

# 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. Which of the following is a characteristic of resources?  
(a) Unlimited (b) Scarce  
(c) Alternative uses (d) Both (b) and (c)
2. \_\_\_\_\_ is the problem relating to the choice of technique.  
(a) What to produce (b) How to produce  
(c) For whom to produce (d) None of these
3. Who gave the cardinal concept of utility?  
(a) Alfred Marshall (b) A.C. Pigou  
(c) J.R. Hicks (d) Paul Samuelson
4. When only 1 unit of the commodity is consumed:  
(a)  $MU = TU$  (b)  $MU > TU$   
(c)  $MU < TU$  (d) none of these
5. In case of inferior goods, law of demand fails only when:  
(a) negative income effect is equal to substitution effect  
(b) negative income effect is greater than substitution effect  
(c) negative income effect is less than substitution effect  
(d) none of these
6. Complementary goods:  
(a) complete the demand for each other (b) are substituted for each other  
(c) are jointly demanded (d) both (a) and (c)
7. In the following question, two statements are given. Read the statements carefully and choose the correct alternative among those given below:  
**Statement 1** : Demand is elastic in long period.  
**Statement 2** : Long period is long enough for a consumer to change his consumption habits.  
**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):** A situation when  $\frac{MU_X}{P_X} > \frac{MU_Y}{P_Y}$  is better than when  $\frac{MU_X}{P_X} = \frac{MU_Y}{P_Y}$ .

**Reason (R):** If MU of a rupee increases, the quantity demanded of the commodity will decrease.

**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 concept given in Column I with their respective explanation in Column II.

Column I	Column II
A. Elasticity of demand	(i) $E_d = \infty$
B. Horizontal straight line demand curve	(ii) $E_d > 1$
C. Perfectly inelastic demand	(iii) $(-) \frac{1}{\text{Slope of demand curve}} \times \frac{P}{Q}$
D. Elastic demand	(iv) Change in price causes no change in the quantity demanded

**Alternatives:**

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

10.



Source: <https://www.onlinebusinessedu.com/2021/05/microeconomics-what-is-it-microeconomics.html>

Taking clue from the image above suggest which of the following branch of economics will be used to study the Theory of Demand.

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

## SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

11. Depreciation is the:

- (a) loss of value of fixed assets in use due to normal wear and tear
- (b) loss of value of fixed assets in use due to normal rate of accidental damages
- (c) loss of value of fixed assets in use due to foreseen obsolescence
- (d) all of these

12. When  $C = 200 + 0.7Y$  and  $I = 5,500$ , equilibrium level of income is:  
 (a) 4,050 (b) 5,500 (c) 19,000 (d) none of these
13. Change in Stock =  
 (a) Closing stock + Opening stock (b) Closing stock – Opening stock  
 (c) Closing stock  $\times$  Opening stock (d) Closing stock  $\div$  Opening stock
14. National Income =  
 (a)  $NDP_{FC} + \text{Net factor income from abroad}$  (b)  $GNP_{FC} - \text{Depreciation}$   
 (c)  $NNP_{MP} - \text{Net indirect tax}$  (d) All of these
15. Mixed income refers to the income of the \_\_\_\_\_.  
 (a) self-employed persons (b) hired workers (c) casual workers (d) none of these
16. If income rises from ₹ 50,000 to ₹ 60,000, consumption increases from ₹ 40,000 to ₹ 48,000. In this situation, what will be the value of marginal propensity to consume (MPC)?  
 (a) 0.80 (b) 0.20 (c) 0.10 (d) 0.90
17. Constant term in the consumption function refers to \_\_\_\_\_.  
 (a) autonomous consumption (b) induced consumption  
 (c) ex-ante consumption (d) ex-post consumption
18. The impact of 'Excess Demand' under Keynesian theory of income and employment, in an economy is:  
 (a) decrease in income, output, employment and general price level  
 (b) decrease in nominal income, but no change in real output  
 (c) increase in income, output, employment and general price level  
 (d) no change in output/employment but increase in general price level
19. If an economy is to control deflationary gap, which of the following is an appropriate policy instrument?  
 (a) A cut in repo rate (b) A cut in CRR (c) A cut in SLR (d) All of these
20. Those deposits which arise on account of loans by the banks to the people are called:  
 (a) primary deposits (b) secondary deposits (c) cash deposits (d) term deposits
21. Subsidies are offered by the government:  
 (a) to encourage the production of certain goods (b) to discourage the production of certain goods  
 (c) to provide disincentive to the producer (d) both (a) and (c)
22. Those receipts which do not create any corresponding liability for the government are called:  
 (a) revenue receipts (b) capital receipts  
 (c) general receipts (d) both (a) and (b)
23. The international monetary transactions occur due to:  
 (a) export and import of goods (b) domestic sale and purchase of real assets  
 (c) international sale and purchase of real assets (d) both (a) 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
24. **Statement 1** : From the viewpoint of economy, saving leads to fall in investment.  
**Statement 2** : Greater saving implies lesser expenditure, lesser demand and therefore lower inducement to invest.
25. **Statement 1** : Fiscal deficit is the difference between primary deficit and interest payment.  
**Statement 2** : Fiscal deficit is measured in terms of borrowings.

*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) :** Export and import of goods is treated as visible trade.

**Reason (R) :** Goods are tangible and therefore, can be seen while crossing the borders.

**27. Assertion (A) :** When reverse repo rate is lowered, banks are discouraged to park their surplus funds with the RBI.

**Reason (R) :** By selling the securities in the open market, the RBI releases liquidity.

**28. Assertion (A) :** Evolution of money has facilitated contractual payments.

**Reason (R) :** In barter system, deferred payments were made in the form of goods.

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

Column I	Column II
A. Exchange rate	(i) More rupees needed to buy dollars
B. Spot market	(ii) Allows hedging
C. Decrease in supply of foreign exchange	(iii) Rise in equilibrium exchange rate
D. Forward market	(iv) Does not allow speculation

**Alternatives:**

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

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$$\boxed{\text{GNP}_{\text{MP}}} = \boxed{\text{NNP}_{\text{FC}}} + \boxed{\text{Depreciation}} + \boxed{\quad}$$

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

**Choose the correct alternative to be filled in the given blank.**

- (a) Net export
- (b) Depreciation
- (c) Net factor income from abroad
- (d) Net indirect tax

## SECTION-C: INDIAN ECONOMIC DEVELOPMENT

*Choose the correct option:*

**31. The motive behind the systematic de-industrialisation during the British rule in India was:**

- (a) to exploit India's wealth of raw material and primary products
- (b) to exploit India as a potential market for the industrial products of Britain
- (c) both (a) and (b)
- (d) none of these

**32. An economy in which there is private as well as public ownership of the means of production is called:**

- (a) capitalist economy
- (b) socialist economy
- (c) mixed economy
- (d) none of these

**33. The period of the Eighth Five Year Plan was:**

- (a) 1980-1985
- (b) 1987-1992
- (c) 1990-1995
- (d) 1992-1997

**34. Private sector enterprises are driven largely by considerations of:**

- (a) profit
- (b) social welfare
- (c) either (a) or (b)
- (d) none of these



- 35. Which of the following is not an example of a hired worker?**  
 (a) Engineer working in a factory (b) Daily wage  
 (c) A farmer sowing seeds in his farm (d) Both (b) and (c)
- 36. Which of the following statements does not explain why people work?**  
 (a) To earn a living (b) To instill a sense of self-worth and self-esteem  
 (c) To contribute to the GDP of the country (d) None of these
- 37. Human resource refers to:**  
 (a) skill and expertise of human beings to contribute to the process of value-addition in the economy  
 (b) skill and expertise of some human beings to contribute to the process of income generation in the economy  
 (c) skill and expertise of human beings of a nation at different points of time  
 (d) none of these
- 38. Distress sale by the farmers refers to:**  
 (a) the sale of rotten crop  
 (b) the sale of crop through the commission agents  
 (c) the sale of crop at the minimum support price fixed by the government  
 (d) the sale of crop immediately after harvest owing to urgent cash needs of the farmers
- 39. The state of balance between the rate at which natural resources are exploited and the rate at which these resources are regenerated is called \_\_\_\_\_.**  
 (a) carrying capacity of environment (b) absorptive capacity of environment  
 (c) both (a) and (b) (d) none of these
- 40. Which of the following is not true about the contribution of infrastructure towards economic development?**  
 (a) It induces investment (b) It generates linkages in production  
 (c) It improves quality of life (d) None of these
- 41. Which of the following is not an implication of good health?**  
 (a) Increase in overall efficiency (b) Increase in productivity of labour  
 (c) Increase in mental abilities (d) Increase in death rate
- 42. Which of the following is not a major event of the pre-1978 period of development in China?**  
 (a) Great Leap Forward (b) Great Proletarian Cultural Revolution  
 (c) Special Economic Zones (d) None of these
- 43. Under the \_\_\_\_\_ system, peasants pooled their land to create larger fields that could yield greater output and shared farm implements.**  
 (a) commune (b) joint farming  
 (c) Great Proletarian Cultural (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 :** TANWA is expected to raise employment of women as well as their income.  
**Statement 2 :** Acquiring of specialised skills through training under TANWA increased the productivity levels of women.
- 45. Statement 1 :** "One Child Policy" of 1979 has been successful in China.  
**Statement 2 :** China has been able to control its rate of population growth.

*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) :** Rapidly rising population adversely affects the quality of human capital.

**Reason (R) :** Population reduces per head availability of the existing facilities relating to housing, sanitation, drainage, etc.

**47. Assertion (A) :** The minimum calorie intake is higher in rural areas.

**Reason (R) :** Hard-working male population is found to be higher in rural areas.

**48. Assertion (A) :** The tillers of the soil viewed agriculture merely as a source of subsistence.

**Reason (R) :** The tillers of the soil accumulated resources to invest in agriculture while the owners of the soil showed keen interest in the same.

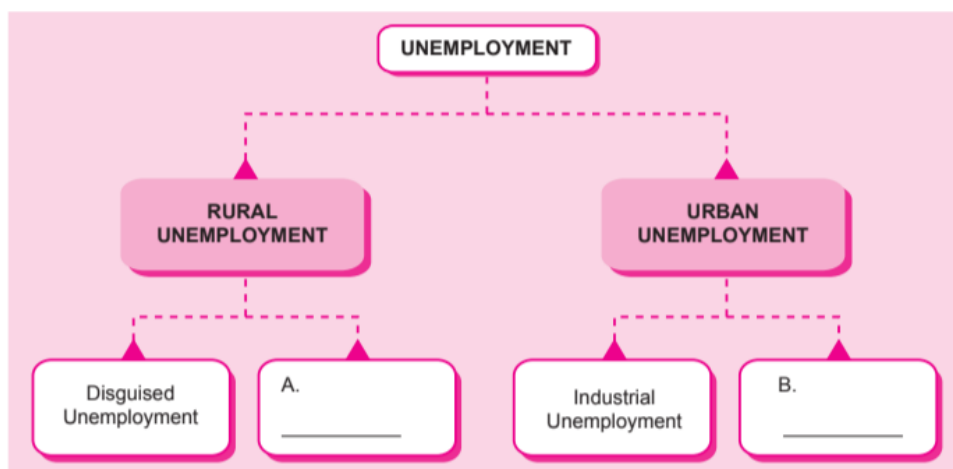
**49. From the following given sets of statements in column I and II, choose the correct pair of statements:**

Column I	Column II
A. Jan-Dhan Yojana	(i) 2016
B. Rural poor	(ii) Large landowners
C. Head count ratio	(iii) Percentage of population above poverty line
D. Poverty	(iv) Inability to fulfil the basic requirements of life

**Alternatives:**

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

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**Choose the correct alternatives to be filled in given blanks A and B.**

- (a) Cyclical unemployment, Technological unemployment
- (b) Seasonal unemployment, Technological unemployment
- (c) Seasonal unemployment, Educated unemployment
- (d) Cyclical unemployment, Educated unemployment



# Answers

## PRACTICE PAPER – 4

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