (b) Horticulture (c) Fisheries (d) All of these
38. \_\_\_\_\_ of India clearly recognised the importance of human capital in the process of economic growth.  
 (a) Fourth Five Year Plan (b) Fifth Five Year Plan  
 (c) Sixth Five Year Plan (d) Seventh Five Year Plan
39. As components of private consumption expenditure, we consider:  
 (a) food items (b) non-food items  
 (c) both (a) and (b) (d) none of these
40. Institutional reform does not comprise of:  
 (a) abolition of intermediaries (b) regulation of rent  
 (c) scientific farm management practices (d) ceiling on land holdings
41. In India, \_\_\_\_\_ was the chairperson of the Planning Commission.  
 (a) President (b) Prime Minister  
 (c) Finance Minister (d) Vice-President
42. An economy in which means of production are used in a manner such that profits are maximised is called:  
 (a) mixed economy (b) capitalist economy  
 (c) socialist economy (d) none of these
43. Economic infrastructure includes:  
 (a) communication (b) banking (c) power (d) all of these

*In the following questions, two statements are given. Read the statements carefully and choose the correct alternative among those given below:*

**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. **Statement 1** : Social infrastructure accelerates the process of human development.

**Statement 2** : Economic infrastructure serves as a driving force for production activity in the economy.

45. **Statement 1** : Private sector has a pivotal role in provision of health services in India.

**Statement 2** : The private sector accounts for more than 80 per cent of total healthcare spending in India.

*In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct alternative among those given below:*

**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

46. **Assertion (A)** : India is experiencing a severe problem of jobless growth.

**Reason (R)** : Our growth process is being increasingly hijacked by MNCs which rely more on technology.

47. **Assertion (A)** : Nationalisation of commercial banks marked the beginning of social banking in rural areas.

**Reason (R)** : Farmers can avail the benefits of institutional credit without any collateral.

48. **Assertion (A) :** There was systematic deindustrialisation of Indian industries during British rule.

**Reason (R) :** Indian economy was used as a source of raw material and a market for sale of final goods in order to exploit Indian economy.

49. Match the concept given in Column I with their respective explanation in Column II.

Column I	Column II
A. Migration	(i) Reduced per capita income
B. Low level of academic standards	(ii) Imbalance between demand and supply of human resource
C. High growth rate of population	(iii) Brain Drain
D. Lack of proper manpower planning	(iv) Mismatch between required skill and academic standards

**Alternatives:**

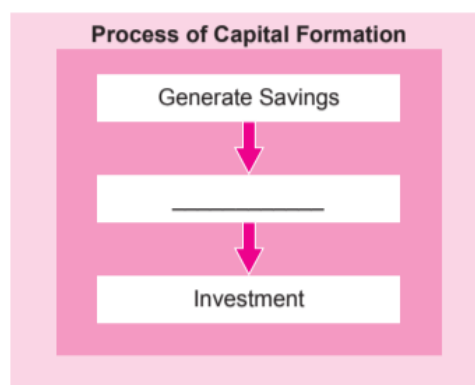
(a) A—(ii), B—(iii), C—(iv), D—(i)

(b) A—(iii), B—(iv), C—(i), D—(ii)

(c) A—(i), B—(ii), C—(iii), D—(iv)

(d) A—(ii), B—(iv), C—(i), D—(iii)

50.



**Choose the correct alternative to be filled in given blank.**

(a) Hoard savings

(b) Procure savings

(c) Mobilise savings

(d) Increase income

# Answers

## PRACTICE PAPER – 7

- |         |         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|---------|
| 1. (a)  | 2. (a)  | 3. (c)  | 4. (c)  | 5. (a)  | 6. (a)  | 7. (c)  |
| 8. (a)  | 9. (d)  | 10. (c) | 11. (c) | 12. (b) | 13. (d) | 14. (b) |
| 15. (b) | 16. (c) | 17. (c) | 18. (d) | 19. (a) | 20. (b) | 21. (b) |
| 22. (b) | 23. (a) | 24. (c) | 25. (a) | 26. (d) | 27. (a) | 28. (d) |
| 29. (b) | 30. (a) | 31. (b) | 32. (d) | 33. (b) | 34. (d) | 35. (a) |
| 36. (c) | 37. (d) | 38. (d) | 39. (c) | 40. (c) | 41. (b) | 42. (b) |
| 43. (d) | 44. (a) | 45. (a) | 46. (a) | 47. (c) | 48. (a) | 49. (b) |
| 50. (c) |         |         |         |         |         |         |