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Test Booklet Series

T. B. C. : AD(P)-C-3/2018



TEST BOOKLET

ECONOMICS

Sl. No. 1489

Time Allowed : 2 Hours

Maximum Marks : 100

: 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 100 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.

SEAL

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1. "Economics is the Science which studies human behavior as a relationship between ends and scarce means which have alternative uses". These lines are attributed to :
 - (A) Samuelson
 - (B) Lionel Robbins
 - (C) Robertson
 - (D) Marshall

2. When Total Utility becomes maximum, then Marginal Utility will be :
 - (A) Minimum
 - (B) Average
 - (C) Zero
 - (D) Negative

3. According to Marshall, the basis of consumer surplus is :
 - (A) Law of Diminishing Marginal Utility
 - (B) Law of Equi-Marginal Utility
 - (C) Law of Variable Proportions
 - (D) All of these

4. In the context of straight line demand curve touching both the axes, which one of the following is correct ? The demand is elastic :
 - (A) Below the Mid-point
 - (B) Above the Mid-point
 - (C) At the Mid-point of the curve
 - (D) Throughout the length of the demand curve

5. Slutsky equation deals with decomposition of :
 - (A) Price effect is into Substitution effect and Income effect
 - (B) Goods into Superior and Inferior goods
 - (C) Goods into Necessities and Luxuries
 - (D) Consumer and Producer Surplus

6. A Consumer's Demand Curve can be derived from :
 - (A) Income Consumption Curve
 - (B) Engel's Curve
 - (C) Price Consumption Curve
 - (D) None of these

7. Giffen Paradox occurs when Income effect is :
 - (A) Greater than Substitution effect
 - (B) Equal to Substitution effect
 - (C) Less than the Substitution effect
 - (D) Negative and dominates the Substitution effect

8. Cross Elasticity of demand for a pair of substitute goods will be :
 - (A) Positive
 - (B) Unitary
 - (C) Negative
 - (D) Infinite

9. The slope of the Indifference Curve shows :
- The Price Ratio
 - Diminishing Marginal Rate of Substitution
 - Diminishing Marginal Rate of Technical Substitution
 - The Price-income ratio
10. For the consumer to reach maximum satisfaction under Indifference Curve Analysis :
- $MRS_{XY} = P_X/P_Y$ and MRS_{XY} must be diminishing
 - $MRS_{XY} = P_Y/P_X$ and MRS_{XY} must be increasing
 - $MRS_{XY} = P_Y/P_X$ and MRS_{XY} must be constant
 - $MRS_X > P_X/P_Y$ and MRS_{XY} must be diminishing
11. In the Second Stage of Law of Variable Proportions :
- Marginal Product diminishes and Average Product increases
 - Average Product diminishes and Marginal Product increases
 - Both Marginal Product and Average Product diminishes
 - Both Marginal Product and Average Product increases
12. In case of Cobb-Douglas Production Function output elasticity of an input is :
- Constant
 - Unity
 - A function of all the inputs
 - Indeterminate
13. Total Product will be maximum when :
- Marginal Product is maximum
 - Average Product is maximum
 - Marginal Product is zero
 - Marginal Product is negative
14. Iso-quants are also known as :
- Production Possibility Curve
 - Equal Product Curve
 - Iso-revenue Curve
 - Iso-cost line
15. Least cost combination of two factor inputs is achieved at a point where :
- Iso-cost line cuts the Iso-quant
 - Iso-cost line is below the Iso-quant
 - Iso-cost line is tangent to the Iso-quant
 - None of these

16. The difference between Returns to a factor and Returns to scale is :
- (A) Size of inputs
 - (B) Size of outputs
 - (C) Variability of inputs in the Production function
 - (D) None of these
17. In the Short-run Average Variable Costs of Production for a firm are rising, then this indicates that :
- (A) Average Total Costs are at a maximum
 - (B) Average Fixed costs are constant
 - (C) Marginal costs are above Average Variable Costs
 - (D) Average Variable Costs are below Average Fixed Costs
18. Opportunity cost refer to :
- (A) Money expenses incurred on factors
 - (B) The imputed value of the inputs owned by the firms
 - (C) The next best alternative
 - (D) None of these
19. The Expansion Path of a firm with Cobb-Douglas Production function is :
- (A) A downward sloping straight line
 - (B) An upward sloping straight line
 - (C) A curve convex to the origin
 - (D) A curve concave to the origin
20. The Average Fixed Cost Curve will always be :
- (A) A rectangular hyperbola
 - (B) A downward sloping convex to the origin curve
 - (C) A downward sloping straight line
 - (D) U-shaped curve
21. If the individual firm's demand curve is horizontal then :
- (A) The firm is a Price-maker
 - (B) The firm is a Price-taker
 - (C) Marginal revenue is equal to Average Cost
 - (D) The distinction between firm and industry disappears
22. If the Individual firms demand curve coincides with the Market demand curve, then :
- (A) The firm is a price-taker
 - (B) The firm can set any price it wants, without limitations
 - (C) The firm is a Monopolist
 - (D) Marginal revenue is equal to Average Revenue

23. Perfect competition assumes :
- (A) Variety of goods
 - (B) Product differentiated
 - (C) Homogeneity of goods
 - (D) Low priced goods
24. In the long-run equilibrium, a competitive firm earns :
- (A) Super normal profit
 - (B) Profits equal to other firms
 - (C) Normal profits
 - (D) No profit
25. In the long-run, the market price of a commodity is equal to its minimum average cost of production if there is :
- (A) Perfect competition
 - (B) Monopoly
 - (C) Oligopoly
 - (D) Monopolistic competition
26. A Natural Monopoly is a special type of monopoly that arises from :
- (A) Indivisibilities
 - (B) Economies of Scale
 - (C) Geometric properties
 - (D) Low cost
27. In Price-discrimination, a Monopolist charges a lower price at the market where there is :
- (A) Higher elasticity
 - (B) Lower elasticity
 - (C) Expensive factor price
 - (D) None of these
28. Monopolistic competition differs from Perfect competition primarily because :
- (A) In Monopolistic competition entry into the industry is blocked
 - (B) In Monopolistic competition firms can differentiate their products
 - (C) In Monopolistic competition there are relatively few barriers to entry
 - (D) In perfect competition firms can differentiate their products
29. The difference between the value of Marginal Product and the Marginal Revenue Product arises only if :
- (A) Average Revenue is not equal to Marginal Revenue
 - (B) Average Cost is not equal to Marginal Cost
 - (C) Total Revenue is not equal to Total Cost
 - (D) Average Cost is not equal to Average Revenue

30. A Cartel is :
- (A) A market structure with small number of large firms
 - (B) A market structure with large number of small firms
 - (C) A group of firms acting together to raise Price, decrease Output and increase in economic profit
 - (D) A Market with only two firms
31. The Theorem which states, if factors of production are paid according to their Marginal Products then the Total Product will just exhaust, proves the validity of the :
- (A) Coase Theorem
 - (B) Parsimony Theorem
 - (C) Central Limit Theorem
 - (D) Euler's Theorem
32. The Marginal Productivity Theory is :
- (A) Normative only
 - (B) Both Positive and Normative
 - (C) Positive and not Normative
 - (D) More Positive and Less Normative
33. The demand for factors of production is :
- (A) Autonomous demand
 - (B) Derived demand
 - (C) Kinked demand
 - (D) Segmented demand
34. Under which one of the following conditions, does Product Exhaustion Theorem hold ?
- (A) Increasing returns to scale
 - (B) Decreasing returns to scale
 - (C) Constant returns to scale
 - (D) Constant returns to factors of production
35. Quasi rent is rewarded to factor of production which is :
- (A) Economic rent in the short-run but Transfer earning in the long-run
 - (B) Transfer earning in the short-run
 - (C) Transfer earning both in the short-run and long-run
 - (D) Economic rent both in the short-run and long-run
36. With which of the following Theories of Wages is John Stuart Mill associated ?
- (A) Marginal Productivity Theory of Wages
 - (B) Wages Fund Theory
 - (C) Subsistence Theory of Wages
 - (D) Iron Law of Wages
37. Dynamic Theory of Profit was introduced by :
- (A) Marshall
 - (B) Walras
 - (C) J. B. Clark
 - (D) None of them

38. The Keynesian Theory explained interest as a reward for :
- Parting with liquidity
 - Abstinence
 - Saving
 - Inconvenience
39. When LM curve is vertical, which one of the following is correct ? An increase in money supply will lead to :
- Fall in interest rate
 - Fall in the level of income
 - Rise in the rate of interest
 - No change in the level of income
40. Liquidity trap is a situation in which :
- Current interest rates are low and savings rate are low
 - Current interest rates are low and savings rate are high
 - Current interest rates are high and interest rates are low
 - Current interest rates are high and savings rates are low
41. NNP at factor cost is :
- GNP at market prices – Depreciation
 - NNP at market prices – Indirect taxes + Depreciation
 - NNP at market prices – Indirect taxes + Subsidies
 - NNP at market prices + Indirect taxes
42. Gross National Product is equal to :
- Total output of goods and services in a year
 - Total output minus intermediate consumption
 - Total output minus savings
 - Total output plus total factor payments
43. The differences between Gross National Product and Gross Domestic Product is equal to :
- Gross Domestic Investment
 - Net Foreign Investment
 - Net Imports
 - Net factor income from abroad
44. Per capita Income rises when :
- GNP and Population increase at the same rate
 - GNP and Population decrease
 - GNP increases faster than Population
 - GNP increases slower than Population
45. Which of the following is not related to 'Empowerment of Women' ?
- Gender Development Index
 - Gender Empowerment Measure
 - Gender Budgeting
 - Gender discrimination

46. The concept of PQLI was developed by :
 (A) Morris D Morris
 (B) UNO
 (C) UNDP
 (D) OPHI
47. The component/s of HDI is/are :
 (A) Life Expectancy Index
 (B) Infant Mortality Rate
 (C) Population Growth Rate
 (D) All of these
48. The Multi Dimensional Poverty Index has been developed by :
 (A) UNESCO
 (B) OPHI
 (C) IMF
 (D) Morris D Morris
49. Which of the following is not a method of estimating National Income ?
 (A) Income Method
 (B) Value Added Method
 (C) Export-Import Method
 (D) Expenditure Method
50. Real GDP is obtained by :
 (A) Nominal GDP X Price level
 (B) Nominal GDP/GDP deflator
 (C) Nominal GDP – GDP deflator
 (D) Nominal GDP/Price level
51. The Multiplier Theory explains the Cumulative effects of changes of investment on income via their effects on :
 (A) Demand price
 (B) Supply price
 (C) Absolute price level
 (D) Consumption expenditure
52. If the MPC is 0.6, the investment multiplier will be :
 (A) 1.67
 (B) 2.5
 (C) 6.0
 (D) 4.0
53. Dynamic multiplier occurs when :
 (A) The assumption ceteris Paribus is dropped
 (B) The economy is not in equilibrium
 (C) Consumption is unrelated to disposable income
 (D) There is a lagged response between Consumption and Disposable income
54. The Balance Budget Theorem states that the balanced budget multiplier is always :
 (A) Less than zero
 (B) Greater than zero
 (C) Equal to Unity
 (D) Infinity

55. If the value of Investment Multiplier is 1 then incremental income is :
- Completely saved
 - Completely spent on consumption
 - Higher portion saved and lower portion spent on consumption
 - Lower portion saved and higher portion spent on consumption
56. Autonomous investment curve is :
- Vertical straight line
 - Horizontal straight line
 - Downward sloping curve
 - Upward sloping curve
57. If Capital is subject to Diminishing Returns, as the Stock of Capital increases Marginal Efficiency of Capital :
- Decreases
 - Increases
 - Remains constant
 - None of these
58. Induced Investment is :
- Income elastic
 - Income inelastic
 - Negatively sloped
 - Negatively related to National Income
59. According to Keynes Theory of Income determination aggregate income is always equal to :
- Consumption plus Savings
 - Consumption plus Production
 - Consumption plus Investment
 - Production plus Investment
60. The shape of Aggregate Demand Curve in Keynesian theory of income determination is :
- Horizontal
 - Vertical
 - Upward rising
 - Downward sloping
61. Who described Commercial Banks as Manufacturers of Money ?
- R. S. Sayers
 - De Kock
 - Walter Leaf
 - Crowther
62. Which of the following is not a Public Sector Bank ?
- State Bank of India
 - HDFC
 - Punjab National Bank
 - Dena Bank

63. In order to control credit the Central Bank should :
- (A) Sell Government Securities and reduce Bank rate
 - (B) Sell Government Securities and increase Bank rate
 - (C) Buy Government Securities and increase Bank rate
 - (D) Buy Government Securities and reduce Bank rate
64. Gilt-Edged market refers to :
- (A) Market for Gold and Silver
 - (B) Bullion Market
 - (C) Market for Government and Semi-government Securities
 - (D) Market for Guns
65. Which of the following functions is not of a Central Bank ?
- (A) Acting as a lender of the last resort
 - (B) Accepting deposits from the public
 - (C) Acting as a Controller of credit
 - (D) Acting as a Banker and Advisor to the Government
66. The objective of Central Bank increasing the Cash Reserve Ratio of Banks is to create :
- (A) Expansion of credit
 - (B) Contraction of credit
 - (C) Maintaining the existing level of credit
 - (D) None of these
67. An instrument of Qualitative Credit Control in India is :
- (A) Open Market Operations
 - (B) Credit Rationing
 - (C) Change in Reserve Ratio
 - (D) Bank Rate Policy
68. Non-performing Assets to Commercial Banks mean their loans :
- (A) Fetching very low rates of interest
 - (B) For which interest/installment has remained unpaid well after due date
 - (C) Which have not been distributed at all
 - (D) Given to sick industrial unit
69. Bank rate refers to the :
- (A) Interest rate at which Commercial Banks accept deposits from the public
 - (B) Rate at which Central Bank rediscounts
 - (C) Prime lending rate of Commercial Banks
 - (D) Interest rate at which Commercial Banks lend to the customers

70. Moral Suasion is also a weapon of Credit Control under :
- General methods of Credit Control
 - Quantitative methods of Credit Control
 - Selective methods of Credit Control
 - None of these
71. The rate which the Central Bank borrows money from Commercial Banks within the country is :
- Repo rate
 - Reverse Repo rate
 - Bank rate
 - Credit rate
72. Statutory Liquidity Ratio is obtained as :
- Liquid Assets/Net Demand and Time Liabilities
 - Liquid Assets/Bank's Total Deposits
 - Liquid Cash maintained with RBI/Net Demand and Time Liabilities.
 - None of these
73. Buying and Selling of Government securities by Central Bank is called :
- Closed market operations
 - Open market operations
 - Open debt operations
 - Closed equity operations
74. Broad Money in India is :
- Narrow money + Post Office Savings
 - Narrow Money + Time deposits of Public with Banks
 - Time deposits of Public with Banks + Post-Office Savings
 - Narrow Money + Time deposits + Post Office Savings
75. The most liquid asset next to cash, which the banks possess is :
- Advance to customers
 - Money at call
 - Treasury bills
 - Inland bills
76. During the period of depression, credit creation is :
- Less
 - More
 - Unchanged
 - None of these
77. Money multiplier in Indian context is associated with :
- Growth in Productive Investment
 - Growth in Money Supply
 - Growth in Corporate Saving
 - None of these

78. Which of the following is not a regulatory body ?
- (A) RBI
 - (B) SEBI
 - (C) HDFC
 - (D) IRDA
79. Which of the following is not correctly matched ?
- (A) Central Bank → Credit creation
 - (B) Commercial Bank → Short-term Loan
 - (C) Land Development Bank → Business Loan
 - (D) EXIM Bank → Export-Import Credit
80. High Powered Money is :
- (A) Bank's reserves at Central Bank
 - (B) Money held by the Banks
 - (C) All loans and advances of Banks
 - (D) Currency held by Public and Cash Reserves of the Banks
81. Which one of the following is not an objective of fiscal policy ?
- (A) Economic growth
 - (B) Economic stability
 - (C) Maximisation of level of employment
 - (D) Regulating financial institution
82. A tax is said to be buoyant if tax revenue is proportionally :
- (A) More responsive to changes in output
 - (B) Less responsive to changes in output
 - (C) Equally responsive to changes in tax base
 - (D) Less responsive to changes in tax base
83. Tax incidence refers to :
- (A) Whether a tax is progressive, proportional or regressive
 - (B) How often a tax is collected
 - (C) The person or group who ends up paying a tax
 - (D) How a tax is collected
84. Which tax is imposed solely by the Government of India ?
- (A) Sales Tax
 - (B) Excise Duty
 - (C) Custom Duty
 - (D) Octroi Duty
85. A tax is said to be progressive, when the Marginal Rate of tax is :
- (A) Greater than average rate
 - (B) Less than average rate
 - (C) Equal to average rate
 - (D) Equal to the marginal sacrifice

86. The concept of Zero-Based Budgeting was introduced by :
- (A) RA Musgrave
 - (B) Pete Pyhrr
 - (C) J. M. Keynes
 - (D) A. H. Hansen
87. A tax imposed on a commodity according to its weight, size or measurement is called :
- (A) Ad valorem tax
 - (B) Specific tax
 - (C) Single tax
 - (D) Double taxation
88. The distribution of the burden of paying a tax between buyers and sellers is called :
- (A) Sharing of tax burden
 - (B) Shifting of the tax
 - (C) Incidence of a tax
 - (D) Tax capitalization
89. A curve which shows the relationship between tax rate and tax revenue is known as :
- (A) Laffer curve
 - (B) Phillips curve
 - (C) Lorentz curve
 - (D) Ogive curve
90. Fiscal deficit less interest payments is called :
- (A) Net fiscal deficit
 - (B) Monetised deficit
 - (C) Primary deficit
 - (D) Budget deficit
91. Which one of the following is short-period debt meant to meet current needs, that is filling temporary gaps in budgets ?
- (A) Funded debt
 - (B) Un-funded debt
 - (C) Redeemable debt
 - (D) Irredeemable debt
92. Adolph Wagner is remembered for his theory on :
- (A) Cannons of taxation
 - (B) Public revenue
 - (C) Increasing state activity
 - (D) Public debt
93. Interest payment is an item of :
- (A) Revenue expenditure
 - (B) Capital expenditure
 - (C) Plan expenditure
 - (D) None of these

94. Which one of the following is not a method of Redemption of Public Debt ?
- (A) Repudiation
 - (B) Refunding
 - (C) Voluntary debt
 - (D) Actual repayment by means of creating special funds or through capital levy
95. Who conducts Public Debt operations of the Government of India ?
- (A) The Controller of Capital Issues
 - (B) The Union Ministry of Finance
 - (C) State Bank of India
 - (D) The Reserve Bank of India
96. Who among the following developed the concept of Effective Incidence of a Tax ?
- (A) Ursula K Hicks
 - (B) J R Hicks
 - (C) H Dalton
 - (D) AC Pigou
97. Total expenditure minus Total receipts excepting borrowing is equal to :
- (A) Revenue Deficit
 - (B) Fiscal Deficit
 - (C) Capital Deficit
 - (D) Budget Deficit
98. A once for all Public spending, regarding of its size to lift up the economy from a trough into which it has fallen and set it once again on the road to full employment is called :
- (A) Pump Priming
 - (B) Compensatory spending
 - (C) Functional finance
 - (D) Fiscal finance
99. Fiscal Consolidation at the Centre can be achieved by :
- (A) Rationalisation of major subsidies alone
 - (B) Reducing Defence expenditure only
 - (C) Raising Tax-GDP ratio and rationalization of subsidies
 - (D) Minimising the Central Assistance to the States
100. Grants from the Centre to the States under the recommendation of Finance Commission are known as :
- (A) Plan grants
 - (B) Development assistance
 - (C) Statutory grants
 - (D) Discretionary grants



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