

DO NOT OPEN THIS TEST BOOKLET UNTIL YOU ARE ASKED TO DO SO

23-0009-AJ TEST BOOKLET

ECONOMICS

Time Allowed: 3 hour s

PAPER - I

Maximum Marks: 300

INSTRUCTIONS TO CANDIDATES

Read the instructions carefully before answering the questions: -

1. This Test Booklet consists of 12(twelve) pages and has 75 (seventy-five) 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 three 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, Part-III and Part-IV consist of Conventional Essay-type 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.

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PART-I
(Multiple Choice-based Questions)

Instructions for Questions 1 to 50:

- *Choose the correct answers for the following questions.*
- *Each question carries 3 marks.*

[3x50=150]

1. High powered money is also known as -
 - (a) Base Money
 - (b) Reserve Money
 - (c) Narrow Money
 - (d) All of the above

2. Arrange the following forms of economic integration in the sequence of the least to the most integrated using the given codes: -
 - A) Common Market
 - B) Free Trade Area
 - C) Economic Union
 - D) Political Union
 - E) Customs Union

Codes:

- (a) A,B,C,D,E
 - (b) A,C,D,E,B
 - (c) B,E,A,C,D
 - (d) C,B,A,E,D
-
3. Demand curves have a negative slope because -
 - (a) firms tend to produce less of a good that is more costly to produce
 - (b) the substitution effect always leads consumers to substitute higher quality goods for lower quality goods
 - (c) the substitution effect always causes consumers try to substitute away from the consumption of a commodity when the commodity's price rises
 - (d) an increase in price reduces real income and the income effect always causes consumers to reduce consumption of a commodity when income falls

 4. Cash Reserve Ratio (CRR) is calculated as a percentage of each bank's -
 - (a) Savings of customers
 - (b) Rate of inflation
 - (c) Credit Growth
 - (d) Net demand and time liabilities

 5. He presented the theory of rent -
 - (a) Malthus
 - (b) Prof. Knight
 - (c) Ricardo
 - (d) Marshall

6. As per IS-LM framework, an increase in government expenditure will result in -
- Increase in both income and interest rate
 - Increase in income only
 - Decrease in both investment and interest rate
 - Decrease in both income and interest rate
7. Assertion (A): Monetarists disagreed with the Phillips curve analysis.
Reason(R): There is no unique correspondence of % inflation rate with % unemployment rate.

Codes:

- Both (A) and (R) are true (R) is the correct explanation of (A)
 - Both (A) and (R) are true, but (R) is not the correct explanation of (A)
 - (A) is true, but (R) is false
 - (A) is false, but (R) is true
8. Let elasticity of demand for exports for a certain country be ex and elasticity of demand for imports be em . Assume that the country devalues its currency. Its balance of payments will almost certainly show an improvement, if -
- $ex + em > 1$
 - $ex + em < 1$
 - $ex + em = 1$
 - $ex = em = 1$
9. Which amongst the following is not correctly matched with regard to balance of payments account?
- | Item | Nature |
|--|-------------------------------|
| (a) Import of goods and services | Debit in the current account |
| (b) Receipts of transfer payments | Credit in the current account |
| (c) Direct investment receipts | Credit in the capital account |
| <u>(d) Portfolio investment redemption</u> | Debit in the current account |
10. Arrange the structure of balance of payments accounts in order these items appear in the balance sheet -
- Capital Account
 - Errors and omissions
 - Current account
 - Official settlements account
- 1,2,3,4
 - 3,1,4,2
 - 4,3,2,1
 - 3,4,1,2

11. Which of the following explains the term economic development?
- Improvement in the technology involved
 - Improvement in production
 - Improvement in distribution system
 - All of the above
12. What does "BRICS" stand for?
- Brazil, Russia, India, China, South Africa
 - Baltic, Romania, Indonesia, Colombia, Singapore
 - Bangladesh, Rwanda, Indonesia, Canada, Sweden
 - Brazil, Romania, Iran, Canada, Sweden
13. Which of the following measures are taken under TRIMS agreement?
- Local content requirement
 - Foreign exchange balancing requirements
 - Import restrictions
 - Export performance requirements
14. The three different types of forex transactions are-
- Spot, forward, swaps
 - Spot, cash, DTC
 - Spot, forward, futures
 - Spot, future, options
15. Under a managed floating exchange rate system, the nation's monetary authorities intervene in foreign exchange markets to -
- Smooth out short run and long run fluctuations in exchange rates
 - Keep exchange rates fixed among a group of nations
 - Smooth out short run fluctuations in exchange rates
 - Keep exchange rates flexible
16. Which of the following are the merits of direct tax?
- Elasticity
 - Certainty
 - Economical
 - Productivity
 - Equity and fairness

Codes:

- 1,2,3,4 only
 - 3,4,5 only
 - 2,3,4 only
 - All of these
17. In the Harrod- Domar equation $g=s/v$, v is defined as -
- The value of country's capital stock
 - Incremental capital output ratio
 - The change in country's capital stock
 - None of the above

18. The unbalanced growth model was first propounded by -

- (a) Albert Hirschman
- (b) HS Singer and Raul Prebisch
- (c) Kindelberger and Ragnar Nurkse
- (d) WW Rostow and Paul Streeten

19. Human Development Index (HDI) is constructed with reference to -

- (a) Life expectancy at birth, real GDP per capita, gross enrolment ration, adult literacy rate
- (b) Life expectancy at birth, real GDP per capita, combined gross enrolment ration, adult literacy rate
- (c) Life expectancy at birth, GDP per capita, infant mortality rate, literacy rate
- (d) GDP per capita, infant mortality rate, literacy rate

20. Which of the following indicators are the components of PQLI in India?

- 1. Morbidity
- 2. Infant Mortality
- 3. Life expectancy at age 1
- 4. Basic literacy at age 15

Codes:

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

21. Vertical equity in taxation means -

- (a) People in different income groups should be taxed equally
- (b) People in different income groups should be taxed differently
- (c) People in different groups should be taxed differently
- (d) Unequal people should be treated equally

22. Which of the following will result in the crowding effect in the economy?

- 1. Public borrowings to finance spending on infrastructure
- 2. Public borrowings to finance spending on salaries and wages
- 3. Public borrowings to finance spending on health and education
- 4. Public borrowings to finance spending on skill development

Codes:

- (a) 1 and 2
- (b) 3 and 4
- (c) 1,2 and 3
- (d) 1,3 and 4

23. Which of the following are examples of direct tax?

1. Income Tax and Wealth Tax
2. Sales Tax and Excise Duty
3. Capital Gains tax
4. Corporate Tax

Codes:

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

24. Consider the following statements regarding Edgeworth Duopoly model and choose which is/are true -

1. It takes as given output decision of rival
2. It takes as given price decision of rival
3. It is an explanation of price rigidity

Codes:

- (a) Only 1
- (b) Both 1 and 2
- (c) Both 2 and 3
- (d) Only 3

25. In which of the following market situations are the firms mutually interdependent in pricing and output decisions?

- (a) Oligopoly
- (b) Monopsony
- (c) Monopoly
- (d) Monopolistic Competition

26. The oligopoly model in which the businessman assumes that his competition output is fixed and simultaneously decide how much to produce is -

- (a) Cournot Oligopoly Model
- (b) Stackelberg Oligopoly Model
- (c) Chamberlin's Oligopoly Market
- (d) Bertrand Oligopoly Model

27. Pareto optimality in production is gained in which of the following conditions?

- (a) $MRTS_{LK}^X = MRTS_{LK}^Y$
- (b) $MRS_{XY}^A = MRS_{XY}^B$
- (c) $MRS_{XY}^X = MRT_{XY}^L$
- (d) $MP_L / P_L = MP_K / P_K$

28. Economic development refers to -

- (a) Economic growth
- (b) Economic growth plus changes in output, distribution and economic structure
- (c) Improvement in the well-being of the urban population
- (d) Sustainable increase in the Gross National Product

29. According to Lewis' model, the dual economy grows only when
- The modern sector increases its output share relative to the traditional sector
 - Agriculture uses modern equipment
 - Agricultural sector hires labour economically
 - Modern manufacturing sector is labour intensive
30. Monetary policy affects the _____ and _____.
- Capital reserve, unemployment
 - Money supply, interest rate
 - Taxes, exchange rate
 - Stock price, minimum wage
31. Economic growth can be measured by the -
- CPI
 - CBI
 - GDP
 - MPC
32. Which growth model inspired the use of capital output ratio for development planning?
- The Harrod-Domar model
 - Solow's model
 - Kaldor's model
 - Feldman's model
33. Development with unlimited supplies of labour hypothesis was formulated by:
- Gustav Ranis
 - W.A. Lewis
 - R. Nurkse
 - J. Schumpeter
34. Which of the following terms explain economic growth?
- Increase in per capita production
 - Increase in per capita real income
 - Structural change in the economy
 - All of the above
35. Economic development is characterized by -
- Structural change in the economy
 - Change in the occupation structure
 - Both a and b
 - None of the above
36. Assertion (A): International trade along the lines of comparative advantage improves the allocative efficiency of existing resources.
Reason(R): International trade is an engine of growth.
- Both (A) and (R) are true and (A) is the correct explanation of (R)
 - Both (A) and (R) are true and (R) is the correct explanation (A)
 - (A) is true but (R) is false
 - (A) is false but (R) is true

37. One of the disadvantages of a fixed exchange rate is that -
- (a) It helps re-induce capital from abroad
 - (b) It helps to increase capital formation
 - (c) It helps to promote foreign trade
 - (d) All of the above
38. Kaldor distributed national income into -
- (a) Profit and wage
 - (b) Wage and rent
 - (c) Profit and rent
 - (d) Profit, wage and rent
39. Which of the following is correct?
- (a) The course of sales and profits of a product over its whole life is called Product Life Cycle
 - (b) The course of sales and profits of a product over its whole life is called Product Life Value
 - (c) The course of sales and profits of a product over its whole life is called Product Management
 - (d) The course of sales and profits of a product over its whole life is called Product Marketing Management
40. _____ are the taxes imposed on imports.
- (a) Import tax
 - (b) Tariffs
 - (c) Subsidies
 - (d) Import quotas
41. International Product Life Cycle Theory was given by -
- (a) Raymond Vernon
 - (b) David Ricardo
 - (c) Michael Porter
 - (d) Adam Smith
42. Which of the following is the main reason behind the investment of multinational corporations?
- (a) To benefit foreign countries
 - (b) To provide financial support to the country's government
 - (c) To foster trade and commerce
 - (d) To increase the assets and earn profits
43. Which of these institutes support investments and foreign trade in India?
- (a) International Monetary Fund (IMF)
 - (b) World Trade Organization (WTO)
 - (c) World Bank
 - (d) International Labour Organization (ILO)

44. Which of these is the most widely utilized monetary policy tool?
- (a) Operation of the open market
 - (b) The issuance of banknotes
 - (c) Putting an end to market operations
 - (d) Rate of discount
45. Direct tax is called direct because it is collected directly from:
- (a) The producers on goods produced
 - (b) The sellers on goods sold
 - (c) The buyers of goods
 - (d) The income earners
46. Which of the following best describes the Tax Incidence?
- (a) Tax is progressive, proportional or regressive
 - (b) How often tax is collected?
 - (c) The person or group who ends up paying a tax
 - (d) How taxes are collected?
47. Which of the following statements is correct about achieving sustainable development?
- (a) Sustainable development can be achieved by restricting the usage of renewable resources
 - (b) Sustainable development can be achieved by controlling the growth rate of world's population
 - (c) Sustainable development can be achieved by controlling the menace of pollution
 - (d) All of the above
48. Environment refers to:
- (a) The natural world of land, water, air, plants and animals that exist around it.
 - (b) The sum total of conditions which surround human beings at a given point of time.
 - (c) The interacting system of physical, biological and cultural elements which are interlinked.
 - (d) All of the above
49. Dual economies are countries -
- (a) With double capital and labour
 - (b) With a modern manufacturing sector as well as traditional agricultural sector
 - (c) That specialize in labour-intensive products more than capital intensive products
 - (d) With foreign -owned and domestically-owned capital
50. The product group consists of products which are
- (a) Close substitutes
 - (b) Technical substitutes
 - (c) Both a and b
 - (d) None of the above

PART-II
(Short Answer-type Questions)

Instructions for Questions 51 to 63:

- *Write the answers in short for any 10 (TEN) out of the thirteen questions.*
- *Each question carries 5 marks.* *[5x10=50]*

51. What makes a market duopoly? What are the most common examples of duopoly?
52. What is meant by the Theory of distribution? What is Kaldor's theory of distribution?
53. What is the thought of A.K. Sen on welfare economics?
54. How do you think the multinational companies benefit developing countries?
55. Why are International Trade Theories important?
56. Explain the basic needs approach.
57. What is the formula for offer curves?
58. What are the implications of floating and fixed exchange rates?
59. How can human capital affect economic growth?
60. What is IS-LM curve in Keynesian model?
61. How do trade blocks promote economic growth?
62. What are the problems with the Quantity Theory of money?
63. How does Keynesian theory support the demand side?

PART-III
(Long Answer-type Questions)

Instructions for Questions 64 to 71:

- *Answer any 5 (FIVE) out of the eight questions.*
- *Each question carries 10 marks. [10x5=50]*

64. Define policy mix. How does it operate? Elucidate with a recent example.
65. What are the alternative distribution theories of Ricardo, Kaldor and Kalecki?
66. Suggest what you can do as a citizen for development to be more sustainable.
67. What was the contribution of Myrdal to the theory of economic development?
68. State and explain the instruments of Monetary Policy.
69. Analyse the Arrow's Impossibility theorem.
70. What are the factors affecting Liquidity Preference Theory? Comment on the applicability of Liquid Preference Theory.
71. What are the main sources of revenue for the government?

PART-IV
(Essay-type Questions)

Instructions for Questions 72 to 75:

- *Answer any 2 (TWO) out of the four questions.*
- *Each question carries 25 marks. [25x2= 50]*

72. "Economic growth and environmental protection can and should go hand in hand". Justify.
73. How can trade contribute to economic growth of a country? Explain in detail with suitable instances.
74. If you are short on budget, staff, time or all three, a public-private partnership maybe the tool you need to build your next facility. Comment.
75. What is crowding out effect? What are the effects of crowding out in the economy?