

PRACTICE PAPER

Time allowed: 45 minutes

Maximum Marks: 200

General Instructions: Same as Practice Paper-I.

SECTION-A: INTRODUCTORY MICROECONOMICS

Choose the correct option:

- In case of $E_d = 0$, demand curve is
 (a) a horizontal straight line (b) a vertical straight line
 (c) a rectangular hyperbola (d) a downward sloping curve
- How are the two goods (bread and butter) related when, as a result of rise in the price of butter, demand for bread decreases?
 (a) Substitute goods (b) Complementary goods
 (c) Normal goods (d) Inferior goods
- Total utility _____ when marginal utility is decreasing but positive.
 (a) is zero (b) is one
 (c) increases (d) decreases
- Which of these can be referred to as 'point of satiety'?
 (a) Marginal utility is negative (b) Marginal utility is zero
 (c) Total utility is rising (d) Total utility is falling
- The problem of choice arises due to the fact that _____.
 (a) resources are scarce (b) resources are in abundance
 (c) resources have alternative uses (d) both (a) and (c)
- Which of the following is related to the problem 'for whom to produce'?
 (a) Factor distribution of income (b) Inter-personal distribution of income
 (c) Both (a) and (b) (d) None of these
- In the following question, two statements are given. Read the statements carefully and choose the correct alternative among those given below:

Statement 1 : The state of being short in supply regardless of its demand is called scarcity.**Statement 2** : Resources are scarce in relation to human wants.**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

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) : Law of demand is not applicable if the consumer is ignorant to the changes in prices.

Reason (R) : Law of demand states that there is an inverse relationship between price and quantity demanded.

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. Maximum satisfaction	(i) Alter existing consumption bundle
B. Equilibrium	(ii) $\frac{MU_X}{P_X} > MU_M$
C. MU	(iii) The rate of change in TU
D. Point of satiety	(iv) MU is negative

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) Inferior good
- (d) Both (b) and (c)

SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

11. Aggregation is involved in:

- (a) microeconomics
- (b) macroeconomics
- (c) both (a) and (b)
- (d) none of these

12. Macroeconomics is concerned with:

- (a) the level of output of goods and services in the economy
- (b) the general level of prices
- (c) GDP growth
- (d) all of these

13. Net Factor Income from Abroad =

- (a) National income – Net indirect taxes
- (b) National income – Indirect taxes
- (c) National income – Domestic income
- (d) Domestic income – National income

14. Reason for the circular flow of income is:

- (a) government intervention
- (b) production of goods and services
- (c) mutual interdependence of producer and household sector
- (d) invention of money

- 15. Own account production of services is not included in national income because:**
 (a) services are different from goods
 (b) services are not productive
 (c) it is difficult to measure market value of such services
 (d) none of these
- 16. Problem of unemployment refers to:**
 (a) the problem of voluntary unemployment
 (b) the problem of involuntary unemployment
 (c) both (a) and (b)
 (d) neither (a) nor (b)
- 17. Equilibrium level of income/output and employment is viewed from which of the following approaches?**
 (a) AS = AD approach
 (b) S = I approach
 (c) Both (a) and (b)
 (d) None of these
- 18. When the level of saving increases by 500, income increases by 2,000, the value of multiplier will be:**
 (a) 0.25
 (b) 0.33
 (c) 4
 (d) 5
- 19. In the consumption function, $200 + 0.6Y$, the value of autonomous saving will be:**
 (a) 200
 (b) -200
 (c) 0.6
 (d) 0.4
- 20. Slope of Consumption Function =**
 (a) $\frac{C}{Y}$
 (b) $\frac{\Delta C}{\Delta Y}$
 (c) $\frac{\Delta Y}{\Delta C}$
 (d) $\frac{Y}{C}$
- 21. Capital account BoP records all such transactions which cause:**
 (a) change in the ownership of assets between one country and rest of the world
 (b) movement of goods between one country and rest of the world
 (c) movement of services between one country and rest of the world
 (d) none of these
- 22. Purchase of shares is related to:**
 (a) revenue receipts
 (b) revenue expenditure
 (c) capital receipts
 (d) capital expenditure
- 23. Estimated expenditure of the government which causes a reduction in liabilities of the government is called:**
 (a) revenue expenditure
 (b) capital expenditure
 (c) plan expenditure
 (d) non-plan expenditure

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 :** Recovery of loan by the government is a revenue receipt.
Statement 2 : Disinvestment is a capital receipt of the government.
- 25. Statement 1 :** All financial institutions are banking institutions.
Statement 2 : Higher cash deposit ratio implies higher credit creation capacity of the commercial banks.

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) :** CRR is determined by the Reserve Bank of India.
Reason (R) : The central bank offers loans to the government.
27. **Assertion (A) :** The current account BoP deficit often leads to borrowing from rest of the world.
Reason (R) : Foreign investment is volatile owing to volatility of the domestic market.
28. **Assertion (A) :** Central bank is the custodian of foreign exchange reserves and exercises managed floating.
Reason (R) : Flexible exchange rate helps ensure stability of exchange rate in the international money market.

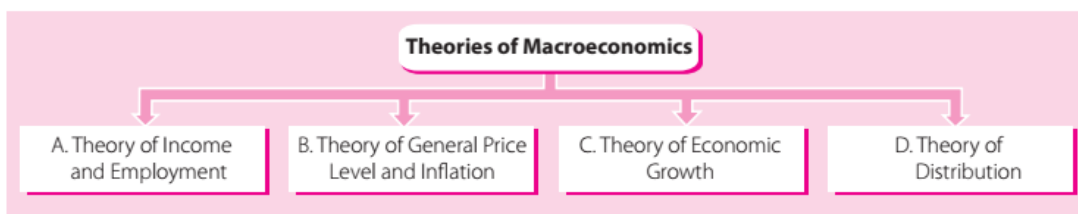
29. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Full bodied money	(i) Money value = Commodity value of money
B. Fixed deposits	(ii) Chequeable deposits
C. Net demand deposits	(iii) Includes inter-banking claims
D. Secondary deposits	(iv) Base money in the economy

Alternatives:

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

30.



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

Which of the following does not lie in the scope of macroeconomics?

- (a) Component A and B (b) Component B and C
 (c) Component C and D (d) None of these

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. Policy of import substitution was targeted to protect _____ industries.
 (a) domestic (b) foreign (c) both (a) and (b) (d) none of these
32. Import substitution policy was implemented in the _____ of India, to protect domestic industries.
 (a) first four five year plans (b) first six five year plans
 (c) first seven five year plans (d) first eight five year plans
33. _____ was the basic framework of planning in India.
 (a) Market economy (b) Mixed economy
 (c) Centrally planned economy (d) None of these
34. _____ was the finest variety of muslin.
 (a) Crepe (b) Malmal (c) Silk (d) None of these
35. First census in India was conducted in:
 (a) 1881 (b) 1882 (c) 1883 (d) 1884
36. _____ compound causes the depletion of the ozone layer.
 (a) Chlorine (b) Potassium (c) Methane (d) Neon

- 37. Which of the following is not a component of social infrastructure?**
 (a) Road (b) Communication (c) Electricity (d) All of these
- 38. The supremacy of _____ sector as the principal source of employment remains unchallenged in India.**
 (a) Primary (b) Secondary (c) Tertiary (d) Service
- 39. _____ revolution refers to a revolutionary rise in production of horticulture crops and honey.**
 (a) Green (b) Golden (c) White (d) None of these
- 40. Prime Minister's Employment Generation Programme was started in:**
 (a) 1995 (b) 1998
 (c) 2008 (d) 2010
- 41. Choose the correct alternative showing chronological order of the following events:**
 (i) Great Leap Forward launched (ii) Economic reforms in Pakistan
 (iii) Great Proletarian Cultural Revolution (iv) People's Republic of China
Choose the correct alternative:
 (a) (i), (iv), (ii), (iii) (b) (iv), (i), (iii), (ii)
 (c) (iii), (i), (ii), (iv) (d) (ii), (i), (iii), (iv)
- 42. Since 2013, Pakistan is working on the basis of:**
 (a) 10th Five Year Development Plan (2013-18) (b) 11th Five Year Development Plan (2013-18)
 (c) 12th Five Year Development Plan (2013-18) (d) 13th Five Year Development Plan (2013-18)
- 43. Introduction of First Five Year Plan in India took place in:**
 (a) 1951 (b) 1953 (c) 1956 (d) 1958

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 :** Cooperative marketing is a significant progressive step in the context of agricultural market system.
Statement 2 : Effective coordination between marketing cooperatives and processing cooperatives is the key characteristic of Indian system of cooperative marketing.
- 45. Statement 1 :** Under Mid-day Meal Scheme, free lunch is supplied to children in all classes in government, government-aided, local body and other schools.
Statement 2 : Under MGNREGA, employment is offered for a minimum period of 100 days.

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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 (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) :** Since the default rates of farm loans have become chronically high due to multiple reasons, the rural banks are facing a lot of cash crunch.
Reason (R) : Due to lack of proper storage facilities a lot of farm produce is wasted.

47. **Assertion (A)** : On-the job-training helps workers to sharpen their skills.

Reason (R) : The efficiency of a worker can never be changed.

48. **Assertion (A)** : Urban poverty is a spillover of rural poverty.

Reason (R) : People tend to migrate from rural areas to urban areas in search of jobs.

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

Column I	Column II
A. Study Group formed by Planning Commission for Poverty	(i) 2014
B. National Urban Livelihood Mission	(ii) 1962
C. Pradhan Mantri Jan Dhan Yojana	(iii) 1993
D. Prime Minister's Rozgar Yojana	(iv) 2013

Alternatives:

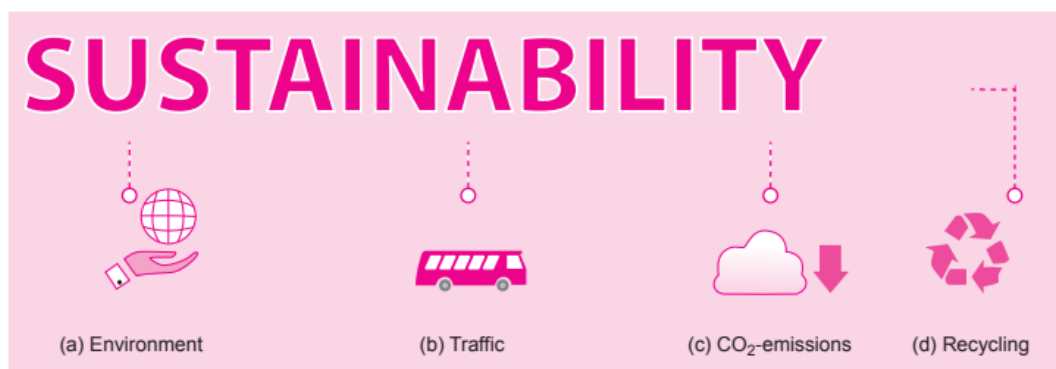
(a) A—(i), B—(ii), C—(iii), D—(iv)

(b) A—(iv), B—(iii), C—(ii), D—(i)

(c) A—(ii), B—(iv), C—(i), D—(iii)

(d) A—(iii), B—(iv), C—(i), D—(ii)

50.



Study the image given above and suggest which of the following will contribute towards maintenance of sustainable development?

(a) Conservation of resources

(b) Traffic congestion

(c) Reduction in CO₂ emissions

(d) Both (a) and (c)



Answers

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