

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:

- In mixed economy, economic activities are controlled by the _____ .**
(a) market forces (b) government
(c) both (a) and (b) (d) none of these
- Which of the following is not the central problem of an economy?**
(a) For whom to produce (b) What to produce and how much to produce
(c) Problem of poverty and unemployment (d) Problem of growth of resources
- Which of the following statements is true?**
(a) TU increases till MU is positive (b) TU is maximum when $MU = 0$
(c) TU declines when MU is negative (d) All of these
- Demand curve slopes downward because of:**
(a) law of increasing marginal opportunity cost (b) law of diminishing marginal utility
(c) law of equi-marginal utility (d) none of these
- Elastic demand is shown by _____ .**
(a) $\frac{\Delta Q}{Q} > \frac{\Delta P}{P}$ (b) $\frac{\Delta P}{P} > \frac{\Delta Q}{Q}$
(c) $\frac{\Delta P}{P} = \frac{\Delta Q}{Q}$ (d) none 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. Price elasticity of demand is equal to:**
(a) 3 (b) 4 (c) 2 (d) 1.5
- In the following question, two statements are given. Read the statements carefully and choose the correct alternative among those given below:**
Statement 1 : Demand and want are identical terms.
Statement 2 : There is an inverse relationship between own price of the commodity and its quantity demanded.
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) : Consumer equilibrium can be determined only if the law of diminishing marginal utility holds good.

Reason (R) : A consumer strikes his equilibrium when: $\frac{MU_X}{P_X} = MU_M$, in case of single commodity only.

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. Pen and ink	(i) Substitute goods
B. Desire	(ii) Demand
C. Articles of distinction	(iii) Demand curve slopes downward from left to right
D. Related goods	(iv) Cross price effect

Alternatives:

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

10. What does shaded area show in the figure given alongside indicate?

- (a) Initial utility
 (b) Total utility
 (c) Marginal utility
 (d) None of these



SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

11. When was macroeconomics developed as a separate branch of economics?
 (a) Between 1910 and 1920 (b) Between 1920 and 1930
 (c) Between 1930 and 1940 (d) None of these
12. Basis of the difference between the concepts of market price and factor cost is:
 (a) direct taxes (b) indirect taxes (c) subsidies (d) net indirect taxes
13. National income is often estimated as:
 (a) NDP_{FC} (b) NNP_{MP} (c) NDP_{MP} (d) NNP_{FC}
14. Sum total of expenditure on the domestically produced goods and services during an accounting year is called:
 (a) GDP_{MP} (b) GNP_{MP} (c) GDP_{FC} (d) GNP_{FC}
15. Cash reserves of the commercial banks with RBI, as a percentage of their total deposits refer to:
 (a) cash reserve ratio (b) repo rate
 (c) reverse repo rate (d) statutory liquidity ratio
16. CRR in India is fixed by:
 (a) the commercial banks (b) the government
 (c) the RBI (d) supply-demand forces in the money market

17. The maximum value of marginal propensity to save can be _____.
 (a) 0 (b) 1 (c) between 0 and 1 (d) infinity
18. When aggregate demand is greater than aggregate supply, inventories:
 (a) fall (b) rise (c) do not change (d) first fall, then rise
19. With a view to correcting deflationary gap, which of the following fiscal policy measures should be adopted?
 (a) Reduction in taxes (b) Increase in public expenditure
 (c) Reduction in public debt (d) All of these
20. Which of the following is a measure to correct excess demand?
 (a) Fiscal policy (b) Monetary policy
 (c) Both (a) and (b) (d) None of these
21. Capital receipts:
 (a) do not create any liability for the government
 (b) do not cause any reduction in assets of the government
 (c) cause reduction in assets of the government
 (d) both (a) and (b)
22. Identify which of the following statements is true?
 (a) Devaluation occurs when the value of the domestic currency reduces, owing to changes in supply-demand forces in the international money market
 (b) Depreciation occurs when the value of the domestic currency reduces, owing to changes in supply-demand forces in the international money market
 (c) Depreciation occurs when value of domestic currency is reduced by the government
 (d) Devaluation occurs when the value of the currency is increased by the government
23. Which one of the following is a merit of the flexible exchange rate?
 (a) Simple System (b) Continuous Adjustments
 (c) Improves Balance of Payments (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
24. **Statement 1** : Money received from sale of shares is not included in domestic factor income.
Statement 2 : Sale and purchase of shares only causes change of ownership of financial assets.
25. **Statement 1** : Constant year prices are the prices prevailing during the year of estimation.
Statement 2 : Depreciation is subtracted from gross domestic income to obtain net domestic income.

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)** : Balance of payments records transactions related to goods as well services.
Reason (R) : Current account balance includes the balance of trade as well as balance on invisibles.
27. **Assertion (A)** : Money was evolved in order to remove the drawbacks of barter system of exchange.
Reason (R) : A common medium of exchange exists in the barter system of exchange.

28. Assertion (A) : In case $AS < AD$, the producers suffer losses on account of unfulfilled demand in the economy.

Reason (R) : In a state of equilibrium, there is no excess production with the producers.

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

Column I	Column II
A. Revenue receipts	(i) Recovery of loans
B. Revenue expenditure	(ii) Wage bill
C. Capital receipts	(iii) Tax receipts
D. Indirect tax	(iv) Paid by the person on whom it is legally imposed

Alternatives:

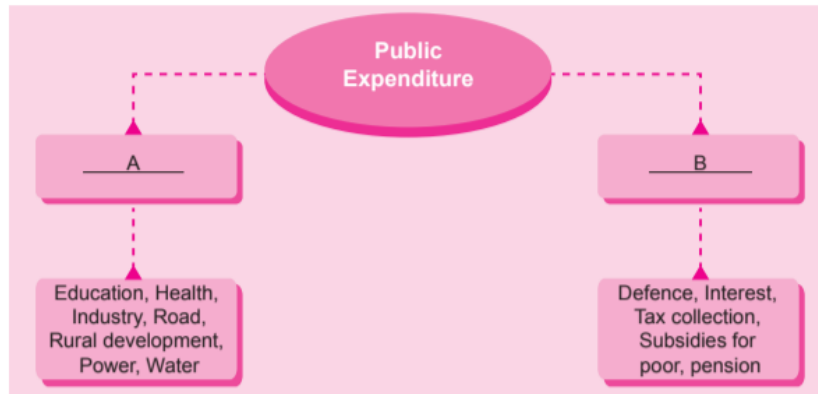
(a) A—(i)

(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.

(a) Non-development expenditure

(b) Development expenditure

(c) Non-planned expenditure

(d) Planned expenditure

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. Denationalisation and privatisation became the core elements of the development strategy of Pakistan during _____.

(a) 1960's

(b) 1970's

(c) 1980's

(d) 1990's

32. Which of the following is not a feature of the second phase of economic reforms initiated in China.

(a) The state owned enterprises were exposed to competition from the private sector

(b) The system of dual pricing for sale and purchase of all commodities was introduced

(c) Special Economic Zones were set up to attract foreign investors

(d) None of these

33. The Great Proletarian Cultural Revolution was initiated by _____ in 1976.

(a) Mao Zedong

(b) Deng Xiaoping

(c) Yuan Shikai

(d) Lin Sen

34. Institutional sources of rural credit include:

(a) cooperative societies

(b) commercial banks

(c) regional rural banks

(d) all of these

35. Which of the following is an essential indicator of good health?

(a) Low death rate

(b) Low infant mortality rate

(c) High incidence of deadly diseases

(d) Both (a) and (b)

- 36. SHG means:**
 (a) Small-help Group (b) Self-help Group
 (c) both (a) and (b) (d) none of these
- 37. As an end-result itself, human development is an index of:**
 (a) human welfare (b) growth (c) both (a) and (b) (d) none of these
- 38. The people who never move above the poverty line are called:**
 (a) chronic poor (b) non-poor (c) both (a) and (b) (d) none of these
- 39. Owing to emission of Greenhouse gases, the earth is becoming increasingly _____.**
 (a) cooler (b) warmer (c) acidic (d) none of these
- 40. Environmental crisis have high opportunity costs because _____.**
 (a) global warming has led to an unprecedented increase in emission levels of greenhouse gases
 (b) water has become an economic good due to pollution of water bodies and drying up of rivers and aquifers
 (c) cost of maintaining healthy lifestyle has increased due to degradation of environment
 (d) all of these
- 41. For a small-scale industry, annual turnover limit is:**
 (a) < ₹10 crore (b) < ₹20 crore
 (c) < ₹50 crore (d) < ₹100 crore
- 42. After which Five Year Plan, there were two annual plans?**
 (a) Fifth Five Year Plan (b) Sixth Five Year Plan
 (c) Seventh Five Year Plan (d) Eighth Five Year Plan
- 43. Backward economy is the one which shows:**
 (a) high growth in income (b) low level of productivity
 (c) slow growth in income (d) both (b) and (c)

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 : Female workers are low in rural areas despite ample job opportunities available to them.

Statement 2 : Female education in India is still a far cry.

45. Statement 1 : In the determination of poverty line cut-off, consumption is a preferred parameter than income.

Statement 2 : Consumption reflects actual use of the goods and services by an individual, as well as the type of goods actually used.

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) : Supply of labour can increase or decrease even when the number of workers remains constant.

Reason (R) : Labour supply is always measured in terms of the number of persons.

47. Assertion (A) : Cooperative farming was promoted to enhance bargaining power of the small holders.

Reason (R) : The problem of low productivity was tackled by the way of technical reforms.

48. **Assertion (A) :** Plans should have goals, *i.e.*, without goals there is no planning.

Reason (R) : Planning is defined as a strategy that defines how to allocate the country's scarce resources to different uses with a view to achieving a given set of goals.

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

Column I	Column II
A. Animal husbandry	(i) Beekeeping
B. Horticulture	(ii) Increased production of horticultural crops
C. Apiculture	(iii) Livestock farming
D. Golden revolution	(iv) Cultivation of fruits, flowers and industry vegetables

Alternatives:

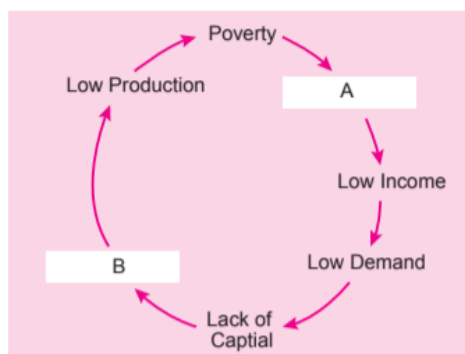
(a) A—(iv), B—(iii), C—(ii), D—(i)

(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 blanks A and B.

(a) Low production and Low investment

(b) Low mobilisation of savings and Low investment

(c) Low capital and Low capital formation

(d) Low savings and Low capital formation



Answers

PRACTICE PAPER – 5

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