

# 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. In centrally planned economies \_\_\_\_\_.  
(a) all decisions are taken with a view to maximising profit  
(b) all decisions are taken with a view to maximising social welfare  
(c) all decisions are taken with a view to maximising human welfare  
(d) none of these
2. Price elasticity of demand through percentage method is calculated as:  
(a)  $(-)\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$   
(b)  $(-)\frac{\Delta P}{\Delta Q} \times \frac{Q}{P}$   
(c)  $(-)\frac{dP}{dQ} \times \frac{P}{Q}$   
(d)  $\frac{1}{\text{Slope of demand curve}} \times \frac{Q}{P}$
3. In case of normal goods, the relationship between income and quantity demanded is:  
(a) negative (b) positive (c) zero (d) infinite
4. In case of Giffen goods, demand curve is \_\_\_\_\_.  
(a) upward sloping (b) downward sloping (c) parallel to X-axis (d) parallel to Y-axis
5. Utility refers to:  
(a) excess capacity of a commodity (b) want satisfying capacity of a commodity  
(c) demand satisfying capacity of a commodity (d) none of these
6. Marginal utility is zero when:  
(a) TU is zero (b) TU is constant and maximum  
(c) TU is positive (d) TU is negative
7. In the following question, two statements are given. Read the statements carefully and choose the correct alternative among those given below:  
**Statement 1** : Normative economics is the economics of 'what was' and 'what is'.  
**Statement 2** : Normative statements cannot be termed as true or false.  
**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) :** Aggregation is involved only in macroeconomics.

**Reason (R) :** All resources are not equally scarce all the time.

**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

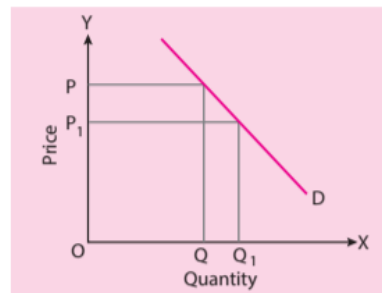
9. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Negative MU	(i) Not possible
B. Consumer equilibrium	(ii) $\frac{MU_X}{P_X} > MU_M$
C. Total utility	(iii) Sum total of marginal utilities
D. Cardinal utility analysis	(iv) Hicks

**Alternatives:**

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

10.



On the basis of the above diagram, identify the type of good whose demand curve is shown here?

- (a) Normal good
- (b) Giffen good
- (c) Articles of distinction
- (d) None of these

## SECTION-B: INTRODUCTORY MACROECONOMICS

**Choose the correct option:**

11. Which of the following is correct?

- (a) Microeconomics studies equilibrium of an industry
- (b) There is a smaller degree of aggregation in microeconomics
- (c) Fiscal policy of the government is a part of microeconomic analysis
- (d) Both (a) and (b)

12. Gross Value Added =

- (a) Value of output + Intermediate consumption
- (b) Value of output – Intermediate consumption
- (c) Value of output × Intermediate consumption
- (d) Value of output ÷ Intermediate consumption

13. If the entire output of the year is sold during the year, then:

- (a) value of output = intermediate consumption
- (b) value of output = intermediate cost
- (c) value of output = sales
- (d) value of output = change in sales

14. Market price includes the impact of \_\_\_\_\_.

- (a) direct taxes
- (b) indirect taxes
- (c) subsidies
- (d) both (b) and (c)

- 15. Domestic product is equal to:**  
 (a) National product + Net factor income from abroad  
 (b) National product – Net factor income from abroad  
 (c) National product  $\div$  Net factor income from abroad  
 (d) National product  $\times$  Net factor income from abroad
- 16. In the context of value added method of estimating national income, which one of the following statements is correct?**  
 (a) Imputed rent on the owner occupied house is to be taken into account  
 (b) Value added does not include the value of intermediate goods used in production  
 (c) Own account production of goods of the producing units is taken into account while estimating value added  
 (d) All of these
- 17. Expenditure on Goods and Services =**  
 (a) Government expenditure + Investment expenditure  
 (b) Consumption expenditure + Government consumption expenditure  
 (c) Consumption expenditure + Investment expenditure  
 (d) None of these
- 18. AD refers to:**  
 (a) demand for all goods and services produced in the economy during a period of one year  
 (b) total unplanned expenditure on the goods and services in the economy during an accounting year  
 (c) sum total of investment expenditure and saving in the economy during an accounting year  
 (d) all of these
- 19. Increase in \_\_\_\_\_ leads to increase in the level of AD.**  
 (a) investment (b) saving (c) both (a) and (b) (d) none of these
- 20. The equilibrium level of GDP is struck when:**  
 (a) desired saving = desired investment (b) desired saving > desired investment  
 (c) desired saving < desired investment (d) all of these
- 21. Which monetary measure is to be adopted to correct inflationary gap?**  
 (a) Increase in reverse repo rate (b) Selling of securities in the open market  
 (c) Increase in statutory liquidity ratio (d) All of these
- 22. Fiscal Deficit =**  
 (a) Total expenditure – Total receipts  
 (b) Total expenditure – Total receipts other than borrowings  
 (c) Total expenditure – Total receipts other than liabilities  
 (d) Total expenditure – Total receipts other than interest payments
- 23. When US dollar exchanges for ₹ 50, instead of ₹ 55 earlier, the domestic currency shows:**  
 (a) currency appreciation (b) currency depreciation  
 (c) currency devaluation (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
- 24. Statement 1 :** Fiscal deficit refers to the difference between the expenditure and income of the government, excluding borrowings.  
**Statement 2 :** Greater fiscal deficit implies greater borrowings by the government.
- 25. Statement 1 :** In a C-C economy, goods are sold for money.  
**Statement 2 :** Barter system of exchange is a system in which goods are exchanged for goods.

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) :** High powered money means cash (coins and notes) with the people and cash reserves of the commercial banks.

**Reason (R) :** Credit is created by commercial banks.

**27. Assertion (A) :** Demonetisation was the step taken by the Government of India in order to tackle the problems of corruption, black money, terrorism and circulation of fake currency in the Indian economy.

**Reason (R) :** Demonetisation has ensured improved tax compliance in India over the period of time.

**28. Assertion (A) :** Acquisition of a domestic (Indian) company by a foreign (American) company will be recorded on the credit side of Balance of Payment Account.

**Reason (R) :** It leads to inflow of foreign exchange from the domestic economy.

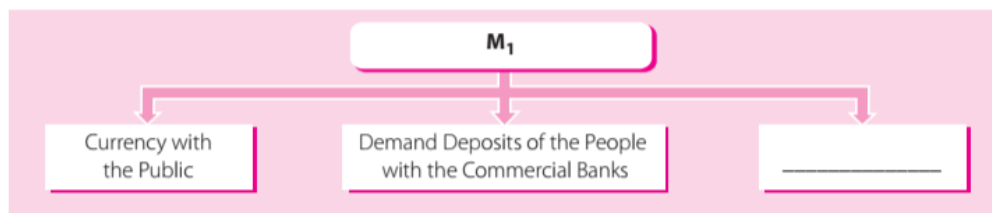
**29. Match the concept given in Column I with their respective explanation in Column II.**

Column I	Column II
A. Exports of goods and services	(i) Excess of exports of goods over the imports of goods
B. Trade surplus	(ii) An element of invisible items
C. Current transfers to rest of the world	(iii) Recorded as a positive item in the BoP account
D. Portfolio investments	(iv) Foreign institutional investment (FII)

**Alternatives:**

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

**30.**



Analyse the flowchart given above and answer the following question:

**M<sub>1</sub> measure of money supply include which other component than the ones mentioned in the flowchart above?**

- (a) Other Deposits with RBI
- (b) Other Deposits with Post office
- (c) Other Deposits with Government
- (d) None of these

## SECTION-C: INDIAN ECONOMIC DEVELOPMENT

**Choose the correct option:**

**31. Indian economy was a \_\_\_\_\_ economy on the eve of independence.**

- (a) backward
- (b) stagnant
- (c) mixed
- (d) all of these

**32. When market forces are allowed to function freely without intervention from the government, \_\_\_\_\_ economy is said to prevail.**

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



- 33. Identify the principal factor that contributes to the degradation of land.**  
 (a) Excessive grazing (b) Improper crop rotation  
 (c) Indiscriminate use of agro-chemicals (d) All of these
- 34. Which of the following is not true about medical tourism in India?**  
 (a) In 2016, as many as 2,01,000 foreigners visited India for medical treatment  
 (b) Cost of major surgeries in India is just 10 per cent of that in developed countries  
 (c) India's medical tourism is expected to grow at the rate of 30 per cent  
 (d) None of these
- 35. Three-fourth of our workforce is found in \_\_\_\_\_.**  
 (a) secondary sector (b) tertiary sector  
 (c) rural areas (d) urban areas
- 36. The productive requirement of credit relates to:**  
 (a) production activity (b) consumption activity  
 (c) investment activity (d) saving activity
- 37. Rural development means an:**  
 (a) action-plan only for the social growth of the rural areas  
 (b) action-plan only for the economic growth of the rural areas  
 (c) action-plan for the social and economic growth of the rural areas  
 (d) none of these
- 38. Human \_\_\_\_\_ is an end in itself.**  
 (a) resource (b) capital (c) development (d) none of these
- 39. Rural poor includes:**  
 (a) landless labourers only (b) marginal farmers only  
 (c) tenants at will only (d) all of these
- 40. Under MGNREGA, work is offered for minimum period of:**  
 (a) 100 days (b) 150 days (c) 180 days (d) 200 days
- 41. \_\_\_\_\_ enterprises are controlled and run by the private individuals.**  
 (a) Public sector (b) Private sector (c) Partial private sector (d) None of these
- 42. Which of the following was the hallmark of reforms in agriculture?**  
 (a) Green revolution (b) Self-reliance (c) Self-sufficiency (d) Both (a) and (c)
- 43. The principal cause of backwardness of the Indian economy on the eve of independence was:**  
 (a) British Raj (b) colonisation (c) both (a) and (b) (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 :** Government of India adopted 'Trickle Down Approach' to alleviate poverty to benefit the last man at the bottom of the pyramid.  
**Statement 2 :** Empirical data over the years have shown that trickle-down theory did not yield desired results in India.
- 44. Statement 1 :** Public sector was associated with the key role of "kick-starting" the process of growth in Pakistan.  
**Statement 2 :** Pakistan followed a mixed-economy model of 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:**

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46. **Assertion (A) :** Infrastructure induces investment.

**Reason (R) :** The productivity of the primary, secondary and tertiary sector depends upon infrastructure.

47. **Assertion (A) :** Full employment means zero level of unemployment.

**Reason (R) :** Informalisation leads to casualisation.

48. **Assertion (A) :** Pakistan has experienced a phenomenal rise in its growth rate.

**Reason (R) :** Domestic investment and FDI have been shrinking in Pakistan.

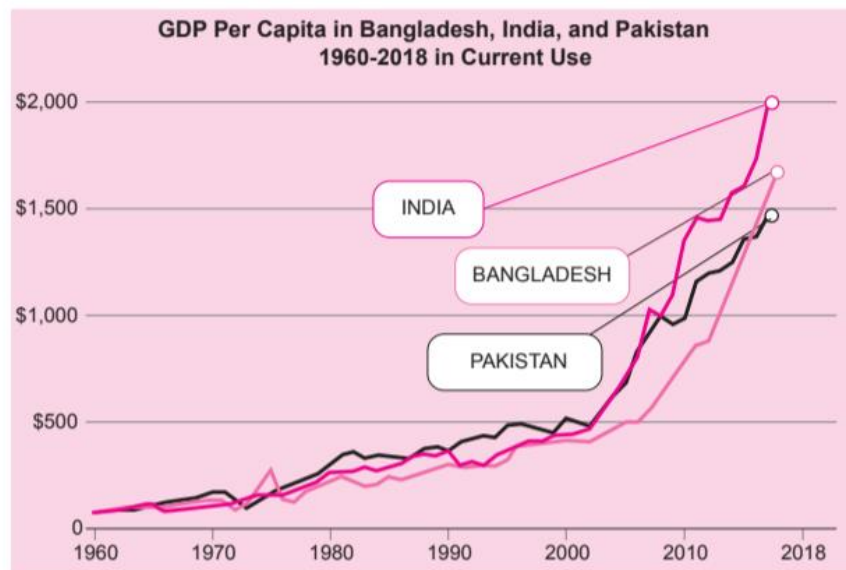
49. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Human capital	(i) Skill and expertise acquired by the residents of a country over time
B. Human development	(ii) A means to an end
C. Physical capital	(iii) Depreciation can be avoided
D. On-the-job-training programmes	(iv) Training programmes prior to employment

**Alternatives:**

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

50.



Source: <https://ro.2021clearance.ru/content?c=pakistan%20vs%20india%20gdp%20per%20capita%202018&id=9>

Study the graph given above and suggest which of the following nations had the lowest per capita GDP in 2015?

- (a) India
- (b) Pakistan
- (c) Bangladesh
- (d) None of these



# Answers

## PRACTICE PAPER – 9

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