

PRACTICE PAPER

8

Time allowed: 45 minutes

Maximum Marks: 200

General Instructions: Same as Practice Paper-1.

SECTION-A: INTRODUCTORY MICROECONOMICS

Choose the correct option:

1. Study of cotton textile industry is a:
(a) microeconomic study (b) macroeconomic study
(c) either (a) or (b) (d) neither (a) or (b)
2. Which of the following is related to the problem 'for whom to produce'?
(a) Production of different goods (b) Optimum utilisation of resources
(c) Techniques of production (d) None of these
3. Law of diminishing marginal utility is related to _____.
(a) production (b) consumption (c) investment (d) exchange
4. When income of the buyers reduces, they tend to increase the consumption of:
(a) normal goods (b) inferior goods (c) both (a) and (b) (d) none of these
5. With 8 per cent rise in the price of potatoes, their demand falls by 5 per cent. What is the elasticity of demand of potatoes?
(a) 0.625 (b) 1.6 (c) 1.0 (d) 1.3
6. When 8 per cent decrease in price of a commodity causes 2 per cent increase in expenditure of the commodity, the elasticity of demand is:
(a) zero (b) greater than one (c) less than one (d) unity
7. In the following question, two statements are given. Read the statements carefully and choose the correct alternative among those given below:
Statement 1 : Giffen goods are highly inferior goods.
Statement 2 : Other things remaining constant, a consumer will buy more apples when their price falls.
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) : "Utility can be expressed in cardinal numbers" is the basic limitation of utility analysis.
Reason (R) : The standard unit of measurement used by Marshall to measure utility is utils.

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

Column I	Column II
A. Demand curve	(i) Complete the demand for each other
B. Giffen goods	(ii) Graphic presentation of demand schedule
C. Complementary goods	(iii) Quantity demanded decreases due to a rise in own price of the commodity
D. Contraction of demand	(iv) Highly inferior goods

Alternatives:

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

10.

Units of Commodity-X	MU _x (Utils)
1	20
2	18
3	16
4	10
5	0
6	-5

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

Find the point of consumer's equilibrium when the price of commodity-X is ₹ 4 per unit, and marginal utility of money is 4.

- (a) Consumer equilibrium is struck when 2 units of commodity-X are consumed
 (b) Consumer equilibrium is struck when 3 units of commodity-X are consumed
 (c) Consumer equilibrium is struck when 4 units of commodity-X are consumed
 (d) Consumer equilibrium is struck when 5 units of commodity-X are consumed

SECTION-B: INTRODUCTORY MACROECONOMICS

Choose the correct option:

11. Which of the following is a macroeconomic variable?

- (a) National income (b) Consumption expenditure in the economy
 (c) Investment expenditure in the economy (d) All of these

12. Intermediate consumption refers to the value of _____.

- (a) factor inputs (b) non-factor inputs
 (c) fixed inputs (d) none of these

13. If some output remains unsold during the year, then:

- (a) value of output = sales (b) value of output = sales + change in stock
 (c) value of output = closing stock – opening stock (d) value of output = intermediate consumption

- 14. Which of the following is a basic assumption of the Keynesian theory?**
 (a) Short period analysis (b) Two sector closed economy
 (c) AS is perfectly elastic (d) All of these
- 15. The value of multiplier lies between _____.**
 (a) 0 and 1 (b) 0 and ∞ (c) -1 and 1 (d) 1 and ∞
- 16. In case of credit money:**
 (a) money value = commodity value (b) money value > commodity value
 (c) money value < commodity value (d) none of these
- 17. Money value is equal to commodity value in case of:**
 (a) fiat money (b) full bodied money
 (c) fiduciary money (d) credit money
- 18. Sole authority of issuing note in India is:**
 (a) Commercial Bank (b) Ministry of Finance
 (c) Reserve Bank of India (d) Department of Revenue
- 19. Disinvestment refers to:**
 (a) addition to the existing stock of capital (b) balancing the existing stock of capital
 (c) withdrawal of existing investment (d) none of these
- 20. GST is an example of:**
 (a) direct tax (b) indirect tax
 (c) wealth tax (d) none of these
- 21. In case of fees:**
 (a) the payer receives some service from the government
 (b) the payer does not receive some service from the government
 (c) assets of the government are reduced
 (d) none of these
- 22. Currency appreciation takes place when:**
 (a) domestic currency loses its value in relation to a foreign currency
 (b) there is an increase in the price of a foreign currency in terms of the domestic currency
 (c) there is a decrease in the price of a foreign currency in terms of the domestic currency
 (d) none of these
- 23. The exchange rate at which demand for foreign currency is equal to its supply is called:**
 (a) equilibrium exchange rate (b) floating exchange rate
 (c) par exchange rate (d) both (a) and (c)

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 :** Inflationary gap can be corrected by lowering the level of autonomous investment.
Statement 2 : In a situation of inflationary gap, general price level tends to rise.
- 25. Statement 1 :** Multiplier process assumes the existence of excess capacity in the economy.
Statement 2 : There is a direct relationship between MPC and value of investment multiplier.

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) :** Old-age pension is included in the estimation of national income of India.

Reason (R) : It is treated as a transfer payment.

27. **Assertion (A) :** Factor payments are always equal to factor cost.

Reason (R) : Factor cost refers to the cost incurred on factors of production.

28. **Assertion (A) :** The value of marginal propensity to save is always positive.

Reason (R) : There is a positive relationship between saving and income.

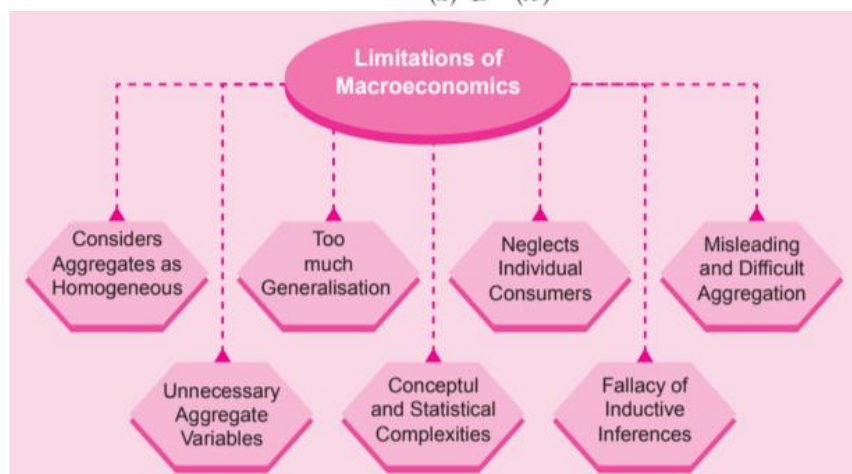
29. From the following given sets of statements in column I and II, choose the correct pair of statements:

Column I	Column II
A. Current account of balance of payments	(i) A part of balance of trade
B. Invisible items of balance of payments	(ii) Can be seen crossing the borders
C. Capital account of balance of payments	(iii) International sale and purchase of financial assets
D. Balance of payments equilibrium	(iv) Movement of official reserves

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 is not a limitation of macroeconomics?

- (a) Fallacy of inductive inferences
- (b) Too much generalisation
- (c) Misleading and difficult aggregation
- (d) None of these

SECTION-C: INDIAN ECONOMIC DEVELOPMENT

Choose the correct option:

31. China initiated the “One Child Policy” in the year _____.

- (a) 1976
- (b) 1977
- (c) 1978
- (d) 1979

32. Structural transformation in a country paves way for _____.
 (a) stagnation (b) backwardness (c) urbanisation (d) lack of mobility
33. _____ is the second largest economy in the world with its GDP at nearly \$22.5 trillion.
 (a) USA (b) India (c) China (d) Pakistan
34. The principal concerns of environmental degradation in India does not include _____.
 (a) degradation of land (b) spike in biodiversity
 (c) problem of solid waste management (d) None of these
35. Use of wood as a household fuel is an example of _____ of resources.
 (a) overuse (b) underuse (c) misuse (d) none of these
36. Private sector has emerged as a dominant source of healthcare services in India as _____.
 (a) it accounts for more than 80 per cent of total healthcare spending in India
 (b) it has a significant presence in sub-markets like medical education, training, etc
 (c) it has high availability of high tech facilities
 (d) all of these
37. Agricultural marketing does not comprise of _____.
 (a) transportation of the produce to the market place for sale
 (b) grading of the produce according to the quality
 (c) storage of the produce for sale in future
 (d) credit taken to meet expenditure on agriculture
38. Physical capital is:
 (a) tangible in nature (b) intangible in nature (c) not perfectly mobile (d) none of these
39. Swarna Jayanti Shahri Rojgar Yojana was started in:
 (a) 1997 (b) 2000 (c) 1990 (d) 2001
40. Economic policy in India prior to 1991 indicated heavy reliance on:
 (a) public sector (b) inward looking strategy of growth
 (c) both (a) and (b) (d) none of these
41. The Architect of Indian Planning was:
 (a) Jawaharlal Nehru (b) P.C. Mahalanobis
 (c) Sardar Vallabh Bhai Patel (d) B.R. Ambedkar
42. Which economic system was adopted for the reconstruction of the Indian economy post independence?
 (a) Capitalism (b) Socialism (c) Mixed economy (d) None of these
43. Distribution of working population among different sectors of the economy is called:
 (a) occupational structure (b) output structure
 (c) population structure (d) gender structure

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** : Medical infrastructure is not comprehensively developed in India.
Statement 2 : Enforcement of laws relating to medical tourism is still a far cry in our country.
45. **Statement 1** : Allopathy is a system of Indian medicine.
Statement 2 : Indian systems of medicine are systems of medicine which are considered to be Indian in origin or which have come to India from outside but got assimilated into Indian culture.

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) : Occupational structure in India has shown only a modest change over time.

Reason (R) : High percentage of employment in primary sector in India continues to exist.

47. Assertion (A) : Organic farming promotes sustainable development.

Reason (R) : It discards the use of chemical inputs.

48. Assertion (A) : There is lesser availability of land per head of farming population.

Reason (R) : The occupational structure in India shows greater dependence on agriculture.

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

Column I	Column II
A. Physical capital	(i) Facilitates fuller/better utilisation of the skills
B. Brain Drain	(ii) Sum total of skill and expertise of all types of those persons who are engaged in the process of production
C. Human capital	(iii) A problem related to human capital formation in India
D. Migration	(iv) Tangible in nature

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—(iv), B—(iii), C—(ii), D—(i)

50.

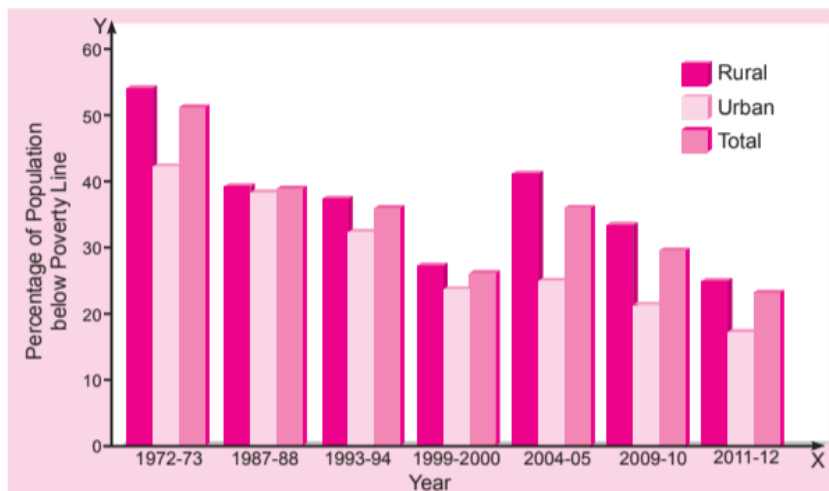


Figure showing percentage of Population below Poverty Line

On the basis of the given bar diagram, identify the years when the percentage of population living below poverty line were lesser than 35%.

(a) 1999-2000, 2009-10, 2011-12

(b) 1999-2000, 2004-05, 2011-12

(c) 1999-2000, 1993-94, 2011-12

(d) 1972-73, 2009-10, 2011-12



Answers

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