

SAMPLE PAPER 10

Maximum Marks : 200

Time : 60 Minutes

General Instructions :

- (i) This paper consists of 50 MCQs, attempt any 40 out of 50
- (ii) Correct answer or the most appropriate answer: Five marks (+5)
- (iii) Any incorrect option marked will be given minus one mark (-1)
- (iv) Unanswered/Marked for Review will be given no mark (0)
- (v) If more than one option is found to be correct then Five marks (+5) will be awarded to only those who have marked any of the correct options
- (vi) If all options are found to be correct then Five marks (+5) will be awarded to all those who have attempted the question.
- (vii) Calculator / any electronic gadgets are not permitted.

1. Economists like Adam Smith follow which school of economics?

- (1) Positive
- (2) Normative
- (3) Both
- (4) None of these

2. Which of the following statements is true?

- (1) When $MPS = 1$, the value of investment multiplier is also 1.
- (2) When $MPS = 1$, the value of investment multiplier is 0.
- (3) When $MPS = 0.5$, the value of investment multiplier is 1.
- (4) When $MPS = 1$, the value of investment multiplier is 0.5.

3. If the total deposits created by commercial banks is ₹ 10,000 crores and legal reserve requirements is 10%, the amount of initial deposits will be _____.

- (1) ₹ 1,000 crores
- (2) ₹ 2,000 crores
- (3) ₹ 5,000 crores
- (4) ₹ 9,000 crores

4. Which of the following is not a revenue receipts ?

- (1) Recovery of Loans
- (2) Foreign Grants
- (3) Profits of Public expenditure
- (4) Wealth Tax

5. If a good takes up significant share of consumers' budget, it will be:

- (1) Less elastic
- (2) Highly elastic
- (3) Unitary elastic
- (4) Perfectly elastic

6. Market demand curve is obtained by _____ summation of the individual demand curves.

- (1) Vertical
- (2) Horizontal
- (3) Both (1) and (2)
- (4) None of these

7. Identify the objective of budget:

- (1) Activities to secure a reallocation of resources
- (2) Redistributive activities
- (3) Stabilizing activities
- (4) All of the above

8. Which of the following does the Market Price include?

- (1) Net Factor Income From Abroad
- (2) Depreciation
- (3) Net Indirect Tax
- (4) All of the above

9. Identify the correctly matched items from Column I to that of Column II:

Column A	Column B
1. Variable factor	(a) Machinery
2. TC	(b) $FC + VC$
3. AR	(c) MR/Q
4. Increasing returns to a factor	(d) TP decreases

- (1) 1 – (a)
- (2) 2 – (b)
- (3) 3 – (c)
- (4) 4 – (d)

10. If $MPS = 0$, the value of multiplier will be:

- (1) 2
- (2) 1
- (3) 0
- (4) ∞

11. The _____ is usually instituted via law and is typically applied to necessary goods like food, rent, and energy sources in order to ensure that everyone has access to them.

- (1) Price floor
- (2) Price ceiling
- (3) Both (1) and (2)
- (4) None of the above

12. Saving deposit in the Post office is a part of:

- (1) M_1 (2) M_2
(3) Both (1) and (2) (4) None of these

13. What concept are all domestic variants?

- (1) National (2) Territorial
(3) Economical (4) All of the above

14. What all is covered under the allocation of resources?

- (1) What goods to produce and how much?
(2) How to produce?
(3) For whom to produce?
(4) All of the above

15. The fixed cost curve is parallel to _____ and variable cost curve is _____ shaped.

- (1) x-axis, U-shaped
(2) x-axis, inverse S-shaped
(3) y-axis, U-shaped
(4) y-axis, Inverse S-shaped

16. What is the other name for Income Method?

- (1) Factor Payment Method
(2) Factor Service Method
(3) Factor Output Method
(4) None of the Above.

17. Identify the correct pair of items from the following Columns I and II:

Column I	Column II
(1) Monotonic Preferences	(a) Consumer's preferences are called monotonic when between any three bundles, consumer always choose a bundle having more of one good and no less of other goods.
(2) Indifference Set	(b) It is a set of those division of two goods which offer the consumer the same level of satisfaction, so that the consumer is indifferent across any number of combinations in his indifference set.
(3) Indifference Curve	(c) It is a curve showing different combination of two goods, each combination offering the same level of satisfaction to the consumer.
(4) Indifference Map	(d) It refers to a set of indifference curves placed in different diagrams for the same type of goods.

- (1) 1 – (a) (2) 2 – (b)
(3) 3 – (c) (4) 4 – (d)

18. Which of the following is not the source for capital receipt of the government?

- (1) Dividend from public sector undertakings
(2) Recovery of loans
(3) Sale of shares of public sector undertaking
(4) Market borrowings

19. In case of Gross Domestic Capital Formation, which one will be the part of it?

- (1) Gross Fixed Capital Formation
(2) Inventory Investment
(3) Both (1) and (2)
(4) Neither (1) nor (2)

20. _____ are recorded as negative (debit) items.

- (1) Imports (2) Exports
(3) Both (1) and (2) (4) None of these

21. It is seen that the private consumption expenditure, private investment expenditure and ex-ante savings has reduced the _____ in the economy.

- (1) Aggregate demand (2) Aggregate supply
(3) Investment (4) None of the above

22. How do the producers respond to the situation of price ceiling?

- (1) Rationing supplies
(2) Decreasing production level
(3) Lowering the quality of production
(4) All of the above

23. states that as more and more units of a commodity are consumed, marginal utility derived from additional unit must decline.

- (1) Law of Diminishing Marginal Utility
(2) Law of Supply
(3) Law of Variable Proportions
(4) Law of Equi-marginal utility.

24. Machine is a _____ item.

- (1) Invisible (2) Visible
(3) Unilateral (4) None of these

25. By lowering costs, price ceilings also have the beneficial effect of helping to stimulate _____.

- (1) Demand (2) Supply
(3) Cost (4) All of the above

26. _____ is shown by Nominal GDP:

- (1) Change in price only
(2) Change in Output only
(3) Both (1) and (2)
(4) Neither (1) nor (2)

27. Commercial Bank was facing some financial crisis due to the crisis of non-performing assets. It went

to the RBI for help. What role will RBI play in such a case?

- (1) It acted as a regulator of the Commercial Banks.
- (2) It acted as a banker to the Commercial Banks.
- (3) It acted as a supervisor to the commercial bank.
- (4) It acted as a lender of last resort.

28. Which of the following statement is false?

- (1) PPC slopes downwards
- (2) PPC is concave
- (3) PPC slopes upwards
- (4) None of these

29. What is the circumstance when aggregate output is determined solely by the level of aggregate demand called?

- (1) Investment Multiplier
- (2) Effective Demand
- (3) Propensity to Consume
- (4) Propensity to Save

30. Disinvestment is a _____ receipt.

- (1) Revenue
- (2) Capital
- (3) Primary
- (4) None of the above

31. Identify the correct pair of items from the following Columns I and II:

Column I	Column II
1. MC cuts AC	(a) MC is greater than AC
2. Derived from TC	(b) Opportunity cost
3. When AC falls	(c) MC is lower than AC
4. When AC rises	(d) At its minimum point.

- (1) 1 – (a)
- (2) 2 – (b)
- (3) 3 – (c)
- (4) 4 – (d)

32. In a system of flexible exchange rates, the exchange rate is determined by the forces of:

- (1) Market demand
- (2) Market supply
- (3) Both (1) and (2)
- (4) None of these

33. The impact of 'Excess Demand' under Keynesian theory of income and employment, in an economy are :

- (1) Decrease in income, output, employment and general price level.
- (2) Decrease in nominal income, but no change in real output.
- (3) Increase in income, output, employment and general price level.
- (4) No change in output/employment but increase in general price level.

34. Total utility is at the point of satiety.

- (1) Minimum
- (2) Maximum
- (3) Zero
- (4) None of these

35. Identify the correctly matched items from Column I to that of Column II:

Column I	Column II
(1) Railways	(a) Monopoly Market.
(2) TV seller	(b) Perfect Competition Market.
(3) Microwave oven	(c) Monopsony Market.
(4) Fruits Market	(d) Monopoly Market.

- (1) 1 – (a)
- (2) 2 – (b)
- (3) 3 – (c)
- (4) 4 – (d)

36. market has the characteristic of both monopoly and perfect competition.

- (1) Monopolistic Competition
- (2) Monopsony
- (3) Duo-poly
- (4) Oligopoly

37. Balance of payments is an accounting statement that provides a systematic record of all the _____ transactions between the residents of a country and the rest of the world during a given period of time. (Fill up the blank with correct alternative)

- (1) Non-economic
- (2) Economic
- (3) Social
- (4) None of these

38. When calculating the national Income which of the following will not be considered?

- (1) Windfall gains
- (2) National Debt Interest
- (3) Purchase of second hand goods
- (4) All of the above.

39. Assertion (A): TU curve starts from the origin, increase at a decreasing rate, reaches a maximum and then starts falling.

Reason (R): The rising MU curve shows the law of diminishing marginal utility.

- (1) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
- (2) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- (3) Assertion (A) is true, but Reason (R) is false.
- (4) Assertion (A) is false, but Reason (R) is true.

40. Assertion (A): MRS is defined as the amount of good Y given up in exchange for good X such that total utility is constant.

Reason (R): Diminishing MRS means the consumer wants to give up lesser units of Y in exchange for good X.

- (1) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(2) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(3) Assertion (A) is true, but Reason (R) is false.

(4) Assertion (A) is false, but Reason (R) is true.

41. Read the following statements and choose the correct alternative from the following:

Statement 1: Price floor is imposed by the government on agriculture goods, medicine, and education, so as to make the needed goods or services more affordable.

Statement 2: Price ceiling is imposed by the government on agriculture goods, medicine, and education, so as to make the needed goods or services more affordable.

(1) Both the statements are true.

(2) Both the statements are false.

(3) Statement 1 is true but statement 2 is false.

(4) Statement 1 is false but statement 2 is true.

42. Considering operating surplus which one of the following is not a part of it?

(1) Rent and Royalty

(2) Wages and Salaries

(3) Interest and Profits

(4) None of the above

43. Which of the following statement is false?

(a) When MU is negative, TU will be increasing.

(b) When MU is positive, TU will be decreasing.

(c) When MU is zero, TU is maximum.

(d) None of these

44. _____ are known as narrow money.

(1) M_3 and M_2

(2) M_4 and M_2

(3) M_1 and M_2

(4) M_1 and M_4

45. The difference by which actual Aggregate Demand exceeds the Aggregate Demand, required to establish full employment equilibrium is known as _____.

(1) Inflationary gap

(2) Deflationary gap

(3) Either (1) or (2)

(4) Neither (1) nor (2)

46. Identify the correct pair of items from the following Columns I and II:

Column I	Column II
(1) Opportunity Cost	(a) The value of a factor in its next worst alternative use.
(2) Explicit Cost	(b) The expenses incurred by the producer when the inputs are purchased or hired from the market.

(3) Implicit Cost	(c) The value of a factor in its next best alternative use.
(d) Hidden Cost	(d) The expenses incurred by the producer when the inputs are purchased or hired from the black market.

(1) 1 – (a)

(2) 2 – (b)

(3) 3 – (c)

(4) 4 – (d)

I. Read the following passage and answer the questions that follows:

Agriculture provides livelihood to almost three-fourth of population of India. Indian agriculture is highly dependent on spatial and temporal distribution of rainfall. Climate extremes such as drought and flood affect agriculture severely. An account of impact of climate extreme viz. drought and flood, on Indian food-grain production has been presented in this chapter. There are temporal fluctuations in food grain production and area under the food-grain. In secular terms, both of them increased up to mid-eighties. After mid-eighties there is decline in the area of food grain while maintaining an increase in production of food-grain suggesting the improvement in agricultural technology and policy. There is more temporal fluctuation in the production of food grain than the area under food grain. The analysis reveals that impact of drought on Indian agriculture is more than that of flood. Rabi food grain production depicts better adaptability to drought than Kharif food grain production mostly due to better access to irrigation infrastructure. Among the various food crops analysed all except jowar can effectively face flood events. Wheat and jowar perform relatively better during drought events. Rice is most sensitive crop to the extreme climate events. Since rice is staple food in the sub-continent, management of rice productions against climate extremes needs special attention for food security and sustainability.

47. What has caused the increase in supply of food grains.

(1) Improvement in technology

(2) Increase in production

(3) Better agricultural policy

(4) All of the above

48. The contribution of agriculture towards generating employment opportunities is :

(1) $3/4^{\text{th}}$

(2) $2/3^{\text{rd}}$

(3) $1/3^{\text{rd}}$

(4) $1/4^{\text{th}}$

49. Statement 1: Till the mid-eighties in secular terms, there was increase in production of food grain and area under the food-grain.

Statement 2: After mid-eighties, area under food grain increased.

- (1) Both the statements are true.
- (2) Both the statements are false.
- (3) Statement 1 is true but statement 2 is false.

(4) Statement 1 is false but statement 2 is true.

50. Which among the following factors affect the supply of food-grain production?

- (1) Cost of fertilizers
- (2) Better irrigation facilities
- (3) Use of agricultural tools or instruments
- (4) All of the above

□□□

SOLUTIONS

1. Option (1) is correct.

Explanation: Assam Smith follow positive school of economics.

2. Option (1) is correct.

Explanation:

$$K = 1/\text{MPS}$$

$$K = 1/1$$

$$K = 1$$

3. Option (1) is correct.

Explanation: Legal Reserve Requirement (LRR) is 10% or 0.1 and Money Multiplier

$$= \frac{1}{\text{LRR}}$$

$$\text{Money Multiplier} = \frac{1}{0.1} = 10$$

If total deposits created is of ₹10,000 crores

Initial Deposits = Total Deposits/Money

$$\text{Multiplier} = \frac{10,000}{10}$$

$$\text{Initial Deposits} = ₹1,000 \text{ crore}$$

4. Option (1) is correct.

Explanation: Recovery of loan is capital receipt as it reduces assets.

5. Option (2) is correct.

Explanation: If there is a good which takes up significant share of consumer budget then it implies it can't be any necessities comfort or jointly demanded goods.

6. Option (2) is correct

Explanation: Sum of the quantities that all consumers of a commodity are willing to buy at a given price during a period of time. Market demand curve is derived as a horizontal summation of individual demand curves.

7. Option (4) is correct.

Explanation: Through its budgetary policy the government of a country directs the allocation of resources in a manner such

that there is a balance between the goals of profit maximisation and social welfare. A government uses fiscal instruments of taxation and subsidies with a view of improving the distribution of income and wealth in the economy. Budget is used as an important policy instrument to combat the situations of deflation and inflation.

8. Option C is correct.

Explanation: Net Indirect Tax is subtracted from Market Price to get to Factor Cost.

9. Option (2) is correct.

Explanation: Total cost can be defined as the sum of fixed cost and variable cost. The cost incurred on fixed and variable factors of production is called as total cost.

10. Option (4) is correct.

Explanation:

$$K = 1/\text{MPS}$$

$$K = 1/0$$

$$K = \infty$$

11. Option (2) is correct.

Explanation: Price ceiling is imposed on essential commodities like food, rent etc. so that consumers are not exploited by the higher prices.

12. Option (2) is correct.

Explanation: $M_2 = M_1 + \text{Post Office saving deposits}$

13. Option B is correct.

Explanation: The domestic Value is related to the goods produced within the territory of a country, so it is a territorial concept.

14. Option (4) is correct.

Explanation: Allocation of resources means how much of each resource is devoted to the production of goods and services. As we know that resources are scarce, it is important to find out the answers of what, how and for whom, for the smooth functioning of the economy.

15. Option (2) is correct.

Explanation: Since fixed cost curve is same at all levels of output, hence fixed cost curve is parallel to x-axis. Variable cost first increase at decreasing rate and then increases at increasing rate. Hence, TVC is inverse S-shaped curve.

16. Option (1) is correct.

Explanation: As Incomes are the payments given to various factors of production, it is also called the factor payment method.

17. Option (3) is correct.

Explanation: Monotonic Preferences : Consumer's preferences are called monotonic when between any two bundles, consumer always choose a bundle having more of one good and no less of other goods.

Indifference Set : It is a set of those combinations of two goods which offer the consumer the same level of satisfaction, so that the consumer is indifferent across any number of combinations in his indifference set.

Indifference Curve : It is a curve showing different combination of two goods, each combination offering the same level of satisfaction to the consumer.

Indifference Curve: A curve which is graphical presentation of an indifference set showing different combinations of two commodities between which a consumer is indifferent.

Indifference Map : It refers to a set of indifference curves placed together in a diagram.

18. Option (1) is correct.

Explanation: Government receipts, which neither create any liabilities for the government; and not cause any reduction in assets of the government, are called revenue receipts. In revenue receipts both the conditions should be satisfied.

Revenue receipts include items which are repetitive and routine in nature. Dividend from public sector undertaking is a source of revenue receipt for the government as it is recurring in nature.

19. Option (3) is correct.

Explanation: Capital Formation includes fixed capital, variable capital and also the inventory.

20. Option (1) is correct.

Explanation: Imports lead to an outflow of foreign exchange in the country. Thus, they are recorded as negative (debit) items.

21. Option (1) is correct.

Explanation: Aggregate supply is the total supply of goods and services produced within an economy at a given overall price in a given period.

22. Option (4) is correct.

Explanation: When the situation of price ceiling arises, then it leads to black marketing by the producers wherein they sell commodity at a higher price than the price fixed by the government. This leads to fall in production level and hence producers also decrease the quality of productions.

23. Option (1) is correct.

Explanation: Law of diminishing marginal utility states that as more and more units of a commodity are consumed, marginal utility derived from every additional unit must decline.

24. Option (2) is correct.

Explanation: Visible items include material goods (such as sugar, cloth, machines etc.) which can be seen or touched, counted, measured and weighted and which are duly recorded at the custom barriers.

25. Option (1) is correct.

Explanation: Price ceilings benefit the society, as they make sure that essential goods are financially accessible to the average person, at least in the short run. This leads to increase in demand which contributes to the health of an economy.

26. Option (3) is correct.

Explanation: When the goods and services are produced by all producing units in the domestic territory of a country during an accounting year and valued at current year's prices or current prices, it is called Nominal GDP or GDP at current prices. It is influenced by change in both physical output and price level. It is not considered a true indicator of economic development.

27. Option (4) is correct.

Explanation: The RBI acts as a lender of last resort for the commercial banks. The commercial banks, when facing a financial crisis, can go to the Central Bank. The Central Bank lends money to the commercial bank, so that it can come out of the crisis and help the commercial bank.

28. Option (3) is correct.

Explanation: Properties of PPC : The two basic characteristics or properties of PPC are :

PPC slopes downwards : It slopes downwards from left to right because more of one good can be produced only by taking resources away from the production of another good.

PPC is concave shaped : PPC is concave shaped because of increasing MRT, that is, more and more units of a commodity are sacrificed to gain one additional unit of another commodity.

29. Option (2) is correct.

Explanation: It is the demand for a product or service which occurs when purchaser are constrained in a different market.

30. Option (2) is correct.

Explanation: Dis-investments are capital receipts because it reduces assets. The receipts which create corresponding liability for the government or which lead to reduction in assets of the government are termed as capital receipts, e.g., loans taken by the government, disinvestment of any PSUs, etc.

31. Option (3) is correct.

Explanation: When MC is less than AC, then average cost curve falls. AC is per unit cost of output. MC is the addition to the total cost when an additional unit of output is produced.

32. Option (3) is correct.

Explanation: In a system of flexible exchange rates (also known as floating exchange rates), the exchange rate is determined by the forces of market demand and supply.

33. Option (4) is correct.

Explanation: Under keynes theory, excess demand has the following effect on output, employment and general price level effect on :

- (a) Output/employment - no change.
- (b) General price level - excess demand leads to rise in price level.

34. Option (2) is correct.

Explanation: When the person is satisfied completely the Total Utility derived from that commodity is maximum as it starts to fall after that.

35. Option (1) is correct.

Explanation: TV seller are Monopolistic Competition Market. Microwave Oven are Monopolistic Competition Market. Fruits Market is Perfect Competition Market.

36. Option (1) is correct.

Explanation: Monopolistic competition :
(i) Market has the characteristic .
(ii) Characteristic of both perfect and monopoly competition.

37. Option (2) is correct.

Explanation: Balance of payments is an accounting statement that provides a systematic record of all the economic transactions between the residents of a country and the rest of the world during a given period of time.

38. Option (4) is correct.

Explanation: Things not included in National Income

- (i) Income from illegal activities like smuggling, theft, gambling, etc., should not be included.
- (ii) Imputed rent of owner occupied structure and value of production for self-consumption is included but value of self-consumed services like those of housewife is not included.
- (iii) Brokerage on the sale/purchase of shares and bonds is to be included.
- (iv) Income in terms of windfall gains should not be included.
- (v) Transfer earning like old age pensions, unemployment allowances, scholarships, pocket expenses, etc., should not be included.

39. Option (3) is correct.

Explanation: Assertion is true as it explains the shape of the TU curve but the reason is wrong. The correct statement should be that the falling MU curve shows the law of diminishing marginal utility.

40. Option (2) is correct.

Explanation: MRS is the rate at which the consumer is willing to give up commodity 'Y' for one more unit of commodity 'X'. He tries to maintain the same level of satisfactions diminishes when one proceeds down a standard convex-shaped curve, such as the indifference curve, according to the law of diminishing marginal rates of substitution. Both the statements are true but the reason is not the correct explanation of the assertion.

41. Option (4) is correct.

Explanation: Price ceiling is imposed by the government when the price decided by the forces of demand and supply is too high for the poor people and hence government imposes this on essential commodities like medicine and agricultural goods.

42. Option (2) is correct.

Explanation: Wages and Salaries form the part of Compensation to employees.

43. Option (3) is correct.

Explanation: Relationship between Total Utility and Marginal Utility :

- (i) When MU is positive, TU will be increasing.
- (ii) When MU is zero, TU is maximum.
- (iii) When MU is negative, TU will be decreasing.

44. Option (3) is correct.

Explanation: M_1 and M_2 are known as narrow money as they can be converted into cash quickly than M_3 and M_4 .

45. Option (1) is correct.

Explanation: It measures the difference between the current level of real GDP and the GDP that would exist if an economy was operating at full employment.

46. Option (2) is correct.

Explanation:

Opportunity Cost	Cost of next best alternative forgone
Implicit Cost	Any cost that has already occurred but not necessarily shows or reported as a separate expense.
Explicit cost	These cost are normal business cost that appear in the general ledger and directly affect a company profitability.
Hidden cost	Are unforeseen expense added on to purchase.

47. Option (4) is correct.

Explanation: The increase in the supply of food grains can be due to various reasons like improvement in technology, fall in the price of factor inputs, rise in production and due to favourable agricultural policies etc.

48. Option (1) is correct.

Explanation: Agriculture provides livelihood to approximately three-fourth of the population in India because majority of population lives in rural areas.

49. Option (3) is correct.

Explanation: Statement 1 is true as it says that till the mid-eighties, there was increase in production of food-grains and area under the food-grain also increased but after mid-eighties, there was decline in the area of food grain.

50. Option (4) is correct.

Explanation: The supply of food grain production is affected by all the above factors like cost of fertilizers, favourable irrigation facilities etc.