

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. Coefficient of elasticity is zero when demand is _____.
(a) perfectly elastic (b) perfectly inelastic
(c) elastic (d) inelastic
2. Giffen goods are those inferior goods in case of which:
(a) income effect is negative (b) income effect is greater than substitution effect
(c) both (a) and (b) (d) none of these
3. Cardinal concept of utility expresses utility in terms of:
(a) units (b) constants (c) ranks (d) level of satisfaction
4. Total utility is maximum, when marginal utility is _____.
(a) zero (b) minimum (c) maximum (d) negative
5. Principal characteristics of resources are:
(a) they are scarce in relation to human needs (b) they have alternative uses
(c) both (a) and (b) (d) none of these
6. In _____, the central problems are solved by the market forces.
(a) market economies (b) centrally planned economies
(c) mixed economies (d) all 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 : In a free economy, the consumer buys goods according to his choice.
Statement 2 : In a mixed economy, the consumer is not sovereign.
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) : Increase in price of coke will lead to increase in demand for Pepsi.
Reason (R) : Substitute goods have competitive demand.

Alternatives:

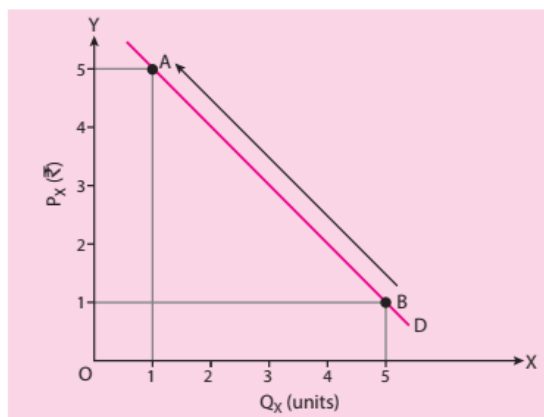
- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
 (c) Assertion (A) is true but Reason (R) is false
 (d) Assertion (A) is false but Reason (R) is true

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

Column I	Column II
A. MU	(i) Quantification of utility
B. Point of satiety	(ii) $TU_{n+2} - TU_{n+1}$
C. MU falls positively	(iii) TU increases at a decreasing rate
D. Cardinal measurement of utility	(iv) $MU = 0$

Alternatives:

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

10.

Study the diagram given above and answer the following question:

What does the movement from point B to point A in the above diagram indicate?

- (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. Study of general price level is a subject matter of:**
 (a) microeconomics (b) macroeconomics (c) both (a) and (b) (d) none of these
- 12. Economic agents include:**
 (a) government (b) consumers (c) producers (d) all of these
- 13. Which of the following is a factor income?**
 (a) Interest (b) Scholarship
 (c) National debt interest (d) Grants
- 14. Increase in real GDP implies:**
 (a) increase in the price level in the economy
 (b) increase in the flow of goods and services in the economy
 (c) increase in the income level in the economy
 (d) none of these

15. Which of the following items is not included while estimating GNP of a country at market price?
 (a) Sales of the enterprises (b) Indirect taxes
 (c) Remittances by NRIs (d) Subsidy
16. Excess 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
17. When S changes from -30 to -20 , then ΔS is equal to:
 (a) -10 (b) $+10$
 (c) -20 (d) -30
18. Since $AS = C + S$ and $AD = C + I$, the equilibrium will be established where $C + S = C + I$, or where:
 (a) $S = I$ (b) $S > I$ (c) $S < I$ (d) all of these
19. When $\bar{C} = 75$, $MPC = 0.65$ and $Y = 1,500$, consumption will be:
 (a) 900 (b) 975 (c) 1,050 (d) none of these
20. Which of the following is correct?
 (a) $APS = \frac{S}{Y}$ (b) $MPC = 1 - MPS$ (c) $APC + APS = 1$ (d) All of these
21. Export and import of capital goods between the countries is recorded in the:
 (a) balance of trade account BoP (b) capital account BoP
 (c) either (a) or (b) (d) neither (a) nor (b)
22. Expenditure on salaries is an example of:
 (a) plan expenditure (b) non-plan expenditure
 (c) both (a) and (b) (d) none of these
23. Which of the following is an item of revenue expenditure?
 (a) Expenditure on land and building (b) Construction of a school
 (c) Interest payments (d) Repayment of loan

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** : GST is an indirect tax.
Statement 2 : The burden of indirect taxes can be shifted to others.
25. **Statement 1** : Central bank is a bank of all the banks as well as a bank of the government.
Statement 2 : In India, CRR is fixed by the commercial banks.

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)** : All commercial banks function under the control of the central bank.
Reason (R) : The principal function of the central bank is to control the supply of credit in the economy.

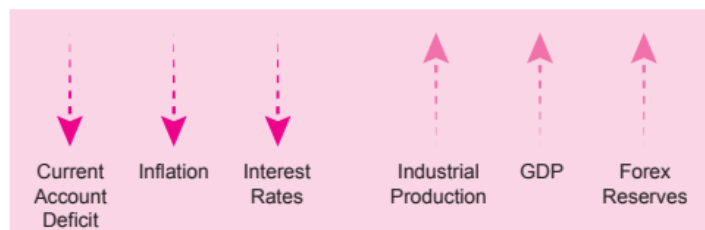
27. **Assertion (A) :** Trade surplus occurs when exports are greater than imports.
Reason (R) : Balance of trade is a part of capital account.
28. **Assertion (A) :** In case of devaluation, the market forces of supply and demand play no role whatsoever.
Reason (R) : Devaluation leads to excess demand for foreign currency in the international money market.
29. **Match the concepts given in Column I with their respective explanation in Column II:**

Column I	Column II
A. Government of a country	(i) A stock concept
B. Supply of money	(ii) Legal tender
C. Central bank	(iii) Supplier of money
D. Fiat money	(iv) Principal supplier of money

Alternatives:

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

30.



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

The above mentioned indicators relate to _____.

- (a) Macroeconomics
(b) Microeconomics
(c) Both (a) and (b)
(d) None of these

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

- 31. Fixing of maximum land holding for an individual is known as:**
 (a) ceiling of land holdings (b) consolidation of holdings
 (c) regulation of rent (d) none of these
- 32. Which of the following is not a limitation of Green Revolution in India?**
 (a) Limited crops (b) Mechanisation of agriculture
 (c) Limited farming population (d) Economic divide
- 33. Which of the following is an example of economic sphere of planning?**
 (a) Agriculture (b) Industry
 (c) Transportation (d) All of these
- 34. Suez canal provides direct trade route between:**
 (a) European ports and South Asian ports (b) European ports and East Asian ports
 (c) European ports and East African ports (d) both (a) and (c)
- 35. India entered the _____ stage of demographic transition after the year 1921.**
 (a) first (b) second (c) third (d) fourth
- 36. _____ pollution causes hypertension, asthma, respiratory problems.**
 (a) Air (b) Water (c) Soil (d) Noise

- 37. Which of the following is not a component of economic infrastructure?**
 (a) Health (b) Power (c) Communication (d) Transport
- 38. Jobless growth leads to _____ unemployment.**
 (a) disguised unemployment (b) seasonal unemployment
 (c) chronic unemployment (d) none of these
- 39. NABARD was established in:**
 (a) 1955 (b) 1962 (c) 1982 (d) 1991
- 40. Head count ratio refers to:**
 (a) some cut-off point with respect to the individual consumption expenditure per month
 (b) measurement of poverty in terms of the number of persons below poverty line
 (c) measurement of poverty across different classes, regions or countries
 (d) none of these
- 41. The Great Leap Forward (GLF) campaign in China focussed on:**
 (a) widespread industrialisation (b) new agricultural strategy
 (c) privatisation (d) economic reforms
- 42. In terms of the sectoral contribution to GDP, economy of China is relying more on:**
 (a) primary sector (b) secondary sector (c) tertiary sector (d) none of these
- 43. The duration of China's Thirteenth Five Year Plan is:**
 (a) 2012-17 (b) 2013-18 (c) 2014-19 (d) 2016-20

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 :** The Kisan Credit Card Scheme aims at adequate and timely support to the farmers for their short-term credit needs.

Statement 2 : Alarming high default rate may shake the very foundation of rural banking system.

- 45. Statement 1 :** Income is not considered as a criterion while determining the poverty line.

Statement 2 : Data on distribution of income is not available.

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) :** Since independence, the economic condition of many farmers across India has improved as they have adopted horticulture as a secondary source of income.

Reason (R) : Varying climatic and soil conditions has given India an added advantage to be the producer of diverse horticultural crops.

- 47. Assertion (A) :** Human capital formation increases productivity of physical capital.

Reason (R) : Larger the number of skilled and trained personnel, lesser the possibilities of innovations, inventions and technical improvements in the area of production.

48. **Assertion (A) :** Meeting minimum needs of the poor helps to alleviate poverty through trickle-down effect.
Reason (R) : Meeting minimum needs of the poor as an approach to combat poverty focuses on meeting the basic requirements of the poor.

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

Column I	Column II
A. Absolute poverty	(i) Percentage of population below poverty line
B. Poverty line	(ii) People who are born in poverty, live in poverty and die in poverty
C. Always poor	(iii) Measurement of poverty in terms of a specific parameter such as poverty line
D. Head count ratio	(iv) Threshold needed to achieve basic living standard

Alternatives:

(a) A—(iii), B—(iv), C—(ii), D—(i)

(b) A—(iii), B—(iv), C—(i), D—(ii)

(c) A—(i), B—(ii), C—(iii), D—(iv)

(d) A—(iv), B—(iii), C—(ii), D—(i)

50.



Study the image given above and suggest which of the following bins should be used for the disposal of plastic wrappers and non-biodegradable waste?

(a) Red

(b) Green

(c) Yellow

(d) Blue

Answers

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