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Test Booklet Series

A

TEST BOOKLET

ECONOMICS

T. B. C. : AD(P)-O-4/2018

Sl. No. **1381**

Time Allowed : 3 Hours

Maximum Marks : 150

: INSTRUCTIONS TO CANDIDATES :

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS TEST BOOKLET DOES NOT HAVE ANY UNPRINTED OR TORN OR MISSING PAGES OR ITEMS ETC. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET OF THE SAME SERIES ISSUED TO YOU.
2. ENCODE CLEARLY THE TEST BOOKLET SERIES A, B, C OR D, AS THE CASE MAY BE, IN THE APPROPRIATE PLACE IN THE ANSWER SHEET USING BALL POINT PEN (BLUE OR BLACK).
3. You have to enter your Roll No. on the Test Booklet in the Box provided alongside. DO NOT write anything else on the Test Booklet.
4. YOU ARE REQUIRED TO FILL UP & DARKEN ROLL NO., TEST BOOKLET / QUESTION BOOKLET SERIES IN THE ANSWER SHEET AS WELL AS FILL UP TEST BOOKLET / QUESTION BOOKLET SERIES AND SERIAL NO. AND ANSWER SHEET SERIAL NO. IN THE ATTENDANCE SHEET CAREFULLY. WRONGLY FILLED UP ANSWER SHEETS ARE LIABLE FOR REJECTION AT THE RISK OF THE CANDIDATE.
5. This Test Booklet contains 150 items (questions). Each item (question) comprises four responses (answers). You have to select the correct response (answer) which you want to mark (darken) on the Answer Sheet. In case, you feel that there is more than one correct response (answer), you should mark (darken) the response (answer) which you consider the best. In any case, choose ONLY ONE response (answer) for each item (question).
6. You have to mark (darken) all your responses (answers) ONLY on the separate Answer Sheet provided by using BALL POINT PEN (BLUE OR BLACK). See instructions in the Answer Sheet.
7. All items (questions) carry equal marks. All items (questions) are compulsory. Your total marks will depend only on the number of correct responses (answers) marked by you in the Answer Sheet. There will be no negative marking for wrong answer.
8. Before you proceed to mark (darken) in the Answer Sheet the responses to various items (questions) in the Test Booklet, you have to fill in some particulars in the Answer Sheet as per the instructions sent to you with your Admission Certificate.
9. After you have completed filling in all your responses (answers) on the Answer Sheet and after conclusion of the examination, you should hand over to the Invigilator the Answer Sheet issued to you. You are allowed to take with you the candidate's copy / second page of the Answer Sheet along with the Test Booklet, after completion of the examination, for your reference.
10. Sheets for rough work are appended in the Test Booklet at the end.

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SEAL

1. Gross Domestic Product when measured on the basis of the current price is called :
 - (A) Real GDP
 - (B) Nominal GDP
 - (C) Inflated GDP
 - (D) Deflated GDP

2. The difference between GDP at market price and GDP at factor cost is known as :
 - (A) Net Indirect taxes
 - (B) Net Income from abroad
 - (C) Depreciation
 - (D) Capital loss

3. When net income from abroad is negative ?
 - (A) $GNP > GDP$
 - (B) $GNP = GDP$
 - (C) $GNP < GDP$
 - (D) None of these

4. National Income refers to :
 - (A) GNP at market price
 - (B) NNP at market price
 - (C) GNP at factor cost
 - (D) NNP at factor cost

5. Depreciation is the difference between :
 - (A) GDP and NDP
 - (B) GNP and NNP
 - (C) Both (A) and (B)
 - (D) GDP and GNP

6. Value Added Method of GDP measurement is also known as :
 - (A) Product method
 - (B) Income method
 - (C) Expenditure method
 - (D) All of these

7. Nominal GDP divided by real GDP is known as :
 - (A) GDP inflator
 - (B) GDP stabiliser
 - (C) GDP deflator
 - (D) None of these

8. Which of the following is not included in National Income ?
 - (A) Pension
 - (B) Unemployment allowance
 - (C) Gifts
 - (D) All of these

9. Income from the sale of second hand goods is a part of :
- (A) GDP at market price
(B) GNP at market price
(C) NDP at market price
(D) None of these
10. Per-capita Income is equal to :
- (A) National Income divided by working population
(B) National Income divided by total population
(C) National Income divided by self-employed population
(D) National Income divided by young population
11. Transfer payments are included in :
- (A) Disposable income
(B) Personal income
(C) Private income
(D) All of these
12. Which of the following is a part of the National Income ?
- (A) Capital gains
(B) Income from gambling
(C) Services of housewives
(D) Commission charged for sale of second hand goods
13. If GNP at market price is ₹ 500, Net indirect taxes is ₹ 60 and depreciation is ₹ 10. NNP at factor cost is equal to :
- (A) ₹ 440
(B) ₹ 490
(C) ₹ 430
(D) ₹ 450
14. Expenditure method of estimating National Income does not include :
- (A) Government expenditure
(B) Investment expenditure
(C) Consumption expenditure
(D) Transfer expenditure
15. If a wheat producer sells his wheat to a mill owner for ₹ 100 and the mill owner sell flour of this wheat to a bakery owner for ₹ 120 and the bakery owner sells bread of this flour for ₹ 150 during the same year, then national income will be equal to :
- (A) ₹ 370
(B) ₹ 150
(C) ₹ 120
(D) ₹ 100

16. GDP gap is the difference between :
- (A) Actual GDP and Potential GDP
 (B) Nominal GDP and Real GDP
 (C) Nominal GDP and Nominal NDP
 (D) Real GDP and Real NDP
17. The Lorenz curve is a graphical device to represent :
- (A) Distributional inequality
 (B) Unemployment level
 (C) Standard of living
 (D) Rate of inflation
18. If the area between the line of equality and the Lorenz curve is 'A' and the total area under the line of equality is 'A + B', then Gini coefficient is equal to :
- (A) $A(A + B)$
 (B) $(A + B) - A$
 (C) $B \div (A + B)$
 (D) $A \div (A + B)$
19. Who conducts the periodical sample survey for estimating poverty line in India ?
- (A) NSO
 (B) NSSO
 (C) CSO
 (D) Government of India
20. What is the average calories required for rural areas for measuring poverty line ?
- (A) 2,400 calories per person per day
 (B) 2,100 calories per person per day
 (C) 2,800 calories per person per day
 (D) 3,200 calories per person per day
21. Which of the following factor is responsible for income inequality in India ?
- (A) Unequal distribution of land
 (B) Gap between rich and poor
 (C) Increase in population
 (D) All of these
22. Consumer Price Index measures the price of :
- (A) Goods only
 (B) Both goods and services
 (C) Services only
 (D) None of these

23. Which year is the recent base year of calculating Consumer Price Index in India ?
- (A) 2015
(B) 2004
(C) 2012
(D) 2001
24. Which of the following states has the largest percentage of poor in India ?
- (A) Bihar
(B) Odisha
(C) Punjab
(D) Tamil Nadu
25. 'Supply creates its own demand'. Who said it ?
- (A) J. M. Keynes
(B) Alfred Marshall
(C) Adam Smith
(D) J. B. Say
26. Which of the following is true about the classical quantity theory of money ?
- (A) $MV = PT$
(B) $MP = VT$
(C) $MT = PV$
(D) $M/V = P/T$
27. Fresh investment would be possible if Marginal Efficiency of Capital is :
- (A) Greater than the rate of interest
(B) Less than the rate of interest
(C) Is equal to the rate of interest
(D) None of these
28. Autonomous investment is :
- (A) Responsive to interest rate
(B) Responsive to income
(C) Responsive to both income and interest rate
(D) Independent of income and interest rate
29. Which of the following is correct ?
- (A) $APC + APS < 1$
(B) $APC + APS > 1$
(C) $APC + APS = 1$
(D) $APC + MPC = 1$
30. A point below the IS-Curve indicates :
- (A) Excess demand in the goods market
(B) Excess demand in the money market
(C) Excess supply in the goods market
(D) Excess supply in the money market

31. Saving and Investment are always equal in :
- (A) Ex-ante sense
 - (B) Ex-post sense
 - (C) Planned sense
 - (D) None of these
32. For Linear consumption function passing through the origin :
- (A) $APC > MPC$
 - (B) $APC < MPC$
 - (C) $APC = MPC$
 - (D) $APC - MPC > 0$
33. Which of the following is not a feature of the classical economics ?
- (A) Full employment
 - (B) Price flexibility
 - (C) Wage rigidity
 - (D) Wage flexibility
34. According to classical economists, saving is a function of :
- (A) Interest rate
 - (B) Income
 - (C) Both income and interest rate
 - (D) Neither income nor interest rate
35. The economy is said to be in equilibrium when aggregate demand :
- (A) Is greater than aggregate supply
 - (B) Is less than aggregate supply
 - (C) Is equal to aggregate supply
 - (D) None of these
36. According to Keynes, equality between saving and investment is brought about by the mechanism of a change in :
- (A) Income
 - (B) Interest rate
 - (C) Price
 - (D) Exchange rate
37. The general situation in a capitalist economy is one of under-employment'. Who said it ?
- (A) J. A. Schumpeter
 - (B) Don Patinkin
 - (C) A. C. Pigou
 - (D) J. M. Keynes

38. If the marginal propensity to consume is equal to 0.8, then the coefficient of multiplier is equal to :
- (A) 4
 - (B) 2
 - (C) 5
 - (D) 8
39. Marginal propensity to save is the ratio of :
- (A) Savings and income
 - (B) Savings and increase in income
 - (C) Increase in savings and increase in income
 - (D) Increase in savings and income
40. When aggregate income increases, aggregate consumption expenditure increases :
- (A) More than the increase in income
 - (B) By the same amount
 - (C) Less than the increase in income
 - (D) None of these
41. Marginal efficiency of an additional capital good depends upon its :
- (A) Prospective yield
 - (B) Supply price
 - (C) Both (A) and (B)
 - (D) None of these
42. Accelerator refers to :
- (A) Output capital ratio
 - (B) Output saving ratio
 - (C) Capital output ratio
 - (D) Saving output ratio
43. Aggregate demand will increase when there is an increase in :
- (A) Consumption expenditure
 - (B) Investment expenditure
 - (C) Government expenditure
 - (D) All of these
44. Induced investment is :
- (A) Interest elastic
 - (B) Price elastic
 - (C) Income elastic
 - (D) None of these

45. Underemployment equilibrium exists because of :
- (A) Inelastic investment function
 (B) Elastic consumption function
 (C) Both (A) and (B)
 (D) None of these
46. Which of the following does affect consumption function ?
- (A) Change in wage rate
 (B) Change in interest rate
 (C) Change in income distribution
 (D) All of these
47. If the worth of capital stock and output of a country are ₹ 800 crores and ₹ 200 crores respectively, then accelerator would be equal to :
- (A) 0.50
 (B) 0.25
 (C) 6
 (D) 4
48. Equilibrium of an economy is attained when :
- (A) Actual saving is equal to actual investment
 (B) Actual saving is equal to planned investment
 (C) Planned saving is equal to actual investment
 (D) Planned saving is equal to planned investment
49. Which of the following is a prerequisite condition for working of the multiplier ?
- (A) Full employment
 (B) Involuntary unemployment
 (C) Existence of excess capacity
 (D) Both (B) and (C)
50. When income increases ?
- (A) Both consumption and saving rise
 (B) Consumption rises but saving falls
 (C) Consumption falls but saving rises
 (D) Both consumption and saving fall
51. The market demand curve faced by a monopoly is :
- (A) Negatively sloped
 (B) Positively sloped
 (C) Horizontal line
 (D) Vertical line

52. A monopoly firm is said to be in equilibrium when $MC = MR$ and :
- (A) Slope of $MC <$ slope of MR
 - (B) Slope of $MC =$ slope of MR
 - (C) Slope of $MC >$ slope of MR
 - (D) None of these
53. At equilibrium monopoly price :
- (A) Exceeds marginal revenue
 - (B) Is less than marginal revenue
 - (C) Is equal to marginal revenue
 - (D) Is equal to half of marginal revenue
54. When the marginal cost increases, a monopoly firm :
- (A) Expands output
 - (B) Does not change its output
 - (C) Contracts output
 - (D) Reduces its price
55. Elasticity of demand at equilibrium of a monopoly firm is :
- (A) Greater than unity
 - (B) Less than unity
 - (C) Equal to unity
 - (D) None of these
56. Which of the following is not a feature of the monopoly market ?
- (A) Single seller
 - (B) Large number of buyers
 - (C) Entry barrier
 - (D) Large number of sellers
57. A monopoly firm does not have a well defined :
- (A) Demand curve
 - (B) Marginal revenue curve
 - (C) Marginal cost curve
 - (D) Supply curve
58. Resources in a monopoly market are :
- (A) Efficiently allocated
 - (B) Misallocated
 - (C) Wasted
 - (D) None of these
59. When a monopolist sells products at higher price in the home market and at a lower price in the international market, it is called :
- (A) Third degree price discrimination
 - (B) Second degree price discrimination
 - (C) First degree price discrimination
 - (D) Dumping

60. If the demand curve is a downward sloping straightline, then marginal revenue curve of the monopoly shall be :
- (A) Less than halfway between the demand curve and the price axis
 - (B) Halfway between the demand curve and the price axis
 - (C) More than halfway between the demand curve and the price axis
 - (D) None of these
61. Kinked demand curve was introduced by :
- (A) R. L. Hall
 - (B) C. I. Hitch
 - (C) P. Sweezy
 - (D) W. J. Boumol
62. If there is a kink in the demand curve, marginal revenue curve is :
- (A) Kinked one
 - (B) Continuous
 - (C) Discontinuous
 - (D) None of these
63. According to W. J. Baumol, the goal of a firm is :
- (A) Profit maximisation
 - (B) To earn constant profit
 - (C) Sales revenue maximisation
 - (D) To earn constant revenue
64. A profit maximising firm, compared to a sales revenue maximising firm, earns
- (A) Same profit
 - (B) Less profit
 - (C) More profit
 - (D) None of these
65. A sales revenue maximising firm, compared to a profit maximising firm, sells at :
- (A) A lower price
 - (B) A higher price
 - (C) Same price
 - (D) None of these
66. A bilateral monopoly is a market structure consisting of :
- (A) Two sellers
 - (B) Two buyers
 - (C) One seller and one buyer
 - (D) One seller and two buyers

67. A situation is called Pareto efficient if:
- (A) It is possible to make at least one better off and no one worse off
 - (B) It is possible to make everyone better off
 - (C) It is not possible to make someone better off without making anyone worse off
 - (D) None of these
68. The distribution of goods among consumers is said to be efficient if the marginal rate of substitution between two goods:
- (A) Is same for all consumers
 - (B) Differs from consumer to consumer
 - (C) Is impossible for the consumers
 - (D) Is zero for all consumers
69. All points below the production possibility frontier are pareto:
- (A) Superior
 - (B) Efficient
 - (C) Inferior
 - (D) Optimal
70. There is efficiency in product mix if:
- (A) Marginal rate of substitution between two goods is same for all consumers
 - (B) Marginal rate of substitution between two inputs is same for all producers
 - (C) Marginal rate of substitution between two goods is equal to marginal rate of technical substitution between two inputs
 - (D) Marginal rate of product transformation is same as marginal rate of substitution between two goods
71. If the marginal rate of technical substitution between two inputs be equal for all commodities produced by different firms, then there is:
- (A) Efficiency in consumption
 - (B) Efficiency in production
 - (C) Efficiency in product mix
 - (D) None of these
72. When indifference curves intersect in an Edgeworth box, it indicates that:
- (A) The equilibrium is Pareto inefficient
 - (B) The equilibrium is Pareto efficient
 - (C) Some goods are inferior
 - (D) There is externalities in consumption

73. Rate of product transformation refers to :
- (A) The rate at which a consumer substitutes one commodity for the other
 - (B) The rate which a producer substitutes one input for the other
 - (C) The rate at which one commodity is sacrificed for the production of another commodity
 - (D) None of these
74. The theory of second best states that if one or more of the first order conditions for Pareto optimality cannot be satisfied because of institutional constraints, in general it is :
- (A) Necessary that the remaining conditions are satisfied
 - (B) Desirable that the remaining conditions are satisfied
 - (C) Neither necessary nor desirable to satisfy the remaining conditions
 - (D) Both necessary and desirable that the remaining conditions are satisfied
75. An economy is efficient in production if it is :
- (A) Below the production possibility curve
 - (B) Above the production possibility curve
 - (C) On the production possibility curve
 - (D) None of these
76. 'The trade cycle is purely a monetary phenomenon' — who said it ?
- (A) F. A. Hayek
 - (B) J. A. Schumpeter
 - (C) R. G. Hawtrey
 - (D) J. M. Keynes
77. Which of the following is not a feature of the business cycle ?
- (A) Prosperity
 - (B) Recession
 - (C) Recovery
 - (D) Propensity
78. During recession, there is :
- (A) Expansion of output
 - (B) Increase in employment
 - (C) Contraction of output
 - (D) Increase in investment

79. When the economy is at peak during the business cycle, it is called :
- (A) Trough
 - (B) Equilibrium
 - (C) Boom
 - (D) None of these
80. Which of the following is external to the economic system to cause business cycle ?
- (A) Innovation
 - (B) Over-saving
 - (C) Over-investment
 - (D) Revolution
81. According to Hayek, there is prosperity in the economy when market interest rate is :
- (A) Less than the natural interest rate
 - (B) Equal to the natural interest rate
 - (C) Greater than the natural interest rate
 - (D) None of these
82. The innovation theory of business cycle is associated with the name of :
- (A) J. M. Keynes
 - (B) J. A. Schumpeter
 - (C) J. B. Clark
 - (D) A. Marshall
83. Inflation refers to continuing :
- (A) Decrease in general price level
 - (B) Increase in general price level
 - (C) Decrease in income
 - (D) Increase in income
84. Inflationary gap is defined as the amount by which the aggregate demand :
- (A) Exceeds aggregate supply at full employment level
 - (B) Falls short of aggregate supply
 - (C) Exceeds total consumption
 - (D) Exceeds total investment
85. Which of the following factors is responsible for demand pull inflation ?
- (A) Increase in wage rate
 - (B) Increase in tax rate
 - (C) Increase in public expenditure
 - (D) Decrease in private expenditure
86. A cause of inflation is :
- (A) Increase in money supply and rise in production
 - (B) Increase in money supply and fall in production
 - (C) Increase in production
 - (D) Decrease in money supply

87. Inflation benefits to which of the following groups :
- (A) Pensioners
 - (B) Creditors
 - (C) Debtors
 - (D) Consumers
88. The trade-off between inflation and unemployment is represented by :
- (A) Indifference curve
 - (B) Lorenz curve
 - (C) Phillips curve
 - (D) Lafer's curve
89. Which of the following is correct during inflation ?
- (A) Rise in money supply
 - (B) Rise in budgetary deficit
 - (C) Rise in general price index
 - (D) Rise in income
90. The long-run Phillip's curve is :
- (A) Downward sloping
 - (B) Vertical
 - (C) Horizontal
 - (D) Upward sloping
91. Who operates monetary policy in India ?
- (A) Ministry of Finance
 - (B) SEBI
 - (C) RBI
 - (D) SBI
92. Which of the following is not an objective of monetary policy ?
- (A) Price stabilisation
 - (B) Exchange rate stabilisation
 - (C) Economic growth
 - (D) Poverty reduction
93. Fiscal Policy does not include :
- (A) Income tax
 - (B) GST
 - (C) National insurance
 - (D) Interest rate stabilisation
94. The theory of comparative costs was first propounded by :
- (A) David Ricardo
 - (B) Adam Smith
 - (C) Bertil Ohlin
 - (D) Eli Hecksher

95. Trade between two countries is beneficial if cost ratios of goods are :
- (A) Equal
(B) Decreasing
(C) Increasing
(D) Different
96. Expansionary monetary policy :
- (A) Reduces interest rate
(B) Increases interest rate
(C) Reduces consumption
(D) Decreases investment
97. Contractionary fiscal policies lead to :
- (A) Rise in demand for money
(B) Fall in demand for money
(C) Rise in interest rate
(D) None of these
98. Exchange rate is appreciated during :
- (A) Expansionary monetary policy
(B) Contractionary fiscal policy
(C) Contractionary monetary policy
(D) None of these
99. The Balance of Payments always balances in :
- (A) Accounting sense
(B) Real sense
(C) Economic sense
(D) Political sense
100. Balance of trade account consists of transactions relating to :
- (A) Only goods
(B) Only services
(C) Both goods and services
(D) Neither goods nor services
101. Which of the following is not a measure of correcting deficit in Balance of Payments ?
- (A) Devaluation
(B) Depreciation
(C) Export promotion
(D) Increase in imports
102. When the demand for foreign currencies rises, the value of domestic currency in terms of foreign currencies :
- (A) Falls
(B) Rises
(C) Does not change
(D) None of these

103. Which of the following is a theory of exchange rate determination ?
- (A) Mint Parity Theory
 - (B) Purchasing Power Parity Theory
 - (C) Balance of Payments Theory
 - (D) All of these
104. Suppose ₹70 is equal to \$1. in 2018 and the price indices in India and USA are 100. If in a later period price index in India goes upto 300 and in USA goes upto 150, then the new exchange rate for \$1. is equal to :
- (A) ₹ 35
 - (B) ₹ 105
 - (C) ₹ 140
 - (D) ₹ 210
105. A rise in supply price of capital :
- (A) Increases MEC
 - (B) Decreases MEC
 - (C) Does not effect MEC
 - (D) Decrease capital stock
106. Gross Domestic Product refers to the value of :
- (A) All goods and services produced in a country within a year
 - (B) All goods produced in a country within a year
 - (C) All services produced in a country within a year
 - (D) All final goods and services produced in a country within a year
107. According to Keynes unemployment in an economy is attributed to :
- (A) Deficiency in aggregate demand
 - (B) Deficiency in aggregate supply
 - (C) Deficiency in money supply
 - (D) None of these
108. Both monetary and fiscal policies are effective in the :
- (A) Classical range of the LM function
 - (B) Keynesian range of the LM function
 - (C) Intermediate range of the LM function
 - (D) All of these

109. The co-efficient of multiplier is inversely related with :
- (A) Marginal propensity to save
 - (B) Marginal propensity to consume
 - (C) Marginal propensity to import
 - (D) Both (A) and (C)
110. If the consumption function is given by $C = 100 + 0.8Y$, then amount of saving at $Y = 1000$ is equal to :
- (A) 900
 - (B) 500
 - (C) 800
 - (D) 100
111. The size of gains from trade depends upon :
- (A) Terms of trade
 - (B) Difference in cost ratio
 - (C) Relative elasticity of demand
 - (D) All of these
112. Devaluation will improve the Balance of Payments of a country if the sum of elasticities of its demand for imports and exports is :
- (A) Equal to unity
 - (B) Less than unity
 - (C) Greater than unity
 - (D) None of these
113. The horizontal portion of the LM function is attributed to :
- (A) Perfectly elastic money supply function
 - (B) Perfectly inelastic money supply function
 - (C) Perfectly elastic liquidity function
 - (D) Perfectly inelastic liquidity function
114. If the saving and investment functions are given by $S = 0.5 Y$ and $I = 100 + 0.4 Y$, then equilibrium income is equal to :
- (A) 2,000
 - (B) 4,000
 - (C) 5,000
 - (D) 1,000
115. The aggregate supply curve after full employment is :
- (A) Upward sloping
 - (B) Horizontal line
 - (C) Downward sloping
 - (D) Vertical line

116. High unemployment and high inflation is called :

- (A) Depression
- (B) Recession
- (C) Stagflation
- (D) Reflation

117. Investment in the Keynesian sense does not include :

- (A) Purchase of shares
- (B) Construction of a new house
- (C) Building of new machine
- (D) Addition to inventories

118. Which of the following statements is correct ?

- (A) Commercial banks print notes
- (B) Commercial banks control credit
- (C) RBI lends money to public
- (D) Money is a unit of measurement

119. The shape and position of the consumption function depend upon :

- (A) MPC

(B) APC

(C) Both APC and MPC

(D) Neither APC nor MPC

120. A competitive equilibrium is :

- (A) Pareto optimal
- (B) Pareto superior
- (C) Pareto inferior
- (D) None of these

121. If the national income is equal to ₹ 2,000 and the quantity of money is equal to ₹ 500, then velocity of circulation of money will be :

- (A) 8
- (B) 2
- (C) 5
- (D) 4

122. Depreciation is otherwise known as :

- (A) Capital loss
- (B) Capital consumption
- (C) Capital gain
- (D) Capital wastage

123. A type of unemployment in which workers are in between jobs or are searching for new and better jobs is called :
- (A) Frictional unemployment
 - (B) Cyclical unemployment
 - (C) Structural unemployment
 - (D) Turn over unemployment
124. At an income ₹ 1,000, Rita spent ₹ 900. When her income rose to ₹ 2,000, she spent ₹ 1,600. Her marginal propensity to consume is :
- (A) 0.8
 - (B) 0.4
 - (C) 0.6
 - (D) 0.5
125. The theory of second best was formalised by :
- (A) Lipsey and Lancaster
 - (B) Solow and Swan
 - (C) Hawtrey and Hayek
 - (D) Keynes and Kaldor
126. Relative inequality is found in :
- (A) Underdeveloped countries
 - (B) Developed countries
 - (C) Developing countries
 - (D) All of these
127. 'Money is what money does', who said it ?
- (A) Robertson
 - (B) Crowther
 - (C) F. A. Walker
 - (D) Milton Friedman
128. In the case of token money, its face value :
- (A) Is equal to its intrinsic value
 - (B) Is greater than its intrinsic value
 - (C) Is less than its intrinsic value
 - (D) None of these
129. Which of the following is a function of money ?
- (A) Money is a standard of deferred payments
 - (B) Money is a medium of exchange
 - (C) Money is a store of value
 - (D) All of these

130. Value of money is :

- (A) Directly related to the price level
- (B) Inversely related to the price level
- (C) Independent of the price level
- (D) Directly related to the price index

131. If the reserve ratio is 0.2, then money multiplier is equal to :

- (A) 4
- (B) 1
- (C) 2
- (D) 5

132. Which of the following is not a function of the commercial banks ?

- (A) Acceptance of deposits
- (B) Printing of notes
- (C) Advancing of loans
- (D) Transfer of funds

133. The power of the commercial banks to create credit is limited by :

- (A) Cash reserve ratio
- (B) Volume of currency in circulation
- (C) Banking habits of the people
- (D) All of these

134. Investment policy of the commercial banks is not based on :

- (A) Principle of safety
- (B) Principle of profitability
- (C) Principle of liquidity
- (D) Principle of public welfare

135. The liabilities of the commercial banks does not include :

- (A) Deposits of the public
- (B) Reserve fund
- (C) Loans and advances by the banks
- (D) Bills payable

136. Of the following which is not the function of Central Bank ?

- (A) Monopoly of note issue
- (B) Banker's bank
- (C) Lender of last resort
- (D) Credit creation

137. An increase in the bank rate :

- (A) Increases the supply of credit
- (B) Does not affect the supply of credit
- (C) Decreases the supply of credit
- (D) None of these

138. To control credit, the Central Bank :
- (A) Sells government securities
 - (B) Purchases government securities
 - (C) Purchases bills of exchange
 - (D) Both (B) and (C)
139. Which of the following is a selective credit control method of the Central Bank ?
- (A) Open market operation
 - (B) Bank rate
 - (C) Moral suasion
 - (D) Variable cash reserve ratio
140. The Balance Sheet of a commercial bank balances between :
- (A) Deposits and loans
 - (B) Borrowings and investments
 - (C) Assets and liabilities
 - (D) All of these
141. Money market deal with :
- (A) Short-term lendings
 - (B) Long-term lendings
 - (C) Medium-term lendings
 - (D) All of these
142. Which of the following is not an instrument of capital market ?
- (A) Debentures
 - (B) Bonds
 - (C) Shares
 - (D) Call money
143. The institutions involved in money market does not include :
- (A) Commercial Banks
 - (B) Central Bank
 - (C) Stock Exchange
 - (D) Non-Banking Financial Institutions
144. The IS curve shows the equilibrium in the :
- (A) Money market
 - (B) Goods market
 - (C) Labour market
 - (D) Foreign exchange market
145. The relationship between income and interest rate is shown by :
- (A) Phillips curve
 - (B) IS curve
 - (C) LM curve
 - (D) Both (B) and (C)

146. The IS curve is :

- (A) Upward sloping
- (B) Downward sloping
- (C) Horizontal line
- (D) Vertical line

147. The perfectly inelastic portion of the LM function is called :

- (A) Keynesian range
- (B) Neo-Keynesian range
- (C) Classical range
- (D) Neo-classical range

148. The intersection between IS and LM curves correspond to the equilibrium in :

- (A) Goods market
- (B) Money market

(C) Both (A) and (B)

(D) Neither (A) nor (B)

149. Which of the following factors shift the IS curve to the left ?

- (A) Increase in consumption expenditure
- (B) Increase in investment expenditure
- (C) Increase in government expenditure
- (D) Increase in tax rate

150. Fiscal policy is ineffective when LM function is :

- (A) Perfectly inelastic
- (B) Perfectly elastic
- (C) Relatively elastic
- (D) Relatively inelastic



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