

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:

1. The other name of microeconomics is _____.
(a) price theory (b) public finance (c) price control (d) cost theory
2. Problem of choice is the basis of:
(a) social problem (b) economic problem
(c) accounting problem (d) none of these
3. Which of the following is an assumption of consumer's equilibrium?
(a) Marginal utility of money remains constant (b) Utility can be expressed in cardinal numbers
(c) Consumer behaves rationally (d) All of these
4. The satisfaction derived from the consumption of a commodity is known as _____.
(a) satiety (b) consumption (c) utility (d) profitability
5. If two goods are substitute in nature then fall in the price of one results in:
(a) rise in demand for the other (b) fall in demand for the other
(c) rise in demand for both (d) none of these
6. Goods are demanded because they possess _____.
(a) utility (b) capacity (c) needs (d) none of these
7. 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:
Statement 1 : Elasticity of demand is low for low priced goods.
Statement 2 : If a good can be used for many purposes, demand for it will be elastic.
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
8. 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) : Utility is the want satisfaction capacity of a commodity.
Reason (R) : Cardinal utility analysis relates to the basic assumption that utility can be expressed in terms of cardinal numbers.

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

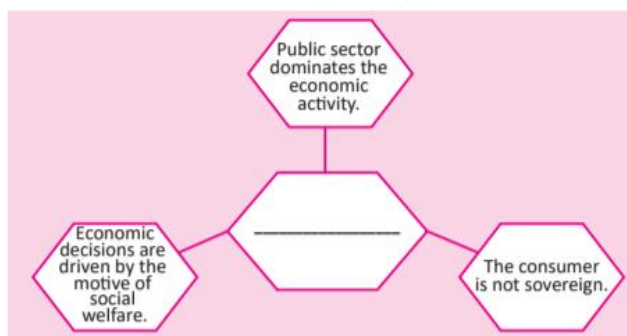
9. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Price elasticity of demand	(i) Degree of responsiveness of demand for the commodity to a change in its own price
B. Slope of demand curve	(ii) $\frac{\Delta Q}{\Delta P}$
C. $E_d < 1$	(iii) Percentage change in price < Percentage change in quantity demanded
D. Perfectly elastic demand curve	(iv) Vertical straight line

Alternatives:

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

10.



On the basis of the above chart answer the following question:

Choose the correct alternative to be filled in given blank.

- (a) Centrally planned economy (b) Market economy
 (c) Mixed economy (d) Free economy

SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

11. Gross investment is equal to:

- (a) net investment – depreciation
 (b) expenditure on the purchase of intermediate as well as final goods
 (c) net investment + depreciation
 (d) none of these

12. _____ causes the difference between gross domestic product and net domestic product.

- (a) Depreciation (b) Indirect tax (c) Subsidy (d) All of these

13. Which of the following is included in the estimation of national income?

- (a) Subsidies to the producers (b) Household services performed by a woman
 (c) Purchase of vegetables by a restaurant (d) None of these

14. Which of the following is an example of a transfer payment?

- (a) Scholarships (b) Unemployment allowances
 (c) Retirement pensions (d) Both (a) and (b)

15. Which of the following is not included in the estimation of compensation of employees?
 (a) Free accommodation provided to the school teachers
 (b) Free education of the students whose parents are working in schools
 (c) Old-age pensions
 (d) Wages and salaries in cash
16. If the value of average propensity to consume (APC) is 0.8 and national income is ₹ 4,000 crore, the value of savings will be _____.
 (a) ₹ 100 crore (b) ₹ 200 crore
 (c) ₹ 800 crore (d) ₹ 500 crore
17. If the value of average propensity to save (APS) is 0.2 and national income is ₹ 4,000 crore, then consumption will be _____.
 (a) ₹ 4,000 crore (b) ₹ 3,200 crore
 (c) ₹ 3,800 crore (d) ₹ 2,600 crore
18. Decrease in cash reserve ratio will lead to _____.
 (a) fall in aggregate demand (b) no change in aggregate demand
 (c) rise in aggregate demand (d) fall in general price level
19. Deficient demand refers to a situation when _____.
 (a) $AD > AS$ (corresponding to full employment level)
 (b) $AD < AS$ (corresponding to full employment level)
 (c) $AS = AD$ (corresponding to underemployment level)
 (d) none of these
20. Primary deposits are:
 (a) cash deposits with the commercial banks (b) gold reserves with the commercial banks
 (c) reserves of foreign exchange (d) none of these
21. The focus of government budget is:
 (a) to maximise fiscal deficit (b) to minimise fiscal deficit
 (c) to maximise expenditure (d) to maximise revenue
22. Budget receipts refer to:
 (a) actual money receipts of the government from all sources during a fiscal year
 (b) actual capital receipts of the government from all sources during a fiscal year
 (c) estimated money receipts of the government from all sources during a fiscal year
 (d) estimated capital receipts of the government from all sources during a fiscal year
23. A strategy of growth that favours domestic production of goods which are imported from rest of the world is called:
 (a) import substitution (b) export promotion
 (c) balanced growth (d) balance of trade

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** : Economic agents refer to the individuals and institutions who take economic decisions.
Statement 2 : National income is a microeconomic variable.
25. **Statement 1** : Recovery of loan by the government is a revenue receipt.
Statement 2 : Disinvestment is a capital receipt of the government.

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) : In a state of BoP equilibrium, there is increase in official reserves with the central bank of the country.

Reason (R) : Foreign private loans are included in the capital account of balance of payments.

27. Assertion (A) : All financial institutions are not banks.

Reason (R) : A bank is a financial institution that performs twin functions of accepting deposits and advancing loans.

28. Assertion (A) : Commodity value of a five rupee coin in India is more than its money value.

Reason (R) : Fiat money is that money which is issued by order of the government.

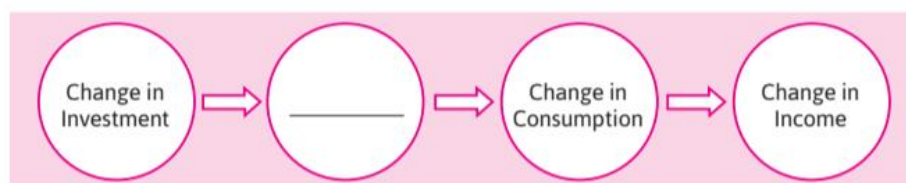
29. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Increase in demand for foreign currency	(i) Situation of appreciation of domestic currency
B. Payment of factor incomes to rest of the world	(ii) A source of foreign exchange
C. Spot market	(iii) Allows hedging
D. Depreciation of domestic currency	(iv) More rupees are needed to buy one US\$

Alternatives:

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

30.



On the basis of the above chart answer the following question:

Choose the correct alternative to be filled in given blank.

- (a) Change in income
- (b) Change in saving
- (c) Change in investment
- (d) None of these

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. _____ mode of production leads to low productivity.

- (a) Feudalistic
- (b) Capitalist
- (c) Socialist
- (d) All of these

32. In which year was Planning Commission abolished?

- (a) 2014
- (b) 2015
- (c) 2016
- (d) 2017

33. New base year for the estimation of national income and growth rate is:

- (a) 2004-05
- (b) 2011-12
- (c) 2015-16
- (d) 2017-18

- 34. Small size of a farmer's land under cultivation is known as:**
 (a) subsistence farming (b) small holding
 (c) consolidation of holding (d) none of these
- 35. Which of the following is not true about labour supply?**
 (a) It is related to wage rate
 (b) It is measured in terms of number of persons
 (c) Labour supply is greater than labour force
 (d) None of these
- 36. Rate of Unemployment = _____.**
 (a) $\frac{\text{Number of persons unemployed}}{\text{Size of labour force}} \times 100$ (b) $\frac{\text{Number of persons employed}}{\text{Size of labour force}}$
 (c) $\frac{\text{Size of labour force}}{\text{Number of persons unemployed}}$ (d) $\frac{\text{Size of labour force}}{\text{Number of persons unemployed}} \times 100$
- 37. Human capital is a _____ concept.**
 (a) stock (b) flow
 (c) either stock or flow (d) neither stock nor flow
- 38. Long period credit is needed for:**
 (a) construction of fences (b) purchase of additional land
 (c) purchase of seeds and manures (d) purchase of machinery
- 39. Which of the following observations highlight the significance of the environment?**
 (a) It sustains life (b) It assimilates waste
 (c) It offers resources for production (d) All of these
- 40. Infrastructure promotes productivity in the _____ sector.**
 (a) primary (b) secondary
 (c) tertiary (d) all of these
- 41. _____ refers to a situation when expansion of one industry facilitates the expansion of the other.**
 (a) Production web (b) Linkages in production
 (c) Sectoral spread (d) None of these
- 42. China adopted _____ as a model of growth.**
 (a) capitalism (b) command economy
 (c) both (a) and (b) (d) none of these
- 43. Which of the following is not true about the Great Leap Forward (GLF) policy?**
 (a) It was launched in China in 1958
 (b) It focussed on widespread industrialisation of the economy
 (c) It encouraged the people to set up household industry in their backyard
 (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
- 44. Statement 1 : Non-institutional credit often led to a debt trap for the farmers.**
Statement 2 : Moneylenders, traders and commission agents charge exorbitantly high interest rates from the farmers and manipulate the accounts.

45. **Statement 1** : China has a high density of population.
Statement 2 : China is very large in terms of geographical area.

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)** : Human capital is a means in the process of value-addition in the economy.
Reason (R) : Human development is an index of human welfare, irrespective of its contribution in the process of value-addition.
47. **Assertion (A)** : Transient poor category includes 'churning poor' and 'occasionally poor'.
Reason (R) : Chronically poor category includes both 'always poor' and 'usually poor'.
48. **Assertion (A)** : Farmers in India were forced to take up the cultivation of indigo.
Reason (R) : The dyeing and bleaching of textile in the textile industry of Britain required indigo.
49. From the following given sets of statements in Column I (Name of the Scheme) and Column II (Objective of Poverty Alleviation Program), choose the correct pair of statements:

Column I	Column II
A. Mahatma Gandhi National Rural Employment Guarantee Act	(i) Developing infrastructure and housing conditions
B. Poshan Abhiyan (Mid-day Meal Programme)	(ii) Guaranteed wage employment to rural unskilled worker
C. National Social Assistance Programme	(iii) Helping specific group—elderly people by giving them pensions
D. Valmiki Ambedkar Awas Yojana	(iv) Improving food and nutritional status of the poor

Alternatives:

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

50.

Sex	Rural	Urban	Total
Men	51.7	53.0	52.1
Women	17.5	14.2	16.5
Total	35.0	33.9	34.7

The above table shows the worker-population ratio across rural and urban areas in 2017-18. On the basis of the above-mentioned information answer the following question:

The urban female participation rate in 2017-18 is _____ (approximately).

- (a) 17.5% (b) 33.9% (c) 14.2% (d) 53%



Answers

PRACTICE PAPER – 3

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