TEST BOOKLET NO-25019

MAIN PAPER

Time : 3:00 hrs

Total Marks: 200

ECONOMICS

INSTRUCTIONS TO CANDIDATES

Read the instructions carefully before answering the questions: -

1. This Test Booklet consists of 12 (twelve) pages and has 64(SIXTY FOUR) items (questions).
2. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS BOOKLET *DOES NOT* HAVE ANY UNPRINTED OR TORN OR MISSING PAGES OR ITEMS ETC. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.
3. **Please note that it is the candidate's responsibility to fill in the Roll Number and other required details carefully and without any omission or discrepancy at the appropriate places in the OMR Answer Sheet and the Separate Answer Booklet. Any omission/discrepancy will render the OMR Answer Sheet and the Separate Answer Booklet liable for rejection.**
4. Do not write anything else on the OMR Answer Sheet except the required information. Before you proceed to mark in the OMR Answer Sheet, please ensure that you have filled in the required particulars as per given instructions.
5. Use **only Black Ball Point Pen** to fill the OMR Answer Sheet.
6. This Test Booklet is divided into 4 (four) parts – **Part – I, Part – II, Part III and Part IV.**
7. All parts are **Compulsory.**
8. **Part-I consists of Multiple Choice-based Questions.** The answers to these questions have to be marked in the **OMR Answer Sheet** provided to you.
9. **Part – II, III & IV consists of Conventional Questions.** The answers to these questions have to be written in the **Separate Answer Booklet** provided to you.
10. In Part-I, each item (question) comprises of 04 (four) responses (answers). You are required to select the response which you want to mark on the OMR Answer Sheet. In case you feel that there is more than one correct response, mark the response which you consider the best. In any case, choose *ONLY ONE* response for each item.
11. After you have completed filling in all your responses on the OMR Answer Sheet and the Answer Booklet(s) and the examination has concluded, you should hand over to the Invigilator *only the OMR Answer Sheet and the Answer Booklet(s).* You are permitted to take the Test Booklet with you.
12. **Penalty for wrong answers in Multiple Choice-based Questions:**
    THERE WIL BE **PENALTY** FOR WRONG ANSWERS MARKED BY A CANDIDATE.
    (i) There are four alternatives for the answer to every question. For each question for which a wrong answer has been given by the candidate, **one-third** of the marks assigned to the question will be deducted as penalty.
    (ii) If a candidate gives more than one answer, it will be treated as a **wrong answer** even if one of the given answers happens to be correct and there will be same penalty as above to the question.
    (iii) If a question is left blank. i.e., no answer is given by the candidate, there will be **no penalty** for that question.

MULTIPLE CHOICE BASED QUESTIONS

Instructions for Questions 1 to 50:

- Choose the correct answer for the following questions
- Each question carries 2 marks   (50 x 2 = 100 marks)

1. What is investment multiplier?

   a. Rate of return from investment in stock market
   b. Ratio of change in equilibrium income to change in investment
   c. Ratio of change in investment to change in equilibrium saving
   d. Ratio of change in investment to change in equilibrium income

2. Who was the proponent of Absolute Advantage Trade Theory?

   a. David Ricardo
   b. Adam Smith
   c. A.O. Hume
   d. A.C. Pigou

3. Based on the following Assertion (A) and Reason (R) choose the correct answer:
   Assertion (A): Rise in Marginal Propensity to Save reduces the value of investment multiplier.
   Reason (R): Consumption is a positive function of income.

   a. A and R are true and R is the correct explanation of A
   b. A and R are true and R is not the correct explanation of A
   c. A is true but R is false
   d. A is false but R is true

4. A monopoly market is not characterised by which one of the following:

   a. Single Seller
   b. Products are differentiated
   c. Large number of buyers
   d. Seller is price taker

5. Which of the following conditions will be achieved by a perfectly competitive firm at equilibrium with profit maximization objective?

   a. MC line intersects MR line from below
   b. MC line intersect MR line from above
   c. AR is greater than AC
   d. MR line intersects the AC line before the minimum point of AC line

6. Which of the following properties does not qualify for the indifference curve?

   a. Two indifference curves don't intersect each other
   b. Lower indifference curve is characterized by lower satisfaction to consumer as compared to higher indifference curve.
   c. Two indifference curves can intersect each other.
   d. An indifference curve is characterised by different combinations of goods on X and Y Axis.

7. Choose the correct set of statements based on the following statements.

   i.   A perfectly competitive firm sometimes earns super normal profit in short run.
   ii.   A perfectly competitive firm always makes normal profit in short-run.
   iii.   A perfectly competitive firm makes losses sometimes in short run.
   iv.   At equilibrium, a perfectly competitive firm is more efficient than monopolistic firm.

   a. i, ii and iii
   b. i, ii and iv
   c. ii, iii and iv
   d. i, iii and iv

8. What does the Cross Elasticity of Demand measure?

   a. Change in demand of a good due to change in income of buyer
   b. Change in demand of a good due to change in taste and preference of buyer
   c. Change in demand for a good due to change in price of the same good
   d. Change in demand for a good due to change in the price of related good

9. Which of the following will not shift the demand curve for a good given other things unchanged?

   a. A change in the price of related good
   b. A change in the price of unrelated good
   c. A change in the income of buyers
   d. A change in taste and preference of buyers

10. Which of the following statement is true for the income effect?

    a. The income effect is always positive for inferior goods
    b. The income effect is always negative for inferior goods
    c. The income effect is always negative for superior goods
    d. The income effect is zero for normal goods.

11. Which statement is not an example of positive economics?

    a. Price rise leads to lesser purchasing power of consumers
    b. The economy should have full employment
    c. Rise in GDP leads to rise in employment with constant technology
    d. Rise in exports has caused the GDP to rise

12. Pigouvian Tax stands for mainly:

   a. Reducing income inequality
   b. Bringing more FDI in the economy
   c. Correcting market inefficiency through reducing negative externalities
   d. None of the above

13. A producer's positively sloped supply curve for a commodity represents:

   a. A maximum possible supply that producer intends
   b. A minimum possible supply that producer intends
   c. Any possible supply that producer intends depending upon the price
   d. None of the above

14. If there is change in price of a particular commodity from Rs. 5 to Rs. 6 then the demand for the commodity falls from 200 units to 175 units. What is the price elasticity of demand here?

   a. -2.500
   b. -0.625
   c. -0.525
   d. -0.125

15. In a three sector economy (household, business and government) with lump-sum taxation system, if the government has decided to finance its any additional expenditure by raising tax following the Balance Budget concept, what will be the rise in equilibrium income if government expenditure rises by Rs. 100 crore?

   a. No change in equilibrium income
   b. More than Rs. 100 crore
   c. Less than Rs. 100 crore
   d. Exactly equal to Rs. 100 crore

16. Given real interest rate, as per the Fisher Equation, what will happen to nominal interest rate if the expected inflation rises by 2 percent?

   a. Nominal interest rate rises more than 2 percent
   b. Nominal interest rate rises less than 2 percent
   c. Nominal interest rate rises equal to 2 percent
   d. None of the above

17. Which of the following measures the difference between government's fiscal deficit and its total interest payment?

   a. Budget Deficit
   b. Fiscal Deficit
   c. Primary Deficit
   d. Revenue Deficit

18. As per the loanable funds market theory, the real interest rate will

    a. Rise if the demand for loanable funds falls given the supply of loanable funds
    b. Fall if the demand for loanable funds falls given the supply of loanable funds
    c. Fall if the supply of loanable funds falls given the demand of loanable funds
    d. None of the above

19. Who is the author of the book "General Theory of Employment, Interest and Money"?

    a. J.B. Say
    b. Alfred Marshall
    c. A.C. Pigou
    d. J.M. Keynes

20. Given the statements below find out the combination of correct statements:

    i.   If the price a producer receives more than what he expects for a particular quantity of his commodity then there is producer surplus.
    ii. If the price a producer receives less than what he expects for a particular quantity of his commodity then there is producer surplus.
    iii. If the price a consumer pays less than what he expects for a particular quantity of commodity then there is consumer surplus.
    iv. Consumer surplus is the area below the demand curve and above the market price.
    v.   Producer surplus is the area below the supply curve and below the market price.

    a. i, ii, iii
    b. i, ii, iv
    c. ii, iii, v
    d. i, iii, iv

21. Suppose the RBI wants to follow expansionary monetary policy. Which of the following options may not help in its objective?

    a. Reduction in Cash Reserve Ratio
    b. Reduction in Repo rate
    c. Increase in purchase of government bonds from the market
    d. Increase in the Standing Deposit Facility Rate

22. Based on the following Assertion (A) and Reason (R) choose the correct answer:
    Assertion (A): There is positive relationship between high powered money and total money supply.
    Reason (R): Money Multiplier plays important role in total money supply.

    a. A and R are true and R is the correct explanation of A
    b. A and R are true and R is not the correct explanation of A
    c. A is true but R is false
    d. A is false but R is true

23. Based on the following statements choose the combination of incorrect statements:

    i.   MPC + MPS = 1
    ii. MPC + MPS > 1
    iii. If MPC rises then MPS falls
    iv. If MPS falls then MPC also falls
    v. Lower MPC means higher value of investment multiplier

    a. i, iii, v
    b. ii, iii, iv
    c. ii, iv, v
    d. i, ii, iii

24. Based on the following options of government interventions choose the correct combination of expansionary fiscal policy.

    i.   Reduction in tax rate
    ii. Reduction in Government expenditure
    iii. Increase in investment subsidy
    iv. Increase in Government expenditure with special focus on rural India
    v. Decrease in revenue expenditure while keeping capital expenditure fixed

    a. i, iii, iv
    b. i, ii, iii
    c. ii, iv, v
    d. ii, iii, iv

25. Conventionally, fiscal policy consist of the following except:

    a. Government expenditure on arms purchase
    b. Government expenditure on paying the salary of judges
    c. Goods and Services Tax
    d. Government's reservation policy in jobs without increasing the government budget

26. Who is the current Chairperson of Monetary Policy Committee of the RBI

    a. C. Rangarajan
    b. Sanjay Malhotra
    c. Amitabh Kant
    d. Raghuram G. Rajan

27. Who is the current Vice-Chairman of NITI Aayog?

    a. Bibek Debroy
    b. Sanjeev Sanyal
    c. Arvind Panagariya
    d. Suman Bery

28. Which of the following statement is incorrect in case of the Harrod-Domar Growth Model?

    a. Growth rate of GDP is directly related to savings ratio
    b. Growth rate of GDP is inversely related to capital-output ratio
    c. Given saving rate higher output-capital ratio leads to lower economic growth
    d. Given the capital-output ratio the lower saving rate will lead to lower GDP growth rate

29. Which of the following is not the function of traditional commercial bank.

    a. Credit creation
    b. Maturity transformation
    c. Mobilization of Savings
    d. Printing money

30. Which amongst the following were categorised as development banks in Indian banking history?

    i.   ICICI
    ii. IFCI
    iii. IDBI
    iv. SBI

    a. i, ii, iv
    b. i, iii, iv
    c. i, ii, iii
    d. ii, iii, iv

31. Based on the following statements, choose the combination of correct statements.

    i.   Given other factors constant any rise in CRR decreases Money supply
    ii. Banks receive interest rate from the RBI on maintaining CRR with the RBI
    iii. NBFCs are not subjected to CRR
    iv. Cooperative banks are not subjected to CRR
    v.   CRR is to be maintained in proportion to total demand and time liabilities of banks.

    a. i, ii, iii
    b. i, iii, v
    c. ii, iii, iv
    d. i, ii, v

32. Describe the number of nationalized scheduled commercial banks in India currently.

    a. 10
    b. 17
    c. 21
    d. 12

33. Which committee recommended for credit societies, proposing a three-tier cooperative banking system at the centre, province and district levels?

    a. The Tarapore Committee (1997)
    b. The Narasimhan Committee (1991)
    c. The Maclagan Committee (1914)
    d. The Malhotra Committee (1993)

34. When was the Ministry of Cooperation set up as part of the Govt. of India?

    a. 2014
    b. 1952
    c. 1991
    d. 2021

35. Arrange the NER states/UT in declining order in terms of per-capita income as per 2020-21 data:

    a. Sikkim, Arunachal Pradesh, Mizoram, Nagaland, Tripura, Assam, Meghalaya, Manipur
    b. Sikkim, Mizoram, Arunachal Pradesh, Manipur, Assam, Meghalaya, Nagaland, Tripura
    c. Arunachal Pradesh, Assam, Manipur, Meghalaya, Sikkim, Mizoram, Nagaland, Tripura
    d. Manipur, Sikkim, Mizoram, Arunachal Pradesh, Assam, Meghalaya, Nagaland, Tripura

36. Which of the following National Income Identity is true for an open economy:

    a. $C+G = I+NX$
    b. $S-I = NX$
    c. $I+S = NX$
    d. $I = S$

37. Which of the following factors will not affect exchange rate in India if there is no government intervention in the foreign exchange market?

    a. Rise in interest rate in the international market
    b. Fall in the export and rise in the import of India
    c. Rise in the income of a foreign country which has no economic relation with India
    d. Rise in the income level of India

38. When were the IMF and World Bank set up?

    a. 1951
    b. 1942
    c. 1944
    d. 1973

39. Choose the combination of correct statements about the Green Revolution in India based on the following statements:

  i.   Green Revolution was started in the Third Five-Year Plan
  ii. Bihar, Odisha and Rajasthan have been the major beneficiaries of Green Revolution
  iii. Green Revolution targeted to increase milk production
  iv. Green Revolution was based on HYV seeds
  v.   M.S. Swaminathan is known as father of Green Revolution in India

  a. i, iii, iv
  b. ii, iii, iv
  c. ii, iv, v
  d. i, iv, v

40. GDP deflator is defined as:

  a. $\dfrac{\text{Current Year Market Price}}{\text{Base Year Market Price}}$

  b. $\dfrac{\text{Base Year Market Price}}{\text{Current Year Market Price}}$

  c. $\dfrac{\text{Real GDP}}{\text{Nominal GDP}}$

  d. $\dfrac{\text{Nominal GDP}}{\text{Inflation Rate}}$

41. Which of the following condition is correct to explain the relationship between Marginal Revenue (MR) and Price Elasticity of Demand (E_d) as per the economic theory given Average Revenue (AR):

  a. $MR = AR(1 + \frac{1}{E_d})$
  b. $MR = AR(1 - \frac{1}{E_d})$
  c. $MR = AR(1 + E_d)$
  d. $MR > AR(1 + \frac{1}{E_d})$

42. A firm is producing steel by using iron ore from the forest areas. But this process leads to destruction of forest and also causing rise in air pollution in the area where factory is set up. It carries adverse effects on the lives of people in surrounding. In economics this phenomena is known as:

  a. Positive Externality
  b. Pigouvian Effect
  c. Negative Externality
  d. Marshallian Phenomena

43. Which of the following is not considered as major economic system?

    a. HDI
    b. Capitalism
    c. Socialism
    d. Mixed Economy

44. What does Infant Mortality refer to:

    a. Number of deaths of infants below 1 year age per 1000 live births of children.
    b. Number of deaths of infants below 5 year age per 1000 live births of children.
    c. Number of deaths of infants below 1 year age per 100 live births of children.
    d. None of the above

45. Which of the following North-East region of India has the highest literacy rate?

    a. Sikkim
    b. Nagaland
    c. Arunachal Pradesh
    d. Mizoram

46. Which of the following element is not included in the calculation of Human Development Index?

    a. Per-capita income
    b. Literacy rate
    c. Population density
    d. Life expectancy

47. What is the rank of India in the HDI index as per the latest report (2024)

    a. 91
    b. 141
    c. 100
    d. 130

48. Who propounded of "The Innovation Theory of Profit"?

    a. Jawahar Lal Nehru
    b. Joseph Schumpeter
    c. Alfred Marshall
    d. Joan Robinson

49. A firm has production function with two inputs: labour and capital. Which condition specifies the optimum combination of these factors of production for a firm:

    a. $\dfrac{MP_L}{MP_K} = \dfrac{w}{r}$

    b. $\dfrac{MP_L}{MP_K} = \dfrac{r}{w}$

    c. $\dfrac{MP_K}{MP_L} < \dfrac{w}{r}$

    d. $\dfrac{MP_L}{MP_K} > \dfrac{w}{r}$

50. A central bank of an economy decides to sell and purchase foreign currencies only when it crosses upper and lower rates as fixed by the central bank. What is this system of arrangement of exchange rate known as?
    a. Dual Exchange Rate System
    b. Free Float Exchange Rate System
    c. Managed Float Exchange Rate System
    d. Fixed Exchange Rate System

PART – II

SHORT ANSWER TYPE QUESTIONS
(10x 5 marks each = 50 marks)

51. Illustrate the basic features of monopoly. Why is the demand line faced by the monopolist firm is downward sloping?
52. What is Giffen good? Why is the demand curve upward sloping in case of Giffen good?
53. What is Engel Curve? Derive graphically.
54. Differentiate between Absolute Advantage Trade Theory and Comparative Advantage Trade Theory.
55. What is Inflationary Gap? How can it be wiped out?
56. What are Marginal Standing Facility (MSF) and Standing Deposit Facility (SDF)?
57. What is balanced budget multiplier? Derive it.
58. What is Amartya Sen's Capabilities Approach?
59. What is the concept of effective demand and its role in income determination in an economy.
60. Why does the supply of labour curve bend backward after some point?

PART – III

LONG ANSWER TYPE QUESTIONS
(2 x 10 marks each = 20 marks)

61. Describe the concept and types of price discriminations in a monopolist market structure. Illustrate this concept with real life examples?
62. Differentiate between commercial and cooperative banking systems. How has cooperative banks have performed and suggest some measures to strengthen the cooperative banking system in India?

PART – IV

ESSAY TYPE QUESTIONS
(2 x 15 marks each = 30 marks)

63. Describe the role of RBI in Indian economy. Describe its inflationary targeting approach and its effectiveness based on the experience of the past few years.
64. Describe the role and functions of World Trade Organisation (WTO). How has it come under attack in the recent past and what is its future?

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