

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. Means for satisfying human wants are _____.
(a) limited (b) unlimited
(c) scarce (d) both (a) and (c)
2. On all points of rectangular hyperbola, elasticity of demand is equal to:
(a) unity (b) zero
(c) infinity (d) greater than one
3. An exception to the law of demand is _____.
(a) normal good (b) Giffen good
(c) article of distinction (d) both (b) and (c)
4. In case of inferior goods:
(a) income effect is negative (b) income effect is positive
(c) income effect is zero (d) none of these
5. Formula for calculation of marginal utility is _____.
(a) $MU_n = TU_n - TU_{n+1}$ (b) $MU_n = TU_n - TU_{n-2}$
(c) $MU_n = TU_n - TU_{n-1}$ (d) none of these
6. Marginal utility can be:
(a) positive (b) negative
(c) zero (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 : Study of microeconomics assumes that macro variables remain constant.
Statement 2 : Government policies play a significant role in solving macroeconomic problems.
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) : Wants are multiple in simple economy.

Reason (R) : Degree of exchange is moderate in complex economy.

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

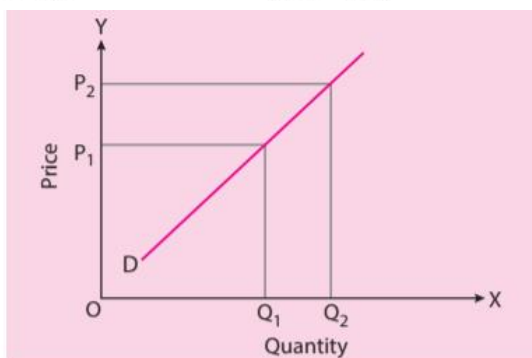
9. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Utility	(i) Profit derived from the consumption of a commodity
B. Marginal utility	(ii) Sum total of utility derived from the consumption of all the units of a commodity
C. Maximum TU	(iii) When MU is positive
D. Decreasing MU	(iv) Implies that TU is increasing at a decreasing rate

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) Inferior good
- (c) Giffen good
- (d) All of these

SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

11. Aggregation is involved in _____ .

- (a) microeconomics
- (b) macroeconomics
- (c) both (a) and (b)
- (d) neither (a) and (b)

12. Change in technology leads to:

- (a) expected obsolescence
- (b) unexpected obsolescence
- (c) both (a) and (b)
- (d) none of these

13. Domestic income:

- (a) is the sum total of factor incomes generated within the domestic territory of a country
- (b) is generated by the normal residents as well as non-residents within the domestic territory of a country
- (c) is equal to national income when net factor income from abroad is zero
- (d) all of these

- 14. Economic territory of a country in which economic activities of the country generates its domestic income is called:**
 (a) national territory (b) domestic territory
 (c) political territory (d) geographical territory
- 15. Operating Surplus =**
 (a) Compensation of employees + Rent + Interest + Profit
 (b) Rent + Interest + Profit
 (c) Compensation of employees + Mixed income of self-employed
 (d) Compensation of employees + Rent + Interest + Profit + Mixed income of self-employed
- 16. Old-age pension is a _____ .**
 (a) factor income (b) transfer income
 (c) earned income (d) both (b) and (c)
- 17. AD is:**
 (a) positively related to Y (b) negatively related to Y (c) not related to Y (d) always equal to Y
- 18. If MPS = 0.5 and initial investment is ₹ 100 crore, the increase in income will be:**
 (a) ₹ 50 crore (b) ₹ 100 crore (c) ₹ 200 crore (d) ₹ 500 crore
- 19. In order to correct deficient demand, which of the following monetary measure is not adopted?**
 (a) Reduction in bank rate (b) Increase in CRR
 (c) Buying of securities in open market (d) Decrease in margin requirement
- 20. Of the following, what are the quantitative measures of monetary policy?**
 (a) Bank rate (b) Open market operations
 (c) Both (a) and (b) (d) Public debt
- 21. e-money functions as a medium of exchange by way of:**
 (a) transfer of value from one account to the other (b) cash payments
 (c) payments through cheques (d) all of these
- 22. Which of the following statements is not true for fiscal deficit?**
 (a) Fiscal deficit represents the borrowing of the government
 (b) Fiscal deficit is the difference between total expenditure and total receipts of the government
 (c) Fiscal deficit is the difference between total expenditure and total receipts other than borrowing
 (d) Fiscal deficit increases the future liability of the government
- 23. Merchandise Balance =**
 (a) Export of goods – Import of goods (b) Export of services – Import of services
 (c) Investment income + Compensation of employees (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 :** The cash deposits that bank receives from the public is called primary deposits.
Statement 2 : Demand deposits held by the people in commercial banks is equal to Primary deposits + Secondary deposits.
- 25. Statement 1 :** Fiscal discipline in India often remains a serious challenge.
Statement 2 : Non-plan expenditure is a significant part of the total government expenditure.

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)** : Higher cash reserve ratio implies lower capacity of the commercial banks to create credit.

Reason (R) : Credit multiplier is the reciprocal of cash reserve ratio.

27. **Assertion (A)** : If the receipts and payments on the current account are equal to each other, it depicts a situation of Current Account Surplus.

Reason (R) : A surplus current account means that the nation is a lender to other countries and a deficit current account means that the nation is a borrower from other countries.

28. **Assertion (A)** : Trade of invisible items between two nations is a part of capital account of Balance of Payment.

Reason (R) : Transactions that affect the asset-liability status of a country in relation to the rest of the world are known as capital account transaction.

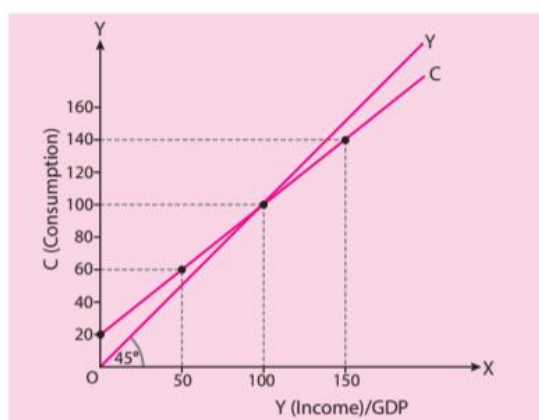
29. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Selling shares of BSNL	(i) Disinvestment
B. Direct tax	(ii) Generally regressive in nature
C. Donation	(iii) A source of capital receipt
D. Primary deficit	(iv) Current year expenditure > Current year receipts

Alternatives:

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

30.



On the basis of the above diagram, suggest the relationship between Y and C at break even point?

- (a) $C = 0$
- (b) $C = Y$
- (c) $C > Y$
- (d) None of these

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. _____ enhance bargaining power of the small holders.

- (a) Ceiling on land holding
- (b) Consolidation of holdings
- (c) Cooperative farming
- (d) None of these

32. The first Industrial Policy Resolution in Independent India was introduced in the year _____.
 (a) 1948 (b) 1950 (c) 1954 (d) 1956
33. On the eve of independence, India was net importer of:
 (a) primary products (b) intermediate goods (c) finished goods (d) agricultural goods
34. The Central Pollution Control Board (CPCB) of India has identified _____ categories of large and medium scale industries as significantly contributing to air pollution.
 (a) 5 (b) 8 (c) 13 (d) 17
35. GBD is an indicator used to assess _____.
 (a) number of premature deaths due to a particular disease
 (b) rate of spread of disease
 (c) death rate among elderly across the globe
 (d) all of these
36. Percentage of _____ is higher amongst men.
 (a) casual wage labourers (b) regular salaried employees
 (c) self-employed (d) none of these
37. Women rendering household services as housewives are not deemed as workers because _____.
 (a) they are not paid for it
 (b) it is difficult to ascertain the market value of the services they provide
 (c) it will lead to overestimation of national income
 (d) both (a) and (b)
38. Fisheries is an important source of livelihood in:
 (a) Andhra Pradesh (b) West Bengal
 (c) Tamil Nadu (d) all of these
39. _____ refers to produced means of production.
 (a) Human resource (b) Human capital
 (c) Physical capital (d) Human capital formation
40. _____ poverty is defined with respect to minimum requirements of life.
 (a) Relative (b) Absolute (c) Both (a) and (b) (d) None of these
41. Poverty line specified by Dadabhai Naoroji was:
 (a) different for rural area and urban area (b) different for males and female
 (c) three-fourth of the adult cost of living (d) three-fourth of the adult cost of living
42. In terms of sectoral contribution to GDP, economies of India and Pakistan are relying heavily on _____.
 (a) primary sector (b) secondary sector
 (c) tertiary sector (d) none of these
43. Which of the following is not a reason for the slowdown of economic growth in China?
 (a) Growth of European economies (b) Slowdown in the growth of domestic demand in China
 (c) Corruption and economic crimes (d) Cost of dealing with environmental degradation

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** : Subsidies do not add any burden on the financial health of a nation.

Statement 2 : Complete removal of subsidies may violate the aim of equitable distribution of income.

45. Statement 1 : Poverty line in India is defined in terms of monetary value of the minimum nutritional (calorific) requirements of an individual in a day.

Statement 2 : The definition of poverty line in monetary terms has not changed over the years.

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)
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46. Assertion (A) : Traditionally, most credit needs of the farmers were met through institutional sources.

Reason (R) : 'Kudumbashree' was started in 1995 in Kerala as a small savings bank for poor women to encourage savings.

47. Assertion (A) : The goal of equitable distribution of land was fully served by abolition of intermediaries, in the post-independence India.

Reason (R) : Big landlords challenged the land ceiling legislation, delaying the implementation and subsequently escaping from the legislation.

48. Assertion (A) : Human capital treats human beings as a means to an end.

Reason (R) : Human capital formation decreases by way of investments in education and health.

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

Column I	Column II
A. Long-term credit	(i) Shift from single-cropping to multi-cropping system
B. NABARD	(ii) To enable permanent improvements on land
C. Diversification of crop production	(iii) An emerging challenge of rural development
D. Animal husbandry	(iv) An apex institution coordinating activities of all financial institutions engaged in rural credit

Alternatives:

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

50. Select Indicators of Development in Education and Health Sectors

Particulars		1951	1981	1991	2001	2016-17
Real Per Capita Income (in ₹)		7,651	12,174	15,748	23,095	77,659
Crude Death Rate (Per 1,000 population)		25.1	12.5	9.8	8.1	6.3
Infant Mortality Rate		146	110	80	63	33
Life Expectancy at Birth (in Years)	Male	37.2	54.1	59.7	63.9	67
	Female	36.2	54.7	60.9	66.9	70
Literacy Rate (%)		16.67	43.57	52.21	65.20	76

Source: Economic Survey for various years, Ministry of Finance National Statistical Office & Ministry of Statistics and Programme Implementation; Government of India

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

The Real Per Capita Income of India (as per the given data) has increased by _____ (approximately) between 1951 and 2016-17.

- (a) 915%
- (b) 1,015%
- (c) 815%
- (d) 715%



Answers

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