# TEST BOOKLET NO-25016
## MAIN PAPER

**Time : 2:00 hrs**

**Total Marks: 100**

## ECONOMICS

### INSTRUCTIONS TO CANDIDATES

*Read the instructions carefully before answering the questions: -*

1.  This Test Booklet consists of 12 (twelve) pages and has 50 (fifty ) 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. Any omission/discrepancy will render the OMR Answer Sheet 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 booklet consists of Multiple Choice-based Questions.** The answers to these questions have to be marked in the **OMR Answer Sheet** provided to you.
7.  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.
8.  After you have completed filling in all your responses on the OMR Answer Sheet and the examination has concluded, you should hand over to the Invigilator *the OMR Answer Sheet* .You are permitted to take the Test Booklet with you.
9.  **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. Who is the author of "Wealth of Nations"?

    A. J.M. Keynes
    B. J.S. Mill
    C. Alfred Marshal
    D. Adam Smith

2. Who was the proponent of Comparative 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): Economy is always at full employment.*
    *Reason (R): Perfectly competitive market is characterised by efficient functioning of market forces.*

    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 perfectly competitive market is not characterised by the following:

    A. There are large number of buyers and sellers
    B. Products are differentiated
    C. There is perfect information
    D. Sellers are price taker

5. Which of the following conditions will be met at equilibrium If a perfectly competitive firm follows profit maximization objective?

    A. MR>MC
    B. MR<MC
    C. MR=MC
    D. MR=TC

6. What will be the shape of an indifference curve for perfectly substitute goods?

   A. Concave to the origin
   B. Convex to the origin
   C. Straight and negatively sloped line
   D. L shaped line

7. Choose the correct set of statements based on the following statements.
   i.     A perfectly competitive firm always earns super normal profit in short run.
   ii.    A perfectly competitive firm always makes normal profit in long-run.
   iii.   A perfectly competitive firm makes losses sometimes in short run.
   iv.    A perfectly competitive firm is less efficient at equilibrium than monopolistic firm.

   A. i and ii
   B. ii and iii
   C. iii and iv
   D. i and iv

8. What does income elasticity of demand measure?

   A. Change in supply of a good due to change in income of buyer
   B. Change in price of a good due to change in income 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 income of buyer

9. 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 positive for normal goods
   D. The income effect is zero for normal goods.

10. 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

11. If there is change in price of a particular commodity from Rs. 5 to Rs. 5.50 then the demand for the commodity falls from 200 units to 150 units. What is the price elasticity of demand here?

   A. - 2.5
   B. - 2.0
   C. - 1.5
   D. - 0.5

12. What does the slope of an indifference curve stand for?

    A. Marginal Revenue
    B. Marginal Rate of Technical Substitution
    C. Marginal Utility
    D. Marginal Rate of Substitution

13. Which of the following is Karl Pearson's coefficient of correlation between two variables?

    A. The product of their standard deviation
    B. The co-variance between the variables
    C. Square root of the product of their regression coefficients
    D. None of the above

14. Which of the following measures the difference between government's total expenditure and its total revenue?

    A. Budget Deficit
    B. Fiscal Deficit
    C. Primary Deficit
    D. Revenue Deficit

15. Net Domestic Product (NDP) is defined as:

    A. Gross Domestic Product – Net factor income from abroad
    B. Gross Domestic Product – Interest Payments
    C. Gross Domestic Product – Net Subsidies
    D. Gross Domestic Product – Depreciation

16. What is "Say's Law"?

    A. Demand creates its own supply
    B. When prices rise the demand too rises
    C. Supply creates its own demand
    D. Economy is always at equilibrium in short run

17. What will happen as per the Fisher Equation?

    A. Rise in nominal interest rate is not equal to rise in real interest rate with no change in inflation rate
    B. Rise in real interest rate is more than rise in inflation rate with no change in nominal interest rate
    C. Rise in nominal interest rate is less than rise in inflation rate with no change in real interest rate
    D. Rise in nominal interest rate is equal to rise in inflation rate with no change in real interest rate

18. Which of the following is not the instrument of monetary policy in India?

    A. Cash Reserve Ratio
    B. Repo rate
    C. Bank rate
    D. Priority sector lending

19. Based on the following Assertion (A) and Reason (R) choose the correct answer:
    *Assertion (A): Rise in investment causes national income to rise more than rise in investment in an economy.*
    *Reason (R): Marginal Propensity to Consume is negative.*

    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

20. Based on the following statements choose the correct combination of 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. More MPC means higher value of investment multiplier

    A. i, iii, v
    B. ii, iii, iv
    C. iii, iv, v
    D. i, ii, iii

21. An economy with two sectors (household and business) will experience rise of equilibrium income if there is rise in private investment by Rs. 1 crore. What will be the rise of income if MPS = 0.25?

    A. Rs. 4 crore
    B. Rs. 3 crore
    C. Rs. 1 crore
    D. Rs. 2.5 crore

22. Fiscal Policy does not consist of which of the following?

    A. Government expenditure on school education
    B. Government Taxation on agricultural product
    C. Government Expenditure on import of arms from France
    D. Purchase of government bonds by the RBI

23. Which of the following combinations are part of measures the money supply in India:
    i.     Other deposits with the RBI
    ii.    Bank Deposits
    iii.   Shares of reliance company
    iv.    Currency in circulation
    v.     Foreign exchange reserves

    A. i, ii, iii
    B. i, iii, v
    C. i, ii, v
    D. i, ii, iv

24. Who is the current chairperson of the Monetary Policy Committee of India?

    A. D. Subbarao
    B. C. Rangarajan
    C. Sanjeev Sanyal
    D. Sanjay Malhotra

25. When was the NITI Aayog established?

    A. 2014
    B. 2017
    C. 2016
    D. 2015

26. Harrod-Domar Growth Model the growth is:

    A. Directly related to savings ratio and capital-output ratio
    B. Directly related to saving ratio and inversely related to capital-output ratio
    C. Inversely related to capital-output ratio and saving ratio
    D. Directly related to capital-output ratio and inversely related to savings ratio

27. In the context of economic activities in an economy the PMI stands for:

    A. Products Manufacturing Index
    B. Price Marketing Index
    C. Procurement Mandate Indicator
    D. Purchasing Managers' Index

28. Which of the following combinations is not correct?

    A. GDP at MP – Depreciation = NDP at MP
    B. GDP at MP – Net Indirect Taxes = GDP at FC
    C. NNP at FC – Depreciation = GNP at FC
    D. GDP at FC – Depreciation = NDP at FC

29. Which of the following statements is incorrect?

    A. Illegal economic activities are included in the calculation of GDP.
    B. National Income does not always reflect the true welfare of the country.
    C. Rise in nominal income is caused by rise in real income.
    D. If increase in investment is more than capital consumption then only country's production capacity rises.

30. Which of the following statements is incorrect as per data for 2023-24?

    A. Service sector contributes the maximum share in India's GDP.
    B. Agriculture sector contributes the lowest share in India's GDP.
    C. Industrial sector contributes the maximum share in India's GDP.
    D. Industrial sector contributes more share than agriculture sector but less than service sector.

31. Choose the correct match based on the following table:

| A | SEBI | I | Debashish Panda |
| B | IRDAI | II | Tuhin Kanta Pandey |
| C | NITI Aayog | III | Vijay Paul Sharma |
| D | CACP | IV | Narendra Modi |

    A. A-I, B-II, C-III, D-IV
    B. A-II, B-I, C-IV, D-III
    C. A-I, B-III, C-IV, D-II
    D. A-II, B-I, C-III, D-IV

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

33. Which of the following describes consumer surplus?

    A. Price paid by consumer for a commodity
    B. Profit made by the firm
    C. The difference between price of a unit and its average cost
    D. The difference between the price that a consumer is willing to pay and the price that actually she/he pays

34. The production by a firm generates lots of pollution for the surrounding society. Which of the following options cannot be considered the solution for the problem as per economics principles?

   A. A tax is imposed on the firm to the extent that tax is adequate to compensate the adversely affected people.
   B. A subsidy is provided to the firm not to produce beyond a point that social surplus falls.
   C. Ask the adversely affected people to pay to the firm not to produce beyond a point that social surplus falls.
   D. Stop the firm from producing even this restriction leads to fall in social surplus

35. Which one of the following is not the features of contract curve in an exchange economy with two persons and two products model?

   A. Locus of contract curve is characterised by maximum possible social welfare
   B. Each point on contract curve is characterized by the Pareto Inefficiency
   C. Increase in welfare of one individual is not possible without decreasing the welfare of other individual
   D. All the points of contract curve are characterised by equality of the slopes of indifference curves of both persons

36. A firm having 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. $\dfrac{MP_L}{MP_K} > \dfrac{w}{r}$

37. How is Revenue deficit defined?

   A. Total Expenditure – Tax and Non-Tax Revenue
   B. Capital Expenditure – Non-tax revenue
   C. Revenue Expenditure – Tax Revenue
   D. Revenue Expenditure – Interest Received

38. Suppose an economy has high powered money equal to Rs. 20,00,000 and statutory Cash Reserve Ratio is 0.20 and Currency-Deposit Ratio is equal to 0.05. Find out the total money supply in that economy.

   A. Rs. 80,00,000
   B. Rs. 16,00,000
   C. Rs. 84,00,000
   D. Rs. 1,68,00,000

39. Which of the following was the period of the last Five Year Plan in India?

    A. 2012 – 2017
    B. 2010 – 2015
    C. 2015 – 2020
    D. 2007 – 2012

40. Which of the following post Dr. Man Mohan Singh did not hold in his public life?

    A. UGC Chairman
    B. Prime Minister of India
    C. Finance Minister of India
    D. Governor of Assam

41. Which of the following book was written by Dr. B.R. Ambedkar?

    A. Discovery of India
    B. India and its Economic Potentialities
    C. The Problems of The Rupee: Its Origin and Its Solution
    D. Poverty and Un-British Rule in India

42. Which of the following statements stands for Marshall-Lerner Condition?

    A. If the sum value of price elasticity of exports and price elasticity of imports is less than one then devaluation of exchange rate causes the improvement in trade balance.
    B. If the sum value of price elasticity of exports and price elasticity of imports is more than one then devaluation of exchange rate causes the improvement in trade balance.
    C. If the sum value of price elasticity of exports and price elasticity of imports is more than one then devaluation of exchange rate causes the deterioration trade balance.
    D. None of the above

43. In which country the last World Economic Forum-2025 was held in January?

    A. Brazil
    B. Germany
    C. India
    D. Switzerland

44. What is the number of member countries of the International Monetary Fund?

    A. 141
    B. 161
    C. 180
    D. 191

45. When was the World Bank established?

    A. 1938
    B. 1844
    C. 2014
    D. 1944

46. 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. $MR > AR(1 + \frac{1}{E_d})$

47. Suppose in a three sector economy (households, private business and government), the government raises expenditure by Rs. 100 crore with matching rise of autonomous taxes of Rs. 100 crore. Suppose the taxes collected are autonomous taxes and Marginal Propensity to Consume (MPC) is equal to 0.50. What will be the value of rise in equilibrium income in this economy?

    A. Rs. 100 crore
    B. Rs. 200 crore
    C. No change in equilibrium income
    D. None of the above

48. Which one of the following does not form the part of investment (addition to the capital stock) in an economy:

    A. Purchase of tractor by a farmer for his farm business
    B. Purchase of turbine by Power Plant
    C. Purchase of television by a household
    D. Purchase of new housing unit by a household

49. What does Modern Phillips Curve show?

    A. Positive relationship between exchange rate and domestic price level
    B. Negative relationship between exchange rate and domestic price level
    C. Positive relationship between unemployment rate and inflation rate in the country
    D. Negative relationship between unemployment rate and inflation rate in the country

50. Based on the following Assertion (A) and Reason (R) choose the correct answer:

   A: *Given all other factors constant, appreciation of nominal exchange rate increases trade deficit.*

   R: *Given all other factors constant, fall in domestic inflation rate causes decrease in domestic nominal interest rate .*

   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

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