

PRACTICE PAPER

20

Time allowed: 45 minutes

Maximum Marks: 200

General Instructions: Same as Practice Paper-1.

SECTION-A: INTRODUCTORY MICROECONOMICS

Choose the correct option:

1. Demand for goods like tea and coffee is usually _____.
(a) elastic (b) inelastic (c) perfectly elastic (d) perfectly inelastic
2. The law of demand does not apply to:
(a) normal goods (b) substitute goods (c) Giffen goods (d) none of these
3. Total utility is the _____.
(a) difference of marginal utilities (b) summation of marginal utilities
(c) multiple of marginal utilities (d) none of these
4. When price of both the commodities is same, the consumer attains maximum satisfaction where:
(a) $\frac{MU_X}{MU_Y} > \frac{P_X}{P_Y}$ (b) $\frac{MU_X}{P_X} < \frac{MU_Y}{P_Y}$
(c) $\frac{MU_X}{P_X} > \frac{MU_Y}{P_Y}$ (d) $MU_X = MU_Y$
5. The problem of choice relates to:
(a) allocation of abundant resources (b) allocation of scarce resources to alternative uses
(c) allocation of resources to one use only (d) none of these
6. _____ problem arises due to the fact that means are scarce in relation to their wants.
(a) What to produce (b) How to produce
(c) For whom to produce (d) None of these
7. In the following question, two statements are given. Read the statements carefully and choose the correct alternative among those given below:
Statement 1 : At the level of economy, maximisation of satisfaction implies maximisation of profit at the level of a producer.
Statement 2 : Microeconomics deals with aggregates such as national income.
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) : Rise in own price of the commodity leads to contraction of demand.

Reason (R) : Contraction of demand is studied on the assumption that other determinants of demand are constant.

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

Column I	Column II
A. TU	(i) $MU = 0$
B. TU is maximum	(ii) Alfred Marshall
C. Cardinal Utility analysis	(iii) Rational
D. Consumer	(iv) ΣMU

Alternatives:

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

10.



Study the diagram given above and answer the following question:

Shift in demand from D_1 to D_2 as shown above indicates _____.

- (a) contraction of demand
 (b) extension of demand
 (c) decrease in demand
 (d) increase in demand

SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

11. Market value of final goods and services produced in the economy during the period of one year is called:
 (a) gross value added at market price
 (b) gross domestic product at market price
 (c) gross national product at market price
 (d) both (a) and (b)
12. If $NDP_{FC} = ₹ 4,300$, depreciation = ₹ 1,350, subsidies = ₹ 250, net factor income from abroad = ₹ 330, GDP_{MP} will be:
 (a) ₹ 2,370
 (b) ₹ 2,700
 (c) ₹ 5,400
 (d) ₹ 6,230
13. Which one includes depreciation?
 (a) GNP at market price
 (b) NNP at market price
 (c) NNP at factor cost
 (d) None of these

14. MPC being equal to 0.5, what will be ΔC , if income increases by ₹ 100?
 (a) ₹ 60 (b) ₹ 50 (c) ₹ 40 (d) ₹ 70
15. Average propensity to consume is equal to:
 (a) $\frac{Y}{C}$ (b) $\frac{\Delta Y}{\Delta C}$ (c) $\frac{C}{Y}$ (d) $\frac{\Delta C}{\Delta Y}$
16. Aggregate demand falls owing to:
 (a) increase in exports (b) increase in consumption expenditure
 (c) increase in imports (d) both (a) and (c)
17. Planned AD is short of its full employment level in a situation of:
 (a) excess demand (b) deficient demand (c) inflationary gap (d) none of these
18. Margin Requirement =
 (a) Current value of the security offered for loan – Value of loan granted
 (b) Current value of the security offered for loan + Value of loan granted
 (c) Current value of the security offered for loan \times Value of loan granted
 (d) Current value of the security offered for loan \div Value of loan granted
19. Which of the following agency is responsible for issuing ₹1 currency note in India?
 (a) Reserve Bank of India (b) Ministry of Commerce
 (c) Ministry of Finance (d) Niti Aayog
20. Greater fiscal deficit implies:
 (a) greater borrowings by the government (b) fiscal indiscipline in the economy
 (c) fiscal responsibility (d) both (a) and (b)
21. Fiscal deficit is an estimate of:
 (a) stability of the economy (b) growth of the economy
 (c) borrowings by the government (d) all of these
22. GNP at market price is measured as:
 (a) GDP at market price – Depreciation
 (b) GDP at market price + Net factor income from abroad
 (c) GNP at market price + Subsidies
 (d) NDP at factor cost + Net factor income from abroad
23. Decrease in Official Reserves Account =
 (a) Current account deficit + Capital account deficit
 (b) Current account deficit – Capital account deficit
 (c) Current account surplus + Capital account surplus
 (d) Current account surplus – Capital account surplus

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** : Equilibrium GDP refers to that level of GDP where $AD = AS$.
Statement 2 : Equilibrium GDP is reached only in a situation of full employment.
25. **Statement 1** : Sale and purchase of second-hand goods is not included in the estimation of GDP.
Statement 2 : Rise in national income always leads to a rise in per capita 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):** In case of currency depreciation, more rupees are to be paid to buy one US dollar.

Reason (R): Demand for foreign exchange is indicated by a downward sloping curve.

27. **Assertion (A):** Expenditure on interest payment is a capital expenditure.

Reason (R): Expenditure on interest payment neither creates assets nor causes a reduction in liabilities for the government.

28. **Assertion (A):** After the reforms, the commercial banks were free to set their own interest rate structure.

Reason (R): The reforms shifted the role of RBI from facilitator to a regulator.

29. Match the concepts given in Column I with their respective explanation in Column II:

Column I	Column II
A. Dividends	(i) Managed through depreciation reserve fund
B. Wages in kind	(ii) Closing Stock – Opening Stock
C. Consumption of fixed capital	(iii) A component of compensation of employees
D. Change in stock	(iv) A component of profit

Alternatives:

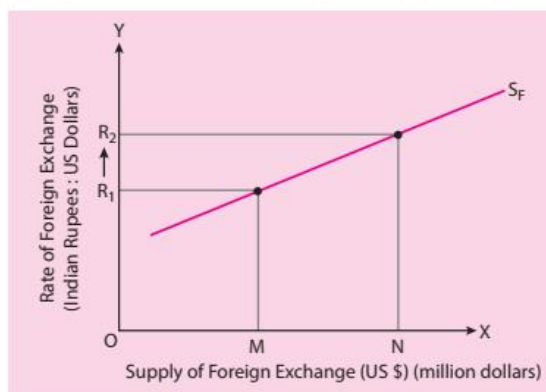
(a) A—(iv), B—(i), C—(ii), D—(iii)

(b) A—(ii), B—(i), C—(iv), D—(iii)

(c) A—(iv), B—(iii), C—(i), D—(ii)

(d) A—(iii), B—(i), C—(ii), D—(iv)

30.



Analyse the diagram given above and answer the following question:

Which of the following factors will not result in the above shown change in the exchange rate?

- (a) Increase in imports
- (b) Gifts and grants received from abroad
- (c) Unilateral transfers received from rest of the world
- (d) FDI received

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. _____ industry was called 'Sunrise Industry'.

- (a) Cotton
- (b) Jute
- (c) Electronic
- (d) Automobile

- 32. When was the Environment (Protection) Act passed?**
 (a) 1984 (b) 1986 (c) 1988 (d) 1990
- 33. Degradation of land leads to _____.**
 (a) depletion of fossil fuels (b) loss of fertility of land
 (c) ozone depletion (d) none of these
- 34. Which of the following is considered as social infrastructure?**
 (a) Transport (b) Education (c) Communication (d) Energy
- 35. Informalisation leads to _____.**
 (a) poverty (b) breaking of social harmony
 (c) job security (d) both (a) and (b)
- 36. In accordance with the socialistic pattern of the society, _____ sector employment should have declined.**
 (a) formal (b) informal (c) both (a) and (b) (d) none of these
- 37. Inland sources of fishing include:**
 (a) lakes (b) streams (c) ponds (d) all of these
- 38. Kudumbashree, a small saving bank for poor women, was started in:**
 (a) 1985 in Maharashtra (b) 1991 in Karnataka (c) 1993 in Tamil Nadu (d) 1995 in Kerala
- 39. Which of the following highlight the fact that human capital formation contributes to the process of growth and development?**
 (a) Higher productivity of physical capital (b) Innovative skills
 (c) Both (a) and (b) (d) None of these
- 40. In 1979, the Government of India formed:**
 (a) Expert Groups to define the criterion for identifying poor in the country
 (b) Study Group to define the criterion for identifying poor in the country
 (c) Task Force on projections of minimum needs and effective consumption demand
 (d) none of these
- 41. After independence, both India and Pakistan relied upon:**
 (a) 'mixed-economy' as the strategy of growth (b) 'capitalism' as the strategy of growth
 (c) 'socialism' as the strategy of growth (d) 'free economy' as the strategy of growth
- 42. HDI has limited usefulness because:**
 (a) it gives more emphasis on literacy as compared to other indicators
 (b) it does not include sufficient indicators for health
 (c) it does not account for liberty indicators
 (d) it accounts for human rights
- 43. Which of the following countries resorted to one child policy?**
 (a) India (b) China (c) Pakistan (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 :** Farmers in India were forced to take up the cultivation of indigo.
Statement 2 : The dyeing and bleaching of textile in the textile industry of Britain required indigo.
- 45. Statement 1 :** In a mixed economy, means of production are collectively owned by the society as a whole.
Statement 2 : In mixed economy, production decisions are governed only by the principle of profit maximisation.

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 intangible, and it cannot be sold in the market.

Reason (R): The movement of human capital is restricted by culture and is not perfectly mobile.

47. **Assertion (A):** India experienced trade surplus during British rule.

Reason (R): British used the trade surplus to finance their administrative expenses in India.

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 its year of launch given in Column II:

Column I	Column II
A. Expert Groups for Poverty	(i) 2005
B. Task Force on Projections of the Minimum Needs and Effective Consumption Demand	(ii) 1989
C. Mahatma Gandhi National Rural Employment Guarantee Act	(iii) 2016
D. Demonetisation	(iv) 1979

Alternatives:

(a) A—(iii), B—(i), C—(iv), D— (ii)

(b) A—(ii), B—(iv), C—(i), D— (iii)

(c) A—(i), B—(iii), C—(iv), D— (ii)

(d) A—(iv), B—(iii), C—(i), D— (ii)

50.

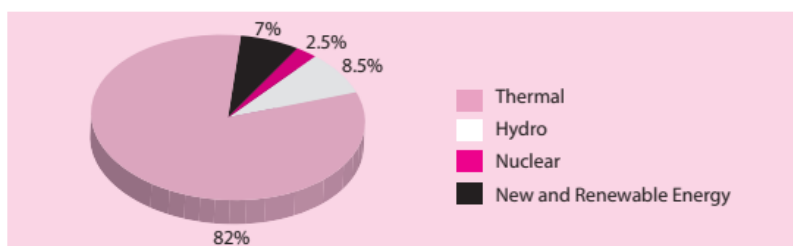


Figure showing different sources of Electricity Generation in India, 2016

On the basis of the above pie diagram answer the following question:

Which of the following is not a major source of electricity generation in India?

- (a) Hydro energy
- (b) Thermal energy
- (c) Nuclear energy
- (d) New and renewable energy



Answers

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