

Time allowed: 45 minutes

Maximum Marks: 200

General Instructions: Same as Practice Paper-1.

SECTION-A: INTRODUCTORY MICROECONOMICS

Choose the correct option:

- Study of macroeconomics is concerned with:**
 - theory of demand
 - determination of aggregate output
 - general price level
 - both (b) and (c)
- Worth of a rupee to a consumer is called _____.**
 - marginal utility of money
 - total utility of money
 - diminishing marginal utility of money
 - consumer's equilibrium
- When income of the consumer rises in case of a normal good:**
 - demand curve shifts to the left
 - demand curve shifts to the right
 - there is upward movement along the demand curve
 - there is downward movement along the demand curve
- If with the rise in price of Good-Y, demand for Good-X rises, the two goods are _____.**
 - substitutes
 - complements
 - not related
 - jointly demanded
- When elasticity of demand is one at all points on the demand curve, the demand curve will be:**
 - an upward sloping curve
 - a rectangular hyperbola
 - a straight line parallel to X-axis
 - a straight line parallel to Y-axis
- Slope of Demand Curve =**
 - $(-)\frac{\Delta Q}{\Delta P}$
 - $(-)\frac{\Delta P}{\Delta Q}$
 - $\frac{\Delta P}{\Delta Q}$
 - $\frac{\Delta Q}{\Delta P}$
- In the following question, two statements are given. Read the statements carefully and choose the correct alternative among those given below:**

Statement 1 : Lack of scarcity implies lack of economic problem.

Statement 2 : Scarcity is the root cause of economic problem.

Alternatives:

 - Both the statements are true
 - Both the statements are false
 - Statement 1 is true and Statement 2 is false
 - Statement 2 is true and Statement 1 is false

- 11. Which of the following is an example of macroeconomics?**
- (a) Saving of an individual (b) Consumption of a household
(c) Price level of a firm (d) Aggregate demand of an economy
- 12. If stock at the end of the year is ₹ 37,700 and change in stock during an accounting year is ₹ 12,300, then opening stock in this case will be:**
- (a) ₹ 12,300 (b) ₹ 25,400
(c) ₹ 37,700 (d) ₹ 50,000
- 13. NDP_{FC} =**
- (a) Compensation of employees + Rent + Interest + Profit + Net factor income from abroad
(b) Compensation of employees + Rent + Interest + Profit + Mixed income of self-employed
(c) NDP_{MP} – Net indirect taxes
(d) both (b) and (c)
- 14. Which of the following leads to market price?**
- (a) Factor cost – Indirect taxes (b) Factor cost – Net indirect taxes
(c) Factor cost + Indirect taxes (d) Factor cost + Net indirect taxes

15. Find domestic income when $GNP_{MP} = ₹ 1,20,000$, indirect taxes = ₹ 20,000, consumption of fixed capital = ₹ 5,000, net exports = ₹ 5,000 and factor income from rest of the world = ₹ 3,000.
 (a) ₹ 92,000 (b) ₹ 98,000 (c) ₹ 1,03,000 (d) ₹ 1,28,000
16. If sales = ₹ 40,000, closing stock = ₹ 10,000, opening stock = ₹ 15,000, subsidies = ₹ 500, indirect tax = ₹ 2,000, what will be the value of output?
 (a) ₹ 32,500 (b) ₹ 33,500 (c) ₹ 35,000 (d) ₹ 48,500
17. Constant slope of S-line indicates that:
 (a) S-line will be a straight line (b) saving function will be non-linear
 (c) saving function will be linear (d) both (a) and (c)
18. The formula of multiplier is:
 (a) $\frac{1}{1 - MPC}$ (b) $\frac{1}{MPS}$ (c) $\frac{\Delta Y}{\Delta I}$ (d) all of these
19. Autonomous investment refers to that investment which is:
 (a) independent of the rate of interest in the economy
 (b) independent of the level of GDP in the economy
 (c) independent of the level of income in the economy
 (d) all of these
20. Deficient demand is a situation in which aggregate demand, corresponding to full employment in the economy, is _____.
 (a) more than AS (b) less than AS
 (c) equal to AS (d) none of these
21. Which of the following is not a component of M_1 measurement of money supply?
 (a) Demand deposits (b) Currency
 (c) Other deposits (d) Term deposits
22. Which of the following is correct in case of managed floating?
 (a) Under this exchange rate does not remain within the desired limits
 (b) Market exchange rate is influenced by the sale and purchase of foreign currency in the international money market
 (c) Government does not intervene to manage the exchange rate in this system
 (d) All of these
23. Current Account Balance =
 (a) Trade balance + Goods and services balance (b) Trade balance – Goods and services balance
 (c) Trade balance + Invisibles balance (d) Trade balance – Invisibles balance

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** : Secondary deposits are those deposits which arise on account of loans by the banks to the people.
Statement 2 : Demand deposits serving as money supply is called bank money.
25. **Statement 1** : Fiscal deficit is zero in case there is no provision for borrowing in the government budget.
Statement 2 : Higher revenue deficit always leads to higher fiscal deficit.

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) : Monetary system of exchange facilitates much greater exchange than the barter system.

Reason (R) : Monetary system (unlike barter system) does not require double coincidence of wants.

27. Assertion (A) : Budget shows fiscal policy of the government.

Reason (R) : Public good is non-rivalrous and non-excludable in nature.

28. Assertion (A) : Disinvestment means selling off share capital of PSUs (public sector undertakings) to the private entrepreneurs.

Reason (R) : There is increase in R&D and competition due to privatisation.

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

Column I	Column II
A. Full employment equilibrium	(i) $AD > AS$
B. Under full employment equilibrium	(ii) $AD < AS$
C. Over full employment equilibrium	(iii) Corrects excess demand
D. Contractionary monetary policy	(iv) $AD = AS$

Alternatives:

(a) A—(iv), B—(ii), C—(i), D—(iii)

(b) A—(iii), B—(i), C—(iv), D—(ii)

(c) A—(iii), B—(iv), C—(i), D—(ii)

(d) A—(ii), B—(iv), C—(iii), D—(i)

30.

Items	₹ crore
Export	115
Import	155
Non-factor services	12
Income	8
Transfer	14

On the basis of the above-mentioned information answer the following question:

The value of goods and services balance will be:

(a) ₹ 2 crore

(b) ₹ 28 crore

(c) (–) ₹ 28 crore

(d) (–) ₹ 20 crore

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. On the eve of independence, Indian economy was a:

(a) feudal economy

(b) semi-feudal economy

(c) mixed economy

(d) both (b) and (c)

32. Intermediaries between the colonial government and peasants were called:

(a) zamindari

(b) zamindars

(c) ryotwari

(d) mahajans

33. Marketable Surplus of Wheat =

(a) Output of wheat – Wheat meant for next cropping season

(b) Output of wheat + On-farm consumption of wheat

(c) Output of wheat – On-farm consumption of wheat

(d) Output of wheat × Price of wheat

- 34. Which of the following is not true about the functions of Pollution Control Board?**
 (a) It orders the media to carry out awareness campaigns
 (b) It sponsors but does not carry out research related to abatement of water and air pollution
 (c) It maintains the standards for sewage/trade effluent and emissions as laid by the central government
 (d) All of these
- 35. For low income countries, _____ infrastructure is of utmost importance.**
 (a) basic (b) small-scale (c) high-tech (d) none of these
- 36. The letter U in 'AYUSH' (an acronym used to represent the ISM) stands for _____.
 (a) Udhi (b) Unani (c) Unanopathy (d) Uveda**
- 37. India has _____ recognised systems of medicine in the category of ISM.**
 (a) four (b) five (c) six (d) seven
- 38. Self-employment is a significant source of livelihood in India as it requires _____.
 (a) low acquisition of skill for wage jobs (b) low mobility of workers
 (c) lack of investment (d) all of these**
- 39. PDS implies distribution of food grains through _____ at subsidised rates.**
 (a) open markets (b) fair price shops (c) buffer stock (d) none of these
- 40. _____ poverty is measured with reference to poverty line.**
 (a) Relative (b) Absolute (c) Both (a) and (b) (d) None of these
- 41. Contraction of public sector is a measure of:**
 (a) liberalisation (b) privatisation
 (c) globalisation (d) none of these
- 42. One Child Policy was adopted by China in the year:**
 (a) 1972 (b) 1975 (c) 1979 (d) 1982
- 43. Which of the following is not an indicator of human development?**
 (a) Life expectancy (b) Per capita income
 (c) Average years of schooling (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 :** Traditionally, most credit needs of the farmers were met through institutional sources.
Statement 2 : 'Kudumbashree' was started in 1995 in Kerala as a small savings bank for poor women to encourage savings.
- 45. Statement 1 :** Lack of migration cost is a problem associated with human capital formation.
Statement 2 : Expenditure on education and health are the primary determinants of human capital formation.

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) :** Socialist economy achieves equality of income.
Reason (R) : To ensure social justice, Indian planners chose socialist economic model for India.
47. **Assertion (A) :** In a socialist economy, GDP growth remains a slow process.
Reason (R) : In a socialist economy, production is not directed by the principle of 'profit maximisation'.
48. **Assertion (A) :** Milk cooperatives of Punjab have played a key role in bringing about white revolution in the country.
Reason (R) : Cooperative marketing is a significant progressive step in the context of agricultural market system.

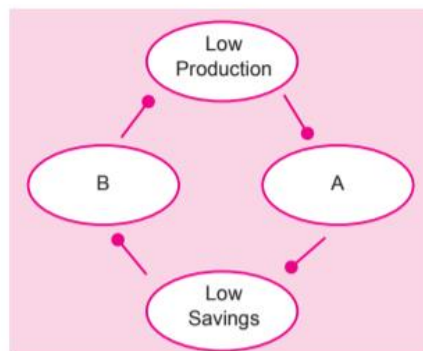
49. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Poverty	(i) A reflection of illiteracy
B. Chronic poor	(ii) People who keep moving up and down the poverty line
C. Relative poverty	(iii) Poverty across different classes, regions and countries
D. Differentiation among poor	(iv) An advantage of poverty line

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) Low level of income and Low level of investment
 (b) Low level of investment and Low level of income
 (c) Low mobilisation of savings and Low level of investment
 (d) Low level of investment and Low savings

Answers

PRACTICE PAPER – 14

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