

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:

- Which of the following is not a macroeconomic variable?
(a) Wholesale price index (b) Output of a firm
(c) Aggregate demand (d) Aggregate supply
- A consumer attains equilibrium, in case of one commodity, when:
(a) $MU_X = P_X$ (b) $MU_X > P_X$
(c) $MU_X < P_X$ (d) $MU_X = 0$
- An increase in the price of computer will cause the demand for internet services to:
(a) rise (b) remain the same
(c) fall (d) none of these
- When price of a good falls, the impact on demand curve of its substitute good is indicated by:
(a) a shift in demand curve to the right (b) a shift in demand curve to the left
(c) an upward movement along the curve (d) a downward movement along the curve
- Demand for an essential good, say water is _____.
(a) perfectly elastic (b) perfectly inelastic
(c) unitary elastic (d) inelastic
- $(-)\frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$ is the formula of measuring price elasticity of demand through:
(a) proportionate method (b) percentage method
(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 : Consumer sovereignty is not maintained in case of a centrally planned economy.
Statement 2 : The central authority decides what goods are to be produced for 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) : Related goods show cross price effect.

Reason (R) : Shifting of a demand curve shows increase or decrease in demand.

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

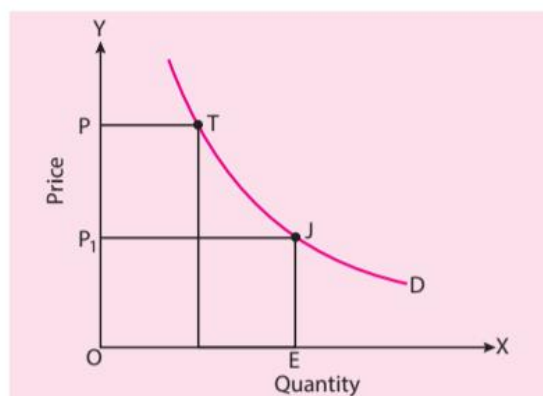
9. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Microeconomics	(i) Deals with the aggregates at the level of the economy as a whole
B. Choice	(ii) Process of selection from available limited alternatives
C. Scarcity	(iii) Shortage
D. Macroeconomics	(iv) Allocation of resources

Alternatives:

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

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On the basis of the given diagram, identify the elasticity of demand.

- (a) Zero (b) One
 (c) Infinity (d) None of these

SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

11. Financial help to a victim is:

- (a) transfer payment (b) factor income
 (c) net factor income from abroad (d) none of these

12. Market price of the final goods and services (including depreciation) produced within the domestic territory of a country during an accounting year, is called:

- (a) GDP at market price (b) GNP at market price (c) GDP at factor cost (d) GNP at factor cost

13. Which of the following is correct?

- (a) $GDP_{FC} = \text{Compensation of employees} + \text{Rent} + \text{Interest} + \text{Profit}$
 (b) $GDP_{FC} = \text{Compensation of employees} + \text{Rent} + \text{Interest} + \text{Profit} + \text{Depreciation}$
 (c) $GDP_{FC} = \text{Compensation of employees} + \text{Rent} + \text{Interest} + \text{Profit} - \text{Depreciation}$
 (d) $GDP_{FC} = NDP_{FC} - \text{Depreciation}$

- 14. Gross domestic capital formation is the sum total of:**
 (a) expenditure on fixed assets
 (b) gross domestic fixed capital formation and change in stock
 (c) net domestic fixed capital formation, inventory investment and depreciation
 (d) both (b) and (c)
- 15. When income is zero, autonomous consumption is:**
 (a) zero (b) positive (c) negative (d) none of these
- 16. Average Propensity to Save =**
 (a) $\frac{C}{Y}$ (b) $\frac{\Delta C}{\Delta Y}$ (c) $\frac{\Delta S}{\Delta Y}$ (d) $\frac{S}{Y}$
- 17. The relationship between multiplier and MPC is:**
 (a) direct (b) indirect (c) one-to-one (d) none of these
- 18. If MPC = 0.8, value of multiplier will be:**
 (a) 2 (b) 3 (c) 4 (d) 5
- 19. A situation when AS = AD along with fuller utilisation of resources in the economy is called:**
 (a) underemployment equilibrium (b) full employment equilibrium
 (c) equilibrium without excess capacity (d) both (b) and (c)
- 20. In India, coins are issued by:**
 (a) State Bank of India (b) Reserve Bank of India
 (c) Ministry of Finance (d) Ministry of Urban Development
- 21. With an increase in market rate of interest, cost of credit:**
 (a) decreases (b) increases (c) remains constant (d) none of these
- 22. Which of the following is a reason for downsizing the role of government?**
 (a) Inefficiency of public sector undertaking (b) Excessive controls in private sector
 (c) Fiscal deficit (d) All of these
- 23. Spot market deals in:**
 (a) current transactions (b) future transactions
 (c) current as well as future transactions (d) transactions meant for future delivery

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 :** Demonetisation aims at curbing illegal transactions and anti-social activities.
Statement 2 : Jobs are lost and poor people are marginalised owing to demonetisation.
- 25. Statement 1 :** Revenue receipts do not affect asset and liability status.
Statement 2 : Grants and aid are an example of revenue receipts.

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) :** Disinvestment is a compulsion for government to tackle budgetary deficit.
Reason (R) : Disinvestment involves selling of share capital of PSUs.
27. **Assertion (A) :** Fixed exchange rate promotes stability in the economy.
Reason (R) : Under managed floating, the central bank decides the limit of the exchange rate but it can fluctuate within that limit as per the forces of demand and supply.
28. **Assertion (A) :** Trade of invisible items is a part of current account of BoP.
Reason (R) : Current account records all such transactions which cause a change in the ownership of assets between the domestic economy and rest of the world.
29. **From the following given sets of statements in column I and II, choose the correct pair of statements:**

Column I	Column II
A. Value of intermediate goods	(i) Included in the estimation of national income
B. Net exports	(ii) Difference between exports and imports during an accounting year
C. Capital gains	(iii) Included in the estimation of national income
D. Expenditure on purchase of shares	(iv) Included in the estimation of national income

Alternatives:

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

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NDP _{FC}	+	Depreciation	+	Net indirect taxes	=	_____
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On the basis of the above chart answer the following question:

Choose the correct alternative to be filled in given blank.

- (a) GDP_{MP} (b) NDP_{MP} (c) NNP_{FC} (d) GNP_{FC}

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. **Development of railways in India facilitated:**
 (a) expansion of the domestic market
 (b) faster movement of food grain across different parts of the country
 (c) commercialisation of agriculture
 (d) all of these
32. **A stagnant economy is an economy in which:**
 (a) there is little or no scope of growth in income
 (b) there is very low per capita income
 (c) there is very high per capita income
 (d) there is high scope of growth in income
33. **The concept of buffer stock in India was introduced in the:**
 (a) Third Five Year Plan (b) Fourth Five Year Plan
 (c) Fifth Five Year Plan (d) Sixth Five Year Plan
34. **Which of the following conventions can help in achieving sustainable development?**
 (a) Reliance on non-conventional sources of energy
 (b) Use of CNG in urban areas and LPG, gobar gas in rural areas
 (c) Setting up of mini-hydel plants
 (d) All of these
35. **India has a _____ tier healthcare system.**
 (a) two (b) three
 (c) four (d) five

- 36. The rural population is engaged more in the primary sector due to _____.**
 (a) lack of non-farm job opportunities in rural areas (b) limited mobility of labour
 (c) greater returns (d) both (a) and (b)
- 37. Diversification of crop production implies:**
 (a) a shift from crop farming to other areas of production activity
 (b) production of only one specialised crop
 (c) production of multiple crops rather than one specialised crop
 (d) none of these
- 38. Human capital formation leads to:**
 (a) innovations (b) inventions
 (c) technical improvements (d) all of these
- 39. India is a country suffering from:**
 (a) chronic unemployment (b) cyclical unemployment
 (c) structural unemployment (d) none of these
- 40. Percentage of population below poverty line is called:**
 (a) poverty incidence ratio (b) head count ratio
 (c) both (a) and (b) (d) none of these
- 41. Great Leap Forward (GLF) was the campaign launched in China in:**
 (a) 1956 (b) 1958 (c) 1962 (d) 1968
- 42. In China, commune system is related to:**
 (a) agriculture (b) industry (c) services (d) none of these
- 43. Economic reforms in China took place in:**
 (a) 1978 (b) 1988 (c) 1990 (d) 1991

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 is not associated with inflation.

Statement 2 : Price spiral erodes real income of people.

45. Statement 1 : In 2015, Planning Commission has been replaced by NITI Aayog.

Statement 2 : Planning Commission of India formed a study group to define the criterion for identifying poor in 1962.

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) : Human capital formation refers to the process of adding to the existing stock of skill, expertise and talent of people.

Reason (R) : Expenditure on information is not a determinant of human capital formation.

47. **Assertion (A) :** We have been able wipe off poverty from our country.

Reason (R) : There exists a deep-rooted vicious cycle of poverty which is hard to break.

48. **Assertion (A) :** Rural development is a component of inclusive growth.

Reason (R) : Majority of our population resides in rural areas.

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 development	(i) Skill and expertise acquired by man over time
B. Human capital	(ii) A means to achieve human development
C. Physical capital	(iii) The process of adding to the stock of human capital
D. Rising population	(iv) Enhances the quality of human capital

Alternatives:

(a) A—(i)

(b) B—(ii)

(c) C—(iii)

(d) D—(iv)

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Overall GDP Growth, Saving & Investment Rates and Incremental Capital-Output Ratio in the Indian Economy (1951-1991)

Periods	GDP (Growth Rate in Plan Period)	Saving Rate (% of GDP)	Investment Rate (% of GDP)	ICOR	Current Account Deficit (% of GDP)
First Plan (1951–1955-56)	3.61	10.28	10.64	2.9	0.36
Second Plan (1956-57 to 1960-61)	4.27	11.73	14.50	3.4	2.77
Third Plan (1961-62 to 1965-66)	2.84	13.21	15.46	5.4	2.25
Plan Period (1966-67 to 1970-71)	4.66	14.35	15.98	3.4	1.63
Plan Period (1971-72 to 1975-76)	3.08	17.98	17.88	5.8	0.6
Plan Period (1976-77 to 1980-81)	3.20	21.65	21.46	6.7	–0.19
Sixth Plan (1981-82 to 1985-86)	5.20	19.82	21.42	4.1	1.6
Seventh Plan (1985-86 to 1989-90)	5.8	20.36	22.74	3.9	2.38

Source: <https://www.economicdiscussion.net/india/planning/planning-in-india-an-overview/11087>

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

The GDP growth rate has increased by _____ (approximately) from the first to the sixth plan.

(a) 44%

(b) 40%

(c) 50%

(d) 55%



Answers

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