

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. Economic problem is essentially the problem of:
(a) decision-making (b) shortage (c) choice (d) none of these
2. When demand curve is parallel to Y-axis, price elasticity of demand is _____.
(a) unity (b) zero (c) infinity (d) greater than unity
3. In case of a normal good, the relationship between own price of the commodity and its quantity demanded is:
(a) constant (b) inverse (c) positive (d) none of these
4. When increase in the price of one good causes an increase in demand for the other, the goods are:
(a) substitutes (b) complementary (c) inferior (d) Giffen
5. Utility derived from an additional unit of a commodity is called _____.
(a) marginal utility (b) total utility
(c) diminishing marginal utility (d) none of these
6. Law of diminishing marginal utility states that as more and more units of a commodity are consumed by a consumer, marginal utility tends to:
(a) diminish (b) increase
(c) become zero (d) stay constant
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, economic activities are controlled by the market forces.
Statement 2 : In a free economy, most resources are controlled by the people.
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) : Problem of unemployment in India is a macroeconomic study.
Reason (R) : Problem of unemployment in India is an economic issue related to the economy as a whole.

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) Ranking of utility
B. Point of satiety	(ii) $TU_{n+2} - TU_{n+1}$
C. Decreasing MU	(iii) TU increases at a decreasing rate
D. Ordinal 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.

Price (₹)	Demand for A (Units)	Demand for B (Units)	Market Demand (Units)
1	18	14	32
2	15	10	25
3	—	9	22
4	10	—	17
5	6	4	10

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

The missing figures of demand for A and demand for B will be _____.

- (a) 13, 7 (b) 31, 27 (c) 27, 40 (d) 12, 8

SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

- 11. Saving is a virtue _____.**
 (a) at the micro level (b) at the macro level
 (c) both at the micro and macro level (d) neither at the micro level nor at the macro level
- 12. Expenditure by the foreigners on the domestically produced final goods and services is called:**
 (a) exports (b) imports
 (c) net exports (d) none of these
- 13. Expenditure on final producer goods by the producers is called _____.**
 (a) consumption expenditure (b) investment expenditure
 (c) government expenditure (d) none of these
- 14. Value of Output = Sales + _____**
 (a) Change in stock (b) Intermediate cost
 (c) Closing stock – Opening stock (d) Both (b) and (c)
- 15. Net national product at factor cost is equal to:**
 (a) Domestic income + Net factor income from abroad
 (b) Domestic income – Net factor income from abroad
 (c) Domestic income \times Net factor income from abroad
 (d) Domestic income \div Net factor income from abroad

16. Opening surplus is a mixture of _____.
 (a) wages and rent (b) wages, rent and interest
 (c) rent, interest, royalty and profit (d) none of these
17. 45° line in the context of equilibrium GDP is a:
 (a) line of reference (b) line of AS (when AS = GDP)
 (c) line of equality between AS and AD (d) all of these
18. In an open economy, aggregate demand is estimated as:
 (a) private consumption expenditure + net exports
 (b) private consumption expenditure + government expenditure
 (c) private investment expenditure + government expenditure + net exports
 (d) private consumption expenditure + private investment expenditure + government expenditure + net exports
19. Multiplier and _____ are positively related.
 (a) marginal propensity to save (b) marginal propensity to consume
 (c) marginal propensity to invest (d) none of these
20. Multiplier process assumes the existence of _____ in the economy.
 (a) excess capacity (b) utilised capacity (c) no excess capacity (d) both (b) and (c)
21. Which of the following is not the cause of deflationary gap?
 (a) Fall in private consumption expenditure (b) Fall in private investment expenditure
 (c) Fall in imports (d) Rise in tax rates
22. Budget surplus occurs when:
 (a) government receipts = government expenditure (b) government receipts > government expenditure
 (c) government receipts < government expenditure (d) government expenditure is zero
23. Which of the following is a source of demand for foreign exchange?
 (a) Imports (b) Foreign investment
 (c) Income receipts (d) Both (a) and (b)

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** : Revenue budget impacts asset-liability status of the government.

Statement 2 : High capital receipts are often related to compulsions of borrowings.

25. **Statement 1** : Stock of money held by the suppliers of money is a part of the supply of money in the country.

Statement 2 : In India, RBI is the principal supplier of money.

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)** : Commercial banks accept deposits and advance loans.

Reason (R) : They are secondary suppliers of money.

27. **Assertion (A)** : The present situation of global pandemic has forced the Government of India to borrow finances from the World Bank.
- Reason (R)** : The increase in the interest payment of the loan will be directly reflected in our fiscal deficit.
28. **Assertion (A)** : Increase in foreign investment by Nation A will be recorded on the credit side of its Balance of Payment Account.
- Reason (R)** : It leads to outflow of foreign exchange from the domestic economy.

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

Column I	Column II
A. Factor incomes	(i) Compensation of employees + Rent + Interest + Profit + Current transfers
B. Merchandise	(ii) Export and import of goods only
C. Banking capital	(iii) A component of current account BoP
D. Capital account	(iv) Records export and import of capital goods

Alternatives:

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

30.



Analyse the image given above and answer the following question:

Which limitation of the barter system is highlighted in the image above?

- (a) Lack of double coincidence of wants (b) Lack of measure of value
(c) Lack of standard for deferred payments (d) None of these

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. Forestry as a production activity, belongs to _____ sector of the economy.
(a) primary (b) secondary (c) tertiary (d) none of these
32. The share of different sectors of the economy to gross domestic product of the economy during an accounting year is called:
(a) occupational change (b) structural change
(c) sectoral composition (d) GDP composition change
33. According to the estimates of the Government of India, each year the country loses nutrients ranging from _____ million tonnes to _____ million tonnes.
(a) 2.8, 5.4 (b) 4.8, 5.2 (c) 5.8, 8.4 (d) 6.2, 9.7

34. Healthcare is an emerging challenge in India as _____.
 (a) there exists unequal distribution of healthcare services
 (b) poor management of healthcare centres
 (c) poor sanitation level
 (d) all of these
35. Which of the following is not true about the rate of participation across rural and urban areas?
 (a) High dependency ratio (b) High level of productivity in rural areas
 (c) High rate of participation of women in rural areas (d) None of these
36. Medium-term credit is needed for:
 (a) purchase of additional land (b) purchase of machinery
 (c) purchase of seeds and manures (d) all of these
37. The principal emerging challenge in rural areas is:
 (a) challenge of rural marketing (b) diversification of productive activities
 (c) challenge of rural credit (d) none of these
38. _____ is a source of human capital.
 (a) Human productivity of physical capital (b) Expenditure on information
 (c) Brain drain (d) None of these
39. MGNREGA was introduced in:
 (a) 2004 (b) 2005 (c) 2006 (d) 2007
40. Head count ratio is used with reference to:
 (a) the percentage of population above the poverty line in a country
 (b) the percentage of population living below the poverty line in a country
 (c) the percentage of population with a decent standard of living
 (d) the ratio of poor people to non-poor in a country
41. Which of the following is a reason for the direct participation of the state in industrial development?
 (a) Lack of capital (b) Growth with social justice
 (c) Low inducement to invest (d) All of these
42. _____ refers to updating and adoption of modern technology in the process of growth.
 (a) Modernisation (b) Economic development
 (c) Self-sufficiency (d) None of these
43. Per capita income refers to:
 (a) income per head of total population in the country
 (b) income per head of total labour force in the country
 (c) income per head of total workforce in the country
 (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** : Poverty line is an ideal measure to categorise people as poor and non-poor.
Statement 2 : Poverty line does not take into account the differentiation among the poor and the social factors like illiteracy, etc.
45. **Statement 1** : Growth rate of population is much lower in China than in India.
Statement 2 : Gender ratio is more adverse in India than China owing to son preference.

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) : Primary healthcare centres are small hospitals set-up mostly in small towns, rural areas and managed by a single doctor.

Reason (R) : India has a three-tier healthcare system.

47. Assertion (A) : Supply of labour can increase or decrease even when the number of workers remains constant.

Reason (R) : Labour force is not related to wage rate.

48. Assertion (A) : The Great Proletarian Cultural Revolution was launched by Mao Zedong.

Reason (R) : It was launched in the year 1965

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

Column I	Column II
A. Human capital formation	(i) A flow concept
B. Human capital	(ii) Separable from its owner
C. Brain Drain	(iii) A source of human capital
D. Natural capital	(iv) Produced means of production

Alternatives:

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

50.

Country	Density (per sq. km)	Sex Ratio	Fertility Ratio	Urbanisation
India	455	924	2.2	34
China	148	949	1.7	59
Pakistan	275	943	3.6	37

Source: World Development Indicators 2019, www.worldbank.org

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

Which of the following countries shows brighter signs of gender equality?

- (a) India
- (b) China
- (c) Pakistan
- (d) Both (b) and (c)



Answers

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