

# SAMPLE PAPER 9

Maximum Marks : 200

Time : 60 Minutes

## General Instructions :

- (i) This paper consists of 50 MCQs, attempt any 40 out of 50
- (ii) Correct answer or the most appropriate answer: Five marks (+5)
- (iii) Any incorrect option marked will be given minus one mark (-1)
- (iv) Unanswered/Marked for Review will be given no mark (0)
- (v) If more than one option is found to be correct then Five marks (+5) will be awarded to only those who have marked any of the correct options
- (vi) If all options are found to be correct then Five marks (+5) will be awarded to all those who have attempted the question.
- (vii) Calculator / any electronic gadgets are not permitted.

1. Which of the following is excluded while calculating National Income as per expenditure method?

- (1) Purchase of Second Hand goods
- (2) Purchase of financial Assets
- (3) Intermediate goods
- (4) All of the above

2. Construction of railway line is a type of \_\_\_\_\_ expenditure.

- (1) Capital
- (2) Revenue
- (3) Primary
- (4) All of these

3. Identify the correctly matched items from Column I to that of Column II:

Column I	Column II
(1) Demand Curve of Perfect Competition	(a) V-shaped Curve
(2) Demand Curve of Monopoly	(b) U-shaped Curve
(3) Demand Curve of Monopolistic Competition	(c) Upward rising
(4) Demand Curve of Oligopoly	(d) In-determinant

- (1) 1 – (a)
- (2) 2 – (b)
- (3) 3 – (c)
- (4) 4 – (d)

4. The word 'net' implies that \_\_\_\_\_ are to be included in money supply.

- (1) Only deposits of the public held by the banks
- (2) Savings deposits with Post Office savings banks

- (3) Total deposits with Post Office savings organizations
- (4) None of these

5. \_\_\_\_\_ can be referred to as functional relationship between supply of a commodity and the factors determining it.

- (1) Supply schedule
- (2) Supply curve
- (3) Supply function
- (4) Supply

6. Which is a component of Budget?

- (1) Budget Receipts
- (2) Budget Expenditure
- (3) Both (1) and (2)
- (4) None of the above

7. What happens when the Investment is lesser than Savings?

- (1) Aggregate Demand is more than the Aggregate Supply.
- (2) Aggregate Demand is less than the Aggregate Supply
- (3) Aggregate Demand is equal to the Aggregate Supply.
- (4) Aggregate Demand is independent of Aggregate Supply.

8. The simplest consumption function assumes \_\_\_\_\_.

- (1) Consumption changes at a constant rate as income changes
- (2) Consumption changes faster with more income
- (3) Consumption does not change with income.
- (4) Consumption changes with more supply.

9. \_\_\_\_\_ states that, other things being equal, quantity supplied increases with increase in price and decrease with decrease in price of a commodity.

- (1) Law of supply
- (2) Law of variable proportion
- (3) Cost function
- (4) Law of returns to scale

10. \_\_\_\_\_ is the output at base year prices.

- (1) Nominal GDP                      (2) Real GDP
- (3) National GDP                      (4) None of the Above

11. Oligopoly is a form of market in which there are ..... big sellers of a commodity and ..... number of buyers.

- (1) few, large
- (2) large, few
- (3) large, large
- (4) one, many he above

12. Identify the correctly matched pair of items of Column A to that of Column B:

Column A	Column B
1. Lending to Kenya	(a) Capital Account
2. Export of Banking services	(b) Visible item
3. Import of aircraft	(c) Invisible item
4. Foreign aid	(d) Visible item

- (1) 1 – (a)                      (2) 2 – (b)
- (3) 3 – (c)                      (4) 4 – (d)

13. Growth of GDP and Major Sectors (in %)

Column I	Column II
(1) Feature of Perfect Competition	(a) Only one buyer.
(2) Feature of Monopoly Market	(b) Only few sellers
(3) Feature of Monopolistic Competition	(c) Large Number of Buyers and Sellers
(4) Feature of Monopoly Market	(d) Only few buyers

- (1) 1 – (a)                      (2) 2 – (b)
- (3) 3 – (c)                      (4) 4 – (d)

14. Which of the following statement is true?

- (1) Price Elasticity of Demand is defined as the measurement of percentage in quantity demanded in response to a given percentage change in own price of the commodity.
- (2) Price Elasticity of Demand is defined as the measurement of percentage in quantity supplied in response to a given percentage change in own price of the commodity.
- (3) Price Elasticity of Demand is defined as the measurement of percentage in quantity demanded in response to a given percentage change in own production of the commodity.

- (4) Price Elasticity of Demand is defined as the measurement of percentage in quantity produced in response to a given percentage change in own price of the commodity.

15. The supply curve of a good shift to the right when prices of other goods .....

- (1) Rise                              (2) Fall
- (3) Remains the same              (4) Increases

16. Marginal revenue equals \_\_\_\_\_ price.

- (1) Market                              (2) Industry
- (3) Consumer                              (4) None of the above

17. Consider the following statements:

- I.  $M_1$  is a broad concept of money.
- II.  $M_2$  is a narrow concept of money.
- III.  $M_3$  includes both  $M_1$  and lime deposit of public with bank

Which of the following is true with respect to the concept of supply of money?

- (1) I and II                              (2) I only
- (3) II and III                              (4) II only

18. Identify the correctly matched pair of Column A to that of Column B:

Column A	Column B
1. Foreign Trade	(a) Export Processing Zone
2. Adverse Balance of Trade	(b) Problem of India's Foreign Trade
3. Import Substitution	(c) Benefits to participating countries
4. Export Promotion	(d) Scarcity of Foreign Trade

- (1) 1 – (a)                              (2) 2 – (b)
- (3) 3 – (c)                              (4) 4 – (d)

19. What does Real GDP show?

- (1) Change in price only
- (2) Change in output only
- (3) Change in both price and output
- (4) None of the Above.

20. Identify the correct pair of items from the following Columns I and II:

Column I	Column II
(1) Budget Line	(a) Normal goods
(2) Bajra	(b) Inferior goods
(3) Consumer equilibrium	(c) Luxurious goods
(4) Elastic Demand	(d) $M = P_x \cdot x + P_y \cdot y$

- (1) 1 – (a)                              (2) 2 – (b)
- (3) 3 – (c)                              (4) 4 – (d)



21. What is saving per Income called?

- (1) APC (2) APS  
(3) MPC (4) MPS

22. Assertion (A): The demand curve is downward sloping.

Reason (R): Income effect means with fall in the price of a good, consumer's real income or purchasing power rises and he demands more units of the good.

- (1) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).  
(2) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).  
(3) Assertion (A) is true, but Reason (R) is false.  
(4) Assertion (A) is false, but Reason (R) is true.

23. Assertion (A): A lower indifference curve represents a higher level of satisfaction.

Reason (R): According to the Indifference Curve Approach, utility is an ordinal concept, that is, it can be ranked and not measured.

- (1) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).  
(2) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(3) Assertion (A) is true, but Reason (R) is false.

(4) Assertion (A) is false, but Reason (R) is true.

24. \_\_\_\_\_ refers to situation of excess of imports of goods over exports of goods.

- (1) Balance of Payment Deficit  
(2) Fiscal Deficit  
(3) Balance of Trade Deficit  
(4) All of these

25. The slope of the Total Revenue equals \_\_\_\_\_.

- (1) Average Revenue (2) Marginal Revenue  
(3) Average cost (4) Marginal Cost

26 Savings and Investment affect the \_\_\_\_\_.

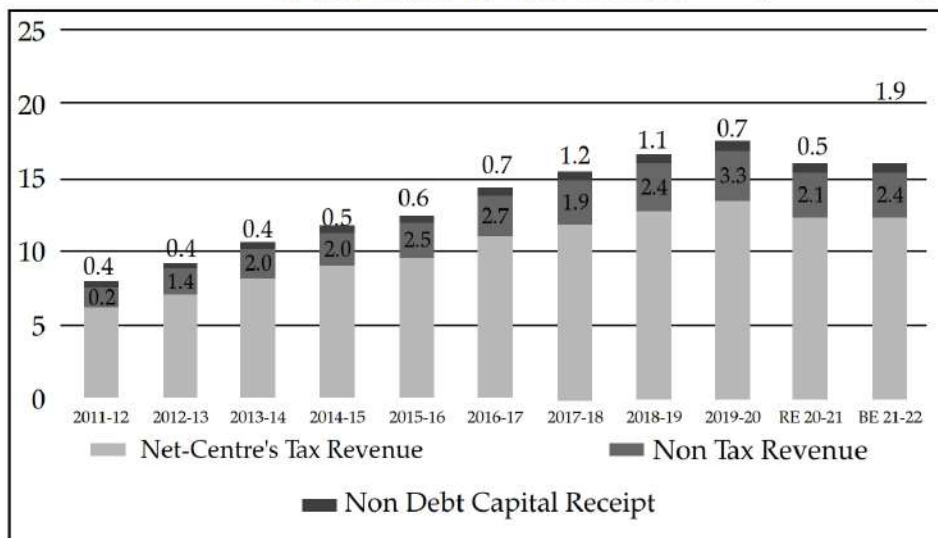
- (1) Aggregate demand and supply  
(2) Government policies  
(3) Government budget  
(4) None of the above

27. Statement 1: A rational firm aims to operate in second phase of law of variable proportion.

Statement 2: In diminishing returns to a factor, i.e., second phase of law of variable proportion, MP falls.

- (1) Both the statements are true.  
(2) Both the statements are false.  
(3) Statement 1 is true but statement 2 is false.  
(4) Statement 1 is false but statement 2 is true.

NET RECEIPT OF THE CENTRE (₹ in lakh crore)



Source: [www.indiabudget.gov.in](http://www.indiabudget.gov.in)

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

78. The value of non-tax revenue has \_\_\_\_\_ crores between 2016-17 and 2017-18.

- (1) Fallen by 0.8 (2) Risen by 0.8  
(3) Fallen by 0.6 (4) Risen by 0.6

29. Consider the following statements:

- (1) Use of public parks increases welfare  
(2) Distribution of GDP increases welfare  
(3) Higher GDP always cause higher welfare

Which of the above statements are false?

- (1) Only 1 (2) Only 2  
(3) Only 3 (4) 1 and 3

30. .... products are sold under perfect competition.

- (1) Differentiated (2) Homogeneous  
(3) Different (4) All of the above.

31. Investment Multiplier is the ratio of change in \_\_\_\_\_ and \_\_\_\_\_.

- (1) Income, Investment  
(2) Savings, Income  
(3) Investment, Consumption  
(4) Savings, Investment

32. Identify the correct pair of items from the following Columns I and II:

Column I	Column II
1. Total Product	(a) Total input produced by a firm during a given period of time with given number of outputs.
2. Total Physical Product	(b) Total output produced by a firm during a given period of time with given number of inputs.
3. Average Product	(c) The change in Total Product resulting from the use of one more (or one less) unit of the variable input, keeping all other inputs constant.
4. Marginal Product	(d) Output per unit of a variable input.

- (1) 1 – (a) (2) 2 – (b)  
(3) 3 – (c) (4) 4 – (d)

33. Read the following statements carefully and choose the correct alternatives given below:

**Statement 1:** Current account records exports and imports of visible and invisible items only.

**Statement 2:** Balance of current account is the difference between sum of credit items and sum of debit items on current account.

**Alternatives:**

- (1) Both the statements are true.  
(2) Both the statements are false.  
(3) Statement 1 is true and Statement 2 is false.  
(4) Statement 2 is true and Statement 1 is false.

34. Identify the correct pair of items from the following Columns I and II:

Column I	Column II
(1) Tea Shops	(a) Perfect Competition Market
(2) Cafeteria	(b) Perfect Competition Market

(3) Vegetable Market	(c) Perfect Competition Market
(4) Railways	(d) Perfect Competition Market

- (1) 1 – (a) (2) 2 – (b)  
(3) 3 – (c) (4) 4 – (d)

35. How is the interest earned by normal resident treated?

- (1) Included in National Income  
(2) Included in Domestic income  
(3) Excluded in National Income  
(4) Excluded in Domestic Income

36. Identify the correct pair of items from the following Columns I and II:

Column I	Column II
1. Price taker firm	(a) One who has an option to accept the price by their competitors.
2. Homogeneous product	(b) The products are same or similar.
3. Price Maker	(c) One who has no option but to accept the price determined by the industry.
4. Heterogeneous Product	(d) The products are different.

- (1) 1 – (a) (2) 2 – (b)  
(3) 3 – (c) (4) 4 – (d)

37. The production function exhibits technological relationship between physical inputs and output.

- (1) True (2) False  
(3) Partially true (4) None of the above

38. The main principle underlying the cost classification is the main element of the cost in \_\_\_\_\_ and \_\_\_\_\_ cost basis.

- (1) fixed, opportunity (2) fixed, implicit  
(3) implicit, explicit (4) fixed, variable

39. Kalpana said that Commercial Bank is the controller of credit. Geeta said that the Central Bank is the controller of credit. Bobby said that both the commercial bank and the Central Bank are the controller of credit. Who among them are not correct?

- (1) Kalpana and Geeta (2) Kalpana and Bobby  
(3) Geeta and Bobby (4) Only Geeta

40. Subsidies and expenditure on scholarship are example of:

- (1) Revenue Expenditure (2) Capital Expenditure  
(3) Revenue receipts (4) Capital Receipts



41. Which of the following have elastic demand?
- (1) Match box                      (2) Water
  - (3) Medicines                      (4) Air conditioners
42. What does the Factor Cost represent?
- (1) Net Indirect Tax of all final goods and services.
  - (2) Depreciation of all final goods and services.
  - (3) Money Value of all final goods and services.
  - (4) None of the above.
43. As we move along a downward sloping straight line demand curve from left to right, price elasticity of demand .....
- (1) Goes on falling                      (2) Goes on rising
  - (3) Remains the same                      (4) None of the above
44. Aggregate Demand is not determined by which of the following:
- (1) Consumption Expenditure
  - (2) Investment Expenditure
  - (3) Net Exports
  - (4) Government Policies
45. What is the income of a teacher teaching at his own house a part of?
- (1) Mixed Income of self-employed
  - (2) Domestic Income
  - (3) National Income
  - (4) All of the Above
46. Identify the correctly matched items from Column I to that of Column II:

Column I	Column II
(1) Feature of Monopoly Market	(a) There is only one seller.
(2) Advantage of Monopoly Market	(b) Government policies and restriction.
(3) Limitation of Monopoly Market	(c) Free entry and exit of the firm.
(d) Feature of Perfect Competition	(4) More than one seller and only one buyer.

- (1) 1 – (a)                      (2) 2 – (b)
- (3) 3 – (c)                      (4) 4 – (d)

I. Refer to the passage below and answer the following questions.

Economic problem is the problem of choice. The problem of choice has to be faced by every economy of the world, whether developed or developing. Human beings have wants which are unlimited. Economic problems are reflected in the form of Central or Basic Problems of an economy. Any economy --whether market, centrally planned, or mixed --has to face these problems. In economic analysis, the concept of opportunity cost is widely used. Opportunity cost is defined as the cost of alternative opportunity given up or surrendered.

47. The problem of choice is faced by:
- (1) Centrally planned economy
  - (2) Socialist economy
  - (3) Mixed economy
  - (4) All of the above
48. A professor can do three jobs --teaching, tuition work and writing books. He gets ₹ 2 lakhs from teaching, ₹ 1.5 lakhs from tuition work and ₹ 2.5 lakhs from the royalty of books. He is presently teaching. What is the opportunity cost of writing books?
- (1) Tuition work
  - (2) Teaching
  - (3) Switching profession
  - (4) Writing books
49. Consider the following statements:
- Statement 1:** Resources or factors of production can be natural, human, capital, and entrepreneurial.
- Statement 2:** An economy must make a choice of the wants which are important for the economy.
- (1) Both Statements are true
  - (2) Both Statements are false
  - (3) Statement (1) is only true
  - (4) Statement (2) is only true
50. Which system of economy does India follow?
- (1) Mixed
  - (2) Centrally planned
  - (3) Market
  - (4) None of these

# SOLUTIONS

## 1. Option (4) is correct.

*Explanation:* Precautions while using Expenditure Method:

- (i) Only final expenditure is to be taken into account to avoid error of double counting.
- (ii) Expenditure on second hand goods is not to be included.
- (iii) Expenditure on transfer payments by the government is not to be included.
- (iv) Imputed value of expenditure on goods produced for self consumption should be taken into account.
- (v) Expenditure on shares and bonds is not to be included in total expenditure.

## 2. Option (1) is correct.

*Explanation:* Building of railway tracks is a capital expenditure as it is creating an asset. An expenditure that either create assets for the government or cause reduction in liabilities of the government is a capital expenditure. In capital expenditure any one of the above conditions must be satisfied. Thus, it refers to expenditure that leads to creation of assets and reduction in liabilities. Such expenditure is incurred on long period development.

## 3. Option (4) is correct.

*Explanation:*

- (a) Demand Curve of Perfect Competition: Horizontal to X- axis
- (b) Demand Curve of Mono poly : Downward sloping
- (c) Demand Curve of Monopolistic Competition : Downward Sloping
- (d) Demand Curve of Oligopoly : Indeterminant

## 4. Option (1) is correct.

*Explanation:* In money supply, CU is currency (notes plus coins) held by the public and DD is net demand deposits held by commercial banks. The word 'net' implies that only deposits of the public held by the banks are to be included in money supply. The interbank

deposits, which a commercial bank holds in other commercial banks, are not to be regarded as part of money supply.

## 5. Option (3) is correct.

*Explanation:* Supply function shows the functional relationship between supply of a commodity and the various factors like price of related goods, price of factors of production, goals of the firm etc.

## 6. Option (3) is correct.

*Explanation:* Budget is a financial statement showing the expected receipt and expenditure of Government for the coming fiscal or financial year.

## 7. Option (2) is correct.

*Explanation:* When the investment is less than savings, the expenditure in the economy is less than what producers had expected, resulting in undesired building-up of unsold stock. Consequently, AD falls short of AS.

## 8. Option (1) is correct.

*Explanation:* Simplest consumption function assumes that the consumption changes constantly as per the change in the income.

## 9. Option (1) is correct.

*Explanation:* Law of supply shows that the direct relationship between price and quantity supplied. As price rises, quantity supplied also rises and as the price falls, quantity supplied also falls.

## 10. Option (2) is correct.

*Explanation:* When the goods and services are produced by all producing units in the domestic territory of a country during an accounting year and valued at base year's prices or constant price, it is called real GDP or GDP at constant prices.

## 11. Option (1) is correct.

*Explanation:* Oligopoly is a form of market in which there are few big sellers of a



commodity and a large number of buyers. Each seller has a significant share of the market.

**12. Option (1) is correct.**

*Explanation:* Lending to Kenya will result in increase in assets.

**13. Option (3) is correct.**

*Explanation:*

- (a) **Feature of Perfect Competition :** Large Number of buyers and sellers
- (b) **Feature of Monopoly Market :** Only one seller
- (c) **Feature of Monopolistic Competition :** Large Number of Buyers and Sellers
- (d) **Feature of Monopoly Market :** Large number of buyers

**14. Option (1) is correct.**

*Explanation:* Price Elasticity of Demand is defined as the measurement of percentage in quantity demanded in response to a given percentage change in own price of the commodity.

**15. Option (2) is correct.**

*Explanation:* When the price of related goods fall, the good becomes relatively more profitable to produce, shifting the supply curve to the right.

**16. Option (1) is correct.**

*Explanation:* Marginal revenue equals the market price because market price is not affected by the output choice of a single firm.

**17. Option (3) is correct.**

*Explanation:*  $M_1$  and  $M_2$  are narrow money as they include highly liquid assets which are easily acceptable for payments  $M_3 = M_1 + \text{Time Deposits of Public with Banks.}$

**18. Option (2) is correct.**

*Explanation:* Adverse bot is a situation in which the value of the goods a country import is more than the value of goods it exports.

**19. Option (2) is correct.**

*Explanation:* Real GDP changes only by change in physical output not by change in price level. It is called a true indicator of economic development.

**20. Option (2) is correct.**

*Explanation:*

- (a) **Budget Line :**  $M = P_x \cdot x + P_y \cdot y$
- (b) **Bajra :** Inferior goods
- (c) **Consumer equilibrium:** Price ceiling
- (d) **Elastic Demand :** Luxurious goods

**21. Option (2) is correct.**

*Explanation:* APS is the ratio of saving to income.

**22. Option (1) is correct.**

*Explanation:* Income effect means with fall in the price of a good, consumer's real income or purchasing power rises and he demands more units of the good. This shows that when the price falls, demand increases and so the demand curve is downward sloping.

**23. Option (4) is correct.**

*Explanation:* A higher indifference curve represents a higher level of satisfaction. It is because of the assumption that preferences are monotonic. Therefore, the assertion is incorrect and the reason is true.

**24. Option (3) is correct.**

*Explanation:* The difference between export and import of goods, i.e. only the visible items of economic transactions is termed as Balance of Trade. A deficit in Balance of Trade indicates that the value of export of goods is less than the imports of goods for a country.

**25. Option (2) is correct.**

*Explanation:* Marginal revenue can be defined as change in total revenue divided by increase in one unit of output.

A TR curve is a straight line coming out of the origin the slope of a TR is equal to MR, it equals the market price and AR in perfect competition.

**26. Option (1) is correct**

*Explanation:* Aggregate demand and supply affected by saving and investment.

**27. Option (1) is correct.**

*Explanation:* A rational firm aims to operate in second phase of law of variable proportion which is decreasing returns to a factor because in this phase, total product reaches its maximum point and marginal product starts to fall but is positive.

**28. Option (2) is correct.**

*Explanation:* In 2016-17 the value of non-tax revenue is 2.7 and in 2017-18 the value of non-tax revenue is 1.9. The difference between the two is  $2.7 - 1.9 = 0.8$ . So, the value of non-tax revenue has risen by 0.8.

**29. Option (3) is correct.**

*Explanation:* In general, Real GDP and Welfare are directly related with each other. A higher GDP implies more production of goods and services. It means more availability of goods and services. But more goods and services may not necessarily indicate that the people were better off during the year. In other words, a higher GDP may not necessarily mean higher welfare of the people.

**30. Option (2) is correct.**

*Explanation:* Perfect Competition is a type of market where there are a large number of buyers and sellers selling homogeneous goods.

**31. Option (1) is correct.**

*Explanation:* The term investment multiplier refers to the concept that any increase in public or private investment spending has a more than proportionate positive impact on aggregate income and the general economy.

**32. Option (2) is correct.**

*Explanation:* Total physical product can be defined as total output produced by a firm during a given period of time with given number of inputs. In other words, total product is total production made by a firm.

**33. Option (4) is correct.**

*Explanation:* Current account is that account of BoP, which records exports and imports of visible and invisible items and unilateral transfers. Balance of current account is the difference between sum of credit items and sum of debit items entered in the current account.

**34. Option (3) is correct.**

*Explanation:* Tea Shops are Monopolistic Competition; Cafeteria are Monopolistic Competition; Railways are Monopoly.

**35. Option (1) is correct.**

*Explanation:* Interest Earned by normal resident is included in the National Income as it is a type of transfer payment.

**36. Option (2) is correct.**

*Explanation:* Homogeneous products are those products which are similar in size, colour, brand, design etc. They are perfect substitutes of each other.

**37. Option (1) is correct.**

*Explanation:* The above statement is true that production function exhibits technological relationship between physical inputs and output. For example, output is a function of Land and Labour.

**38. Option (4) is correct.**

*Explanation:* The company does not consider any other basis like direct and indirect costs or revenue and capital cost or functional classification for cost classification.

**39. Option (2) is correct.**

*Explanation:* Only Geeta is correct as the Central Bank is only the controller of credit and not the Commercial bank. The commercial banks only create credit. Credit control and control of money supply is probably the most important function of a Central Bank. Through various methods/instruments of credit control the Central Bank aims to achieve growth with stability in an economy.

**40. Option (1) is correct.**

*Explanation:* As the expenditure on subsidies and on scholarships do not create an asset nor does it reduce a liability, so it is an example of revenue expenditure.

**41. Option (4) is correct.**

*Explanation:* Air conditioners are luxury goods and luxury goods have an elastic demand curve.

**42. Option (3) is correct.**

*Explanation:* Factor Cost is the sum total of the money values.

**43. Option (1) is correct.**

*Explanation:* As the movement is from left to right and the demand curve shows a negative relation, the price elasticity of demand will keep on falling.

**44. Option (4) is correct.**

*Explanation:*  
 $AD = C + I + G + X - M$   
Where,  
C = Household Consumption Expenditure



I=Private Investment Expenditure  
G=Government Expenditure  
X-M=Net Exports

**45. Option (4) is correct.**

*Explanation:* Income of the teacher teaching at his own house is a mixed income which will form a part of Domestic Income, which in turn will be added to the National Income.

**46. Option (1) is correct.**

*Explanation:*

- (a) **Feature of Monopoly Market** - There is only one seller.
- (b) **Advantage of Monopoly Market** - Firm is a price maker
- (c) **Limitation of Monopoly Market** - Government policies and restriction
- (d) **Feature of Perfect Competition** - Free entry and exit of the firm

**47. Option (4) is correct.**

*Explanation:* As per the above paragraph, problem of choice has to be faced by every economy of the world.

**48. Option (4) is correct.**

*Explanation:* Opportunity cost is the next best alternative you can choose among the list of available options. Here the next best alternative is writing books, in which he can earn 2.5 lakhs rupees.

**49. Option (1) is correct.**

*Explanation:* Resources are scarce and can be of four types; natural (land), human (labour), capital (machines), and entrepreneurship. For answering the question 'how to produce?', an economy must make a choice of the wants which are important for the economy. Even though the two statements are not linked together, both are true individually.

**50. Option (1) is correct.**

*Explanation:* India has a mixed economy, with both the private and state sectors coexisting, and the country taking advantage of international trade.