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## BUSINESS ECONOMICS SUGGESTED ANSWERS

### CA FOUNDATION EXAM JUNE 2024

1. Consumption of high priced goods by status seeking rich people for conspicuous consumption is called as \_\_\_\_\_

- (a) Snob effect
- (b) Bandwagon effect
- (c) Demonstration effect
- (d) Veblen effect

**Ans:-**

- (d) Veblen effect

The consumption of high-priced goods by status-seeking rich people to display wealth and social status is known as the Veblen effect. This term describes the behavior where higher prices lead to increased demand because the goods serve as a status symbol.

2. If the quantity demand of coffee increased by 8% the price of tea increase by 25% the cross elasticity of demand between coffee and tea is \_\_\_\_\_

- (a) -0.32
- (b) 0.32
- (c) 3.125
- (d) -3.125

**Ans:-**

- (b) 0.32

Given

% change in demand for coffee = 8%

% change in price of tea = 25%

Cross Elasticity of Demand =  $\% \Delta$  in dd for Coffee /  $\% \Delta$  in Price of Tea =  $8/25 = 0.32$

3. Calculate the price elasticity of demand, when the price increases from Rs.20 to Rs22 and quantity demands falls from 3000 to 200 units (Midpoint method)

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- (a) 4.2
- (b) -4.2
- (c) 4
- (d) -4

4. Mr. Z went to a stationery shop to buy pens. The price of pen decreased from ₹5 to ₹3 per unit. If the price elasticity of demand for pen is 2.5 and the original quantity demand for pen is 20, then how much is the new quantity of demanded.

- (a) 10
- (b) 40
- (c) 30
- (d) 20

**Ans :-**

- (b) 40

Given,

Price of pen decreased from ₹5 to ₹3

$$e_p = \Delta Q / \Delta P \times P_1 / Q_1$$

$$-2.5 = Q_2 - 20 / -2 \times 5 / 20 \quad -2.5 = Q_2 - 20 / -2 \times \frac{1}{4}$$

$$(-2.5)(-8) = Q_2 - 20 \quad -2.5 + 20 + 20 = Q_2$$

$$Q_2 = 40$$

5. Ram wanted to purchase an Apple tab at Rs12,000/-. Actual price in the market(MRP) is Rs11,000/- and discount was given at 20%. Also there is an additional cash discount of Rs300, Find consumers surplus.

- (a) 3200
- (b) 3500
- (c) 1000
- (d) 3300

**Ans :-**

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(b) 3500

Expected Price (MU) = 12,000

MRP = 11,000

(-) Discount 20% = 2,200

(-) Cash Discount = 300

Actual Price Paid = 8,500

CS = MU - Actual Price Paid

= 12,000-8,500

= 3,500

6. When the total income of a consumer is Rs.750 find out the prices of pancake & muffins respectively,

(a) 15,30

(b) 30,15

(c) 50,25

(d) 25,50

7. A point above the budget line of a consumer represents

(a) Represents costs less than the whole consumers income

(b) Represents combination of goods which costs whole of consumers income

(c) Represents a combination which is totally unattainable

(d) Represents a combination that is attainable

**Ans:-**

(c) Represents a combination which is totally unattainable

The budget line represents all possible combinations of two goods that a consumer can purchase given their income and the prices of the goods. Points on the budget line indicate combinations where the consumer spends their entire income. Points

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below the budget line represent combinations where the consumer spends less than their total income, leaving some income unspent

8. Circulating capital means \_\_\_\_\_

- (a) Capital is durable source which gives returns for a specific period
- (b) Interest generated from capital and reinvested to earn more interest
- (c) Capital performs its production function in single use and not used further
- (d) Used for series of services over a period of time

**Ans:- C**

Circulating capital refers to assets that are used up or consumed in the process of production and need to be replaced regularly. These are typically short-term assets that complete their production function in a single use and cannot be reused. Examples include raw materials, components, and inventory that are transformed into finished goods during the production process. Unlike fixed capital, which includes long-term assets such as machinery and buildings used over multiple production cycles, circulating capital is continuously spent and replenished to maintain the production flow.

9. A person went to buy a land, and he thought one among the following is wrong feature with regarding to land

- (a) Homogeneous
- (b) Heterogeneous
- (c) Immobile
- (d) No supply price

**Ans:-**

(a) Homogeneous

Land is not homogeneous; it is heterogeneous because each piece of land has unique characteristics such as location, fertility, topography, and climate. The other features—heterogeneous, immobile, and no supply price—correctly describe the nature of land.

### **(10-11) Production Analysis**

L	TP	MP
1	200	200

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2	380	180
3	___	160
4	680	___
5	___	120

10. What is the marginal production of 4<sup>th</sup> unit?

- (a) 170
- (b) 140
- (c) 120
- (d) 160

**Ans:-**

- (b) 140

$$MP_4 = TP_4 - TP_3$$

$$TP_4 = 680$$

$$TP_3 = MP_1 + mp_2 + mp_3$$

$$TP_3 = 200 + 180 + 160 = 540$$

$$MP_4 = 680 - 540 = 140$$

11. What is the total output at 3<sup>rd</sup> unit?

- (a) 520
- (b) 680
- (c) 540
- (d) 600

**Ans:-**

- (c) 540

$$TP @ 3 \text{ RD Unit} = TP_3 = MP_1 + MP_2 + MP_3 = 200 + 180 + 160 = 540$$

(Or)

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$$TP_3 = TP_3 + MP_3 = 380 + 160 = 540$$

12. What is the Average product of 5<sup>th</sup> unit?

- (a) 200
- (b) 160
- (c) 190
- (d) 800

**Ans:-**

- (b) 160

$$Ap @ 5^{th} \text{ unit} = ap_5 = TP/Q_5$$

$$Tp_5 = tp_4 + mp_5 = 680 + 120 = 800$$

$$Aps = 800/5 = 160$$

13. Which of the following defines all those combinations of inputs which are capable of producing the same level of output is\_\_\_\_\_

- (a) Indifference curve
- (b) Iso quant
- (c) Iso cost
- (d) Budget line

**Ans:-**

- (b) Iso quant

An **isoquant** is a curve in microeconomics that represents all possible combinations of inputs (such as labor and capital) that will produce a specific level of output. The term "isoquant" comes from "iso," meaning equal, and "quant," meaning quantity or amount. Therefore, an isoquant curve shows all combinations of inputs that yield the same level of output.

14. Which of the following is called envelope curve?

- (a) Average fixed cost curve
- (b) short run average cost curve

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- (c) long run average cost curve  
 (d) average variable cost curve

**Ans:-**

- (c) long run average cost curve

**Long run average cost curve (LRAC):** This curve shows the lowest possible average cost of production for each level of output when all inputs (both fixed and variable) can be adjusted or varied. It is also known as the envelope curve because it envelopes or surrounds all the short run average cost curves (SRAC).

15. Find out A and B from, the following table

Q	Total Cost	Fixed Cost	Variable Cost	Marginal Cost
10	1300	500	800	-
20	1900	500	1400	60
35	A	500	2100	B

- (a) 2600, 46.7  
 (b) 2600, 50  
 (c) 2660, 46.7  
 (d) 2660, 47

**Ans:-**

- (a) 2600, 46.7

$Tc = \text{fixed cost} + \text{variable cost} = a$

$$Tc = 500 + 2,100$$

$$A = tc = 2,600$$

$$Mc_{35} = \Delta tc / \Delta Q$$

$$B = mc_{35} = 2600 - 1900 / 35 - 20$$

$$Mc_{35} = 700 / 35$$

$$B = mc_{35} = 46.666$$

$$Mc_{35} = 46.7$$

16. The shape of long run average cost curve depends upon \_\_\_\_

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- (a) Law of returns
- (b) Returns to scale
- (c) Diminishing returns
- (d) Law of variable proportions

**Ans:-**

- (b) Returns to scale

Returns to scale refer to the effect on output when all inputs are increased by the same proportion. The LRAC curve shows the lowest possible average cost of production for each level of output when all inputs can be adjusted.

17. The normal returns on money capital invested by the entrepreneur himself in his own business is an example of \_\_\_\_\_

- (a) Explicit cost
- (b) External cost
- (c) Private cost
- (d) Implicit cost

**Ans:-**

- (d) Implicit cost

Implicit cost is the cost of self-owned factors used by the entrepreneur in his own business. These costs are important in decision making and are as follows:

Generally, an entrepreneur invests a certain amount of capital in his business. If the capital invested by the entrepreneur in his business had been invested elsewhere, it would have earned a certain amount of interest or dividend.

18. The money cost of production incurred by the firm such as wages, lightning, lease payment etc., are \_\_\_\_\_ cost

- (a) Implicit cost
- (b) Opportunity cost
- (c) Outlay cost
- (d) Economic cost



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**Ans:-**

(c) Outlay cost

An entrepreneur has to pay price for the factors of production which he employs for production.

- He pays wages to workers employed,
- He pays prices for the raw materials, fuel and power used,
- He pays rent for the building he hires,
- He pays interest on the money borrowed for doing business.

All these are included in his cost of production and are termed as explicit costs or outlay costs, which involve cash payments by the entrepreneur of the firm.

19. From the diagram answer the following

- (a)  $A = MC$ ,  $B = ATC$ ,  $C = AVC$ ,  $D = AFC$
- (b)  $A = AC$ ,  $B = MC$ ,  $C = AVC$ ,  $D = AFC$
- (c)  $A = AFC$ ,  $B = ATC$ ,  $C = AVC$ ,  $D = MC$
- (d)  $A = MC$ ,  $B = AVC$ ,  $C = ATC$ ,  $D = AFC$

Ans:- (a)  $A = MC$ ,  $B = ATC$ ,  $C = AVC$ ,  $D = AFC$

20. Which is the external cause of business cycle?

- (a) Variations in government spending
- (b) Macroeconomic policies
- (c) Psychology factors
- (d) Technological shocks

**Ans:-**

- (d) Technological shocks

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Technological shocks, such as sudden advancements or disruptions in technology, can significantly impact the business cycle by affecting productivity, efficiency, and overall economic output. These shocks are considered external because they are often unpredictable and originate outside of typical economic policy or consumer behavior.

21. The variable that changes after the real income changes is known as \_\_\_\_\_ indicator.

- (a) Leading
- (b) Lagging
- (c) CO-incident
- (d) They do not indicate anything

**Ans:-**

- (b) Lagging

Lagging indicators are economic indicators that change after the overall economy has already changed. They reflect the economy's performance over time and are used to confirm the trends suggested by leading indicators.

22 Find the correct option

1) Hawtrey	a) Innovation
2) Pigou	b) Money supply
3) Schumpeter	c) Psychological factors
4) Keynes	d) Effective aggregate demand

- (a) a,b,c,d
- (b) b,c,a,d
- (c) a,b,d,c
- (d) b,a,d,c

**Ans:-**

- (b) b,c,a,d

According to **hawtrey**, trade cycle is a purely monetary phenomenon.

According to **pigou**, modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism.

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According to **Schumpeter's** innovation theory, trade cycles occur because of innovations which take place in the system from time to time.

According to **keynes**, fluctuations in economic activities are due to fluctuations in aggregate effective demand.

23. Under pragmatic approach, micro economics is abstract and purely \_\_\_\_\_ nature and takes \_\_\_\_\_ assumptions

- (a) Pragmatic, Unrealistic
- (b) Practical, Realistic
- (c) Theoretical, Unrealistic
- (d) Theoretical, Realistic

**Ans:-**

- (c) Theoretical, Unrealistic

This means that microeconomics, under a pragmatic view, is theoretical and deals with abstract concepts rather than practical, real-world situations. It often makes simplifying assumptions that may not fully reflect the complexities of real economic behavior.

24. Which of the following is subject matter of macroeconomics?

- (a) Behavior of firms
- (b) Factor Pricing
- (c) Overall level of savings and investments
- (d) The economic condition of section of people

**Ans:-**

- (c) Overall level of savings and investments

Macroeconomics deals with aggregate economic phenomena such as national income, employment, inflation, savings, investments, and overall economic growth. It focuses on the economy as a whole rather than on individual markets or firms.

25. Mr.X had been given a task to segregate normative and non-normative statements. Help him to identify which one of these is normative economic statement?

- (a) Pollution level is rising day by day because of urbanization

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- (b) The part time working hours of students should be increased to 25 hours per week
- (c) Due to the increased number of cars on roads, people will be stuck in traffic jams
- (d) The government has allotted a major portion of revenue in defense.

**Ans:-**

- (b) The part time working hours of students should be increased to 25 hours per week

The part-time working hours of students should be increased to 25 hours per week - This statement expresses an opinion about what should be done regarding part-time working hours of students. It reflects a normative stance.

26. What is the nature of business economics, which is an applied branch of economics?

- (a) It is positive in nature
- (b) It is normative in nature
- (c) It is neural in nature
- (d) It is both positive as well as normative in nature.

**Ans:- B**

27. Which statement differentiates business economics from economics?

- (a) It is abstract in nature
- (b) It is narrow concept than economics
- (c) It is no different from economics
- (d) It is pragmatic in nature

**Ans:-**

- (d) It is pragmatic in nature

Business economics is considered pragmatic because it focuses on real-world applications and practical solutions to business problems. Unlike traditional economics, which may explore theoretical concepts and broader economic systems, business economics directly applies economic theories and principles to improve decision-making within businesses. It emphasizes the practicality of economic

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analysis and its implementation in managing business operations, maximizing profits, and achieving strategic objectives.

28. When the Marginal revenue = 0, then total revenue is \_\_\_\_\_ if the slope of TR is 0

- (a) Maximum
- (b) Minimum
- (c) Increasing
- (d) Decreasing

**Ans:-**

- (a) Maximum

When marginal revenue (MR) equals 0, the total revenue (TR) is at its maximum point. This occurs because the slope of the total revenue curve (TR) is zero at the point where  $MR = 0$ . At this point, any further increase or decrease in output would result in a decrease in total revenue, indicating that total revenue is maximized.

29. When factors other than price changed causes the supply curve to shift to the left, then it is

- (a) Expansion of supply
- (b) Contraction of supply
- (c) Increase in supply
- (d) Decrease in supply

**Ans:-**

- (d) Decrease in supply

When factors other than price cause the supply curve to shift to the left, it indicates a decrease in supply. This shift means that at every given price level, suppliers are willing to supply less of the good or service than before due to factors such as increased costs of production, reduced technology efficiency, or decreased availability of inputs.

30. Increase in demand and decrease in supply causes \_\_\_\_\_

- (a) Equilibrium Price uncertain, Equilibrium quantity falls
- (b) Equilibrium Price rises, Equilibrium quantity falls

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(c) Equilibrium Price rises, Equilibrium quantity uncertain

(d) Equilibrium Price falls, Equilibrium quantity uncertain

**Ans:- C**

- An increase in demand (shift of the demand curve to the right) leads to a higher equilibrium price and quantity.
- A decrease in supply (shift of the supply curve to the left) leads to a higher equilibrium price and a lower equilibrium quantity.

When both an increase in demand and a decrease in supply occur simultaneously:

- The equilibrium price definitely rises because both shifts push the price upwards.
- The equilibrium quantity is uncertain because the direction of change depends on the relative magnitude of the shifts in demand and supply.

31 Find the marginal revenue (MR) of markets A and B respectively. Where the AR in both the market is 21 and elasticities of demand in market A and B are 3 and 7 respectively

(a) 13.9, 17.9

(b) 14.9, 18.9

(c) 17, 18

(d) 12,18

**Ans:-**

(a) 13.9, 17.9

$MR = AR (2Z1)$

Given

$Ar = 21$

$E_a = 3, E_b = 7$

$Mr_a = 21 (3-1/3) Mr_a = 13.9$

$Mr_b = 21 = Mr_b = 17.9$

**(32-34)**  $D_1$  &  $S_1$  are original demand and supply curve,  $D_1, D_3, D_2, S_2, S_3$  are possible new demand and supply curves. Starting for eq point (1), what is the new eq for each change.

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32. P visited supermarket and purchasing Jam, Income of P. Price of factor what is new eq price.

- (a) 7
- (b) 2
- (c) 4
- (d) 9

**Ans:-**

- (d) 9

With an increase in the income, the demand of p increases leading to a rightward shift of demand. A decrease in the price of factor leads to decrease in all capitals and increase in supply.

The given graph shows increase in dd = increase in ss p reaches point of where equilibrium qty increases and equilibrium price remains constant.

33. Heavy storm in Tamil Nadu caused damage to crops. What is new eq price & quantity.

- (a) 4
- (b) 3
- (c) 2
- (d) 6

**Ans:-**

- (b) 3

Heavy storm leads to decrease in supply with a decrease in supply we move from point 1 to point 3 where we see increase in price and decrease in equilibrium qty.

34. Edward expects a rise in price of motorcycles in next year. What is new eq price.

- (a) 5
- (b) 4
- (c) 6

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(d) 9

**Ans:-**

(c) 6

As Edward expects the future price increase it leads to an increase in current demand we move from point 1 to 6 leading to a rise in equilibrium quantity & price.

35. In which market the price elasticity of demand is infinity?

- (a) Perfect competition
- (b) Monopolistic competition
- (c) Oligopoly
- (d) Monopoly

**Ans:-**

(a) Perfect competition

In perfect competition, the price elasticity of demand (PED) is often considered to be infinite in the long run for individual firms. This is because in a perfectly competitive market:

- Firms are price takers and sell homogeneous (identical) products.
- They can sell any quantity of output at the prevailing market price without affecting the price.
- Therefore, the demand curve facing an individual firm is perfectly elastic (horizontal).

As a result, if the firm were to increase its price even slightly, it would lose all its customers to other firms selling at the prevailing market price. This situation implies that the PED facing the firm is infinite.

36. Strategic interdependence is a characteristic of which type of following market?

- (a) Monopoly
- (b) Perfect competition
- (c) Monopolistic competition
- (d) Oligopoly

**Ans:-**



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(d) Oligopoly

In an oligopoly market structure, there are a small number of firms that dominate the market. Due to the few competitors and their significant market share, each firm's pricing, output decisions, and strategies are influenced by the expected reactions of their rivals. This strategic interdependence often leads to complex decision-making processes, including considerations of pricing strategies, advertising, product differentiation, and potential collusive behavior. Therefore, oligopoly markets are characterized by strategic interdependence among firms.

37. Relation between AR and MR in a monopoly is stated as

- (a) AR can be zero, MR can be zero or negative
- (b) AR and MR both are upward sloping
- (c) AR curve lies halfway between MR and y-axis
- (d) slope of MR is twice that of AR

**Ans:-**

(d) slope of MR is twice that of AR

- **Average Revenue (AR):** AR is the revenue per unit of output sold, calculated as total revenue divided by quantity sold ( $AR = TR / Q$ ). In monopoly, AR is downward-sloping because to sell more output, the firm must lower the price, which reduces the revenue earned per unit.
- **Marginal Revenue (MR):** MR is the additional revenue earned from selling one more unit of output. In monopoly, MR is also downward-sloping and typically lies below the AR curve.

The slope of MR is twice that of AR because MR decreases at twice the rate of AR. This relationship arises because in monopoly, to sell one more unit of output, the firm must lower the price not only for the additional unit but for all units sold, leading to a greater reduction in revenue per unit (MR) compared to the average revenue per unit (AR)..

38. In which form of market, patents and copyrights given by the government to protect the intellectual property rights?

- (a) Perfect competition
- (b) Monopoly
- (c) Monopolistic competition
- (d) Oligopoly

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**Ans:-**

(b) Monopoly

In a monopoly market, there is only one seller or producer of a particular product or service. This singular control allows the monopolist to have exclusive rights over the production and sale of their patented or copyrighted product. Monopolies can maintain higher prices due to the lack of competition, thus maximizing their profits and benefiting from the protection of intellectual property rights granted by the government. Therefore, option (b) is the correct answer.

39. Which feature of monopolistic of competition differ from perfect competition?

- (a) Larger number of sellers
- (b) Freedom of entry and exist
- (c) Product discrimination
- (d) Differentiation activity

**Ans:-**

(c) Product discrimination

In monopolistic competition, firms engage in product differentiation, which means they offer products that are similar but not identical to their competitors. This product differentiation allows firms to have some degree of market power and control over the pricing of their products. Customers perceive differences between the products of different firms, whether real or perceived, which gives each firm a small degree of market control.

In contrast, in perfect competition, products are homogeneous, meaning they are identical across all sellers. This eliminates the ability of firms to differentiate their products based on quality, branding, or other features. As a result, in perfect competition, firms are price takers and have no control over the market price.

40. If electricity department is charging Rs.3 per unit to farmers and Rs7 per unit to industries it is described as

- (a) Product differentiation
- (b) Price discrimination
- (c) Monopoly
- (d) Differentiation activity

**Ans:-**

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(b) Price discrimination

Price discrimination occurs when a seller charges different prices to different customers for the same product or service, where the price difference is not due to differences in costs. In this case:

- Farmers are charged Rs. 3 per unit, which is likely a lower price intended to support agriculture.
- Industries are charged Rs. 7 per unit, which is likely a higher price reflecting higher demand or usage patterns.

This practice of charging different prices based on the customer's characteristics or willingness to pay is known as price discrimination. It allows the seller to capture more of the consumer surplus and potentially increase overall revenue.

41. When few firms of the oligopolistic market come to a common understanding with each other in fixing price and output, it is called\_\_\_\_\_

- (a) Syndicate oligopoly
- (b) Collusive oligopoly
- (c) Perfect oligopoly
- (d) Open oligopoly

**Ans:-**

- (b) Collusive oligopoly

Collusive oligopoly refers to a situation where firms in an oligopoly market collude or cooperate with each other to restrict competition and maximize joint profits. This collusion can take various forms, such as price-fixing agreements, output quotas, or market-sharing agreements. By colluding, firms can avoid price wars and maintain higher prices than they would under competitive conditions.

42. When NFIA is positive, then

- (a)  $GNP_{mp} < GDP_{mp}$
- (b)  $GNP_{mp} < GDP_{mp}$
- (c)  $GDP_{mp} < GNP_{mp}$
- (d)  $GDP_{mp} > GNP_{mp}$

**Ans:-**

- (d)  $GDP_{mp} > GNP_{mp}$

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When NFIA (Net Factor Income from Abroad) is positive, it means that the country earns more income from its investments and assets abroad than it pays out to foreign investors and entities. In the context of national income accounting:

$$\text{NFIA} = \text{GDPmp} - \text{GNPmp}$$

Here:

- GDPmp (Gross Domestic Product at market prices) represents the total value of goods and services produced within a country's borders.
- GNPmp (Gross National Product at market prices) represents the total value of goods and services produced by the country's residents, including income from abroad.

Since NFIA is positive, it implies that GDPmp is greater than GNPmp, because GDPmp includes income earned by foreign residents within the country (which increases GDPmp relative to GNPmp).

43. GDP at Market Price =

- (a) GDP at Factor cost plus net indirect taxes
- (b) NNP at market price minus indirect taxes
- (c) GNP at market price plus net factor income from abroad
- (d) None

**Ans:-**

- (a) GDP at Factor cost plus net indirect taxes

This formula accounts for the total value of goods and services produced within a country's borders (GDP) plus net indirect taxes (indirect taxes minus subsidies).

44. Gross Value added at market price (GVAmp) =

- (a) Value of Output + Change in stock
- (b) Value of Output + Intermediate consumption
- (c) Value of Output + Change in stock - Intermediate consumption
- (d) Value of Output - Intermediate consumption

**Ans:-**

- (d) Value of Output - Intermediate consumption

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**Value of Output:** This is the total value of goods and services produced by an industry or sector.

**Intermediate consumption:** This represents the value of goods and services consumed as inputs in the production process.

GVamp measures the contribution of an industry or sector to the economy by calculating the difference between the total value of its output and the value of intermediate consumption (inputs used up in production)

45. Disposable personal Income

(a) Total personal income left after tax deduction at source

(b) Personal Income - Direct Taxes paid by individual - indirect taxes paid by individual

(c) Personal income - personal income taxes - non tax payments

(d) Personal income - indirect taxes paid by individual

**Ans:- C**

**Personal Income:** This includes all income received by individuals from all sources, including wages, salaries, rental income, dividends, etc.

**Personal Income Taxes:** These are taxes paid by individuals on their personal income, such as income tax.

**Non-tax Payments:** These include non-tax deductions, such as social security contributions or other mandatory deductions.

DPI represents the income that individuals have available for consumption and saving after accounting for taxes and other mandatory deductions.

**(46-47)** Using the following information

Year	Nominal GDP in crores (Rs)	Real GDP in Crores (Rs)
2020	600	600
2021	1050	650
2022	1250	850
2023	1500	940

46. Calculate the GDP Deflator for the year 2022 and 2023

(a) 147.06 & 159.57

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(b) 100 & 161.54

(c) 68 & 62.67

(d) 400 & 560

**Ans:-**

(a) 147.06 & 159.57

GDP Deflator = Nominal GDP/Real GDP x 100

GDP Deflator 2020 = 600/600 x100

GDP Deflator 2023 = 1500 x 940 = 159.57

GDP Deflator 2022 = 1250/850 = 147.06

47. The inflation rate between the years 2022 and 2023 is \_\_\_\_\_

(a) -7.84

(b) -8.51

(c) 8.51

(d) 7.84

**Ans:-**

(c) 8.51

Inflation rate between 2022 & 2023

GDP deflator 2023 - GDP deflator 2022 x 100

GDP deflator 2022

=  $159.57 - 147.06 / 147.06 \times 100 = 8.51\%$

48. Income received by household sector including non-profit institution serving household is called \_\_\_\_\_

(a) Per capita income

(b) Personal income

(c) National income



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(d) Disposal income

**Ans:-**

(b) Personal income

Personal income includes all income received by individuals from all sources, including wages, salaries, rental income, dividends, and transfer payments (such as social security benefits). It represents the total income available to individuals before personal taxes and other deductions.

49. Joseph had a shoe company in US. The profits earned from its manufacturing unit operating in India will come under

- (a) GDP of India and GNP of US
- (b) GDP of US and GNP of India
- (c) GNP of US and GNP of India
- (d) GDP of US and GDP of India

**Ans:-**

(a) GDP of India and GNP of US GNP differs from GDP by including income that our citizens earn abroad and excluding income that foreigners earn here.

**GDP (Gross Domestic Product):** GDP measures the total value of goods and services produced within the borders of a country. The profits earned by Joseph's company in India contribute to India's GDP because they represent economic activity (profits) generated within India's territory.

**GNP (Gross National Product):** GNP measures the total value of goods and services produced by the residents of a country, regardless of where they are located. Since Joseph is a resident of the US, the profits earned by his company in India are included in the GNP of the US.

Therefore, the profits earned by Joseph's shoe company from its manufacturing unit in India contribute to the GDP of India (because they are earned within India's borders) and to the GNP of the US (because Joseph is a resident of the US).

50. If nominal GDP and real GDP for the year 2015 are Rs.5000 crores and Rs.6700 crores respectively, then what will be the impact on change in prices with respect to base year?

- (a) Prices will fall
- (b) Prices will rise

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- (c) Not defined as base is year not given
- (d) No effect on prices

**Ans:-**

- (a) Prices will fall

Nominal GDP > Real GDP. Hence prices will fall.

51. Which of the following is not a reason for leakages?

- (a) Part of an increment in income used for payment of debts
- (b) Distributed profits of corporation
- (c) High liquidity preference
- (d) Progressive rate of taxation

**Ans:-**

- (b) Distributed profits of corporation

Distributed profits of corporations, such as dividends paid to shareholders, represent a leakage from the circular flow of income in the economy. Here's why:

- When corporations distribute profits to shareholders as dividends, this income is not immediately spent on consumption goods and services. Instead, it often represents savings or investment by the shareholders.
- As a result, these profits do not contribute directly to consumption expenditures or investment in the economy in the short term, thereby reducing the amount of income circulating within the economy.

Therefore, distributed profits of corporations are considered a leakage because they divert income away from immediate consumption and investment spending in the circular flow of income.

52. Find the aggregate demand, when consumption is Rs.2000 crores, investment is Rs.700 Crores, Government Spending is Rs.750 Crores, total exports is Rs.150 Crores and total expenditure on imports are 50 Crores.

- (a) 3550 Cr
- (b) 3300 Cr
- (c) 3600 Cr
- (d) 3350 Cr



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**Ans:-**

(a) 3550 Cr

Given,

$C = 2000$  crores,  $I = 700$  crores

$G = 750$  crores,  $X = 150$  crores

$AD = C+I+G+X-M$

$= 2000 + 700 + 750 + (150-50)$

$= 3550$  crores

53.  $C = 200+0.8Y_d$  ;  $G = T = 150$ ;  $I = 200$ ;  $TR = 75$ . Find equilibrium income.

(a) 625

(b) 2450

(c) 2250

(d) 800

**Ans:-**

(b) 2450

$0 = 200 + 0.8Y_d$ ,  $G = T = 150$

$I = 200$ ,  $TR = 75$

$Y = C+I+G$

$C = 200 + 0.8(Y-150+75)$

$Y = 200 + 0.8Y - 120 + 60 + 200 + 150$

$Y = 0.8Y + 490$

$Y-0.8Y = 490$

$0.2 Y = 490$

$Y = 490/0.2 \Rightarrow Y = 2450$

54. Which of the following is true for MPC?

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- (a) It is always greater than one
- (b) It is always less than unity but greater than zero
- (c) It can be even less than zero
- (d) It can attain any value depending upon the disposable income

**Ans:-**

- (b) It is always less than unity but greater than zero

This statement correctly describes MPC. MPC represents the portion of additional income that is spent on consumption, so it ranges from 0 to 1 (exclusive).

55. Investment multiplier is the \_\_\_\_\_

- (a) Rate of change in investment due to increase in income
- (b) Rate of increase in the national income due to increase in the investment
- (c) Rate of change in the investment due to increase in the savings
- (d) Rate of change in savings due to increase in the investment

**Ans:-**

- (b) Rate of increase in the national income due to increase in the investment

The investment multiplier shows how an initial increase in investment can lead to a larger final increase in national income or GDP.

It quantifies the total impact on national income when there is an initial injection of investment into the economy.

The multiplier effect occurs because the increase in investment leads to increased spending, which in turn increases income, leading to further rounds of spending and income generation.

56. If aggregate demand for an amount of output is less than the full employment level of output in the economy, then it gives rise to

- (a) Inflationary Gap
- (b) Deflationary Gap
- (c) Potential Gap
- (d) Excess Demand

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**Ans:-**

(b) Deflationary Gap

A deflationary gap occurs when aggregate demand (AD) is insufficient to create full employment output in the economy.

In other words, it represents a situation where the actual level of output produced is less than what could be produced at full employment (potential output).

This gap implies that there is unused productive capacity in the economy, leading to unemployment and underutilization of resources.

57. Increase in investment by Rs500 crores will increase the national income by Rs.1500 crores. Can we find marginal propensity to consume?

- (a) 3
- (b) 0.75
- (c) 0.70
- (d) 0.66

**Ans:-**

(d) 0.66

$$\Delta I = 500, \Delta Y = 1500$$

$$1/(1-MPC) = 1500/500$$

$$1/(1-MPC) = 3$$

$$1 = 3 - 3MPC$$

$$1 - 3 = -3MPC$$

$$-2 = -3MPC = 2/3$$

58. Allocative and Distributive functions of a government is a economic function.

- (a) Micro
- (b) Macro
- (c) Both
- (d) None

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Ans:- A

**Allocative Function:** In microeconomics, the government plays a role in allocating resources efficiently. This involves ensuring that resources are allocated to their most productive uses, which can involve policies related to market regulation, subsidies, taxes, and public goods provision.

**Distributive Function:** This relates to the distribution of income and wealth within society. Microeconomics examines how government policies, such as taxation, welfare programs, and transfer payments, impact the distribution of income among individuals and households.

59. Who is responsible for the economic stabilization and the income redistribution in an economy?

- (a) State government
- (b) Central government
- (c) Central and state
- (d) Central, state, local bodies

Ans:-

- (b) Central government

**Economic Stabilization:** The central government typically formulates and implements macroeconomic policies aimed at stabilizing the economy, such as fiscal policy (taxation and spending) and monetary policy (interest rates and money supply). These policies aim to control inflation, reduce unemployment, and promote overall economic stability.

**Income Redistribution:** Policies related to income redistribution, such as progressive taxation, social welfare programs, and transfer payments, are largely the domain of the central government. These policies aim to reduce income inequality and ensure a more equitable distribution of income and wealth within society.

While state governments and local bodies may have some roles in specific economic policies and programs, the primary responsibility for economic stabilization and income redistribution lies with the central government in most economies.

60. When smoking is completely banned by the government in public places like bus stand, schools, parks etc., then it is an example of

- (a) Direct control on negative production externality.
- (b) Direct control on positive production externality.

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(c) Command solution

(d) Direct control on positive consumption externality.

Ans:- A

When the government imposes a complete ban on smoking in public places like bus stands, schools, and parks, it can be viewed as a command solution. Here's why:

A command solution refers to a direct regulatory or legislative action taken by the government to address a societal issue or problem. In this case, the government is mandating a specific behavior (no smoking) in designated public areas.

This approach contrasts with market-based solutions (like taxes or subsidies) or voluntary actions (like awareness campaigns) aimed at achieving the desired outcome.

61. Externalities leads to market failure because

- (a) They always result in negative outcomes for markets causing market failure
- (b) They represent cost or benefit which are not reflected in the market price
- (c) They are always associated with public goods and services
- (d) They prevent the production of private goods harming mankind.

Ans:-

- (b) They represent cost or benefit which are not reflected in the market price

Externalities refer to the costs or benefits that arise from economic activities but are not fully reflected in market prices. This means that the market price of a good or service does not capture all the social costs or benefits associated with its production or consumption.

When externalities exist, market prices do not accurately represent the true costs or benefits to society, leading to inefficient allocation of resources.

This inefficiency results in market failure because resources are not allocated in a way that maximizes societal welfare or utility.

62. Fiscal federalism in India is maintained by?

- (a) Central Government
- (b) State government
- (c) RBI

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(d) Finance Commission

**Ans:-**

(d) Finance Commission

The Finance Commission of India is a constitutional body established under Article 280 of the Constitution of India. Its primary role is to recommend the distribution of tax revenues between the Union (central) government and the state governments.

The Finance Commission also recommends grants-in-aid to states and the principles governing the grants. These recommendations are aimed at promoting fiscal federalism by ensuring a fair distribution of fiscal resources between the central and state governments.

Through its recommendations, the Finance Commission helps in maintaining fiscal balance, stability, and equity in the federal structure of India.

63. The policy designed to restrain the level of economic activities of the economy during the inflationary phase is known as

- (a) Expansionary fiscal policy
- (b) Contractionary fiscal policy
- (c) Taxation policy
- (d) Budgetary policy

**Ans:-**

(b) Contractionary fiscal policy

During an inflationary phase, where prices are rising, the economy may experience overheating and excessive demand.

Contractionary fiscal policy involves measures to reduce aggregate demand and restrain economic activities. This is typically achieved through:

- - Increasing taxes to reduce disposable income and consumer spending.
  - Decreasing government spending to reduce overall demand in the economy.

These measures aim to cool down the economy, curb inflationary pressures, and maintain price stability.

64. In the period of sluggish economic activities, when the rate of utilization of resources is less, fiscal policy aims to compensate the deficiency in by boosting

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- (a) Demand, private investment
- (b) Supply, export activities
- (c) Effective demand, aggregate spending
- (d) Production, supply

**Ans:-**

- (c) Effective demand, aggregate spending

During periods of economic slowdown or recession, there is typically a deficiency in aggregate demand, leading to underutilization of resources (such as labor and capital).

Fiscal policy can intervene to stimulate the economy by increasing government spending and/or reducing taxes. These measures aim to boost effective demand (total demand for goods and services in the economy) and aggregate spending (total spending by households, businesses, and the government).

By boosting effective demand and aggregate spending, fiscal policy seeks to stimulate economic activities, increase production and consumption, and reduce unemployment.

65. If Velocity=20, Average Price = 120 and volume of transactions T = 150Cr then money supply will be

- (a) 2500 Cr
- (b) 25 Cr
- (c) 900 Cr
- (d) 1000 Cr

**Ans:-**

- (c) 900 Cr

$$V = 20, P = 120 T = 150cr$$

Fishers' equation of exchange

$$MV = PT$$

$$M (20) = 120(150) M = 900crores$$

66. Which of the following is a fiat money?



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- (a) Gold Coins
- (b) Silver Coins
- (c) Currency Notes
- (d) Gold coins, Silver Coins as well as currency notes

**Ans:-**

- (c) Currency Notes

Currency notes are considered fiat money because their value is established by government decree (fiat) and they are accepted as legal tender for transactions.

Gold coins and silver coins (options a and b) are not fiat money because their value is based on the value of the metal they contain, not just on government decree.

67. The transactionary demand for money is directly proportional to and is a positive function of

- (a) Level of price
- (b) Level of income
- (c) Level of demand
- (d) Level of interest rate

**Ans:-**

- (b) Level of income

As income levels increase, individuals and businesses typically have more transactions to conduct, such as purchasing goods and services.

With higher levels of income, the demand for money to facilitate these transactions also increases.

Therefore, the transactionary demand for money is directly related to the level of income in the economy.

68. People's desire to hold cash in order to be equipped to exploit any attractive investments opportunity requiring cash expenditure reflects

- (a) Transaction Motive
- (b) Speculative motive



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- (c) Precautionary motive
- (d) Personal and business exchange

**Ans:-**

**(b) Speculative motive**

**Speculative Demand for Money:** (Inverse function of rate of interest)

- a) People's desire to hold cash to exploit attractive investment opportunity requiring cash expenditure.
- b) People hold money balances to take advantage of future changes in rate of interest & bond prices.
- c) It is implicit in Keynes theory that the 'rate of interest' (i) is really the return on bond

69. What does the concept of liquidity trap mean?

- (a) Liquidity trap is a situation where the desire to hold bonds is very low and approaches zero; and the demand to hold money in liquid form as an alternative approaches infinity
- (b) Even if the public fear adverse events (deflation, war), then they prepare to hold only bonds at a given rate of interest.
- (c) The speculative money demand curve becomes parallel to the Y axis
- (d) None

**Ans:-**

- (a) Liquidity trap is a situation where the desire to hold bonds is very low and approaches zero; and the demand to hold money in liquid form as an alternative approaches infinity

In a liquidity trap, interest rates are very low (often near zero), and monetary policy becomes ineffective in stimulating economic activity.

At such low interest rates, individuals and businesses prefer to hold money (cash and highly liquid assets) rather than investing in bonds or other interest-bearing assets.

This situation arises because the opportunity cost of holding money (which pays no interest) is perceived as very low compared to the risks and returns associated with investing in bonds or other assets.

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As a result, despite low interest rates, the demand for money remains high (approaching infinity in extreme cases), and the demand for bonds (and other interest-bearing assets) is very low (approaching zero).

70. Calculate broad money M3?

- (a) Currency with public + demand deposits with banks
- (b) Currency with public + demand deposits with banks + net time deposits with the banking system
- (c) Currency with public + Savings with government banks
- (d) Currency with public + Demand Deposits with banks + other deposits with RBI

**Ans:-**

(b) Currency with public + demand deposits with banks + net time deposits with the banking system

$M_i$  = Currency with the people + Demand deposits of banks + Other deposits of the RBI  
 $M_3$  =  $M_i$  + net time deposits with the banking system.

71. Calculate currency with public

Particulars	( in crores)
Notes with public in circulation	23,26,500
currency of small coins in circulation	500
currency of rupee coins in circulation	34,500
cash in hand with banks	80,615

- (a) 22,80,885 Crores
- (b) 24,42,115 Crores
- (c) 22,45,885 Crores
- (d) 23,62,000 Crores

72. Money Multiplier means

- (a) It decreases the total money supply for a given monetary base
- (b) It dictates interest rates set by RBI
- (c) The ratio of money supply to monetary base
- (d) It controls amount of gold reserves held by bank

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**Ans:-**

(c) The ratio of money supply to monetary base

Money multiplier is defined as a ratio of changes in the money supply to a given change in the monetary base, i.e., Money supply and high-powered money are related by the money multiplier.

Money Multiplier (m) = Money Supply / Monetary Base

73. Which of the following is not a channel of monetary transmission mechanism?

- (a) Savings & investments channel
- (b) Cash Flow Channel
- (c) Exchange rate channel
- (d) International Trade Channel

**Ans:-**

d) International Trade Channel

While changes in monetary policy can indirectly influence international trade through their impact on exchange rates (option (c)), the direct influence on trade itself (option (d)) is more commonly associated with factors such as trade policy, tariffs, and global economic conditions rather than changes in domestic monetary policy.

74. Open Market purchases of government securities by RBI will

- (a) Reduce the Money Supply
- (b) Reduce the reserves
- (c) Increase reserves
- (d) Reduce the reserves and there by reduces the money supply

**Ans:-**

(c) Increase reserves

When the RBI conducts open market purchases, it buys government securities from commercial banks and the public.

In return for these securities, the RBI credits the accounts of the sellers (usually commercial banks) with reserves held at the central bank.

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These reserves are part of the monetary base and represent the money supply available in the banking system.

Therefore, open market purchases increase the reserves of commercial banks, providing them with more liquidity to lend and thereby potentially increasing the money supply in the economy.

75. Theory of Comparative cost advantage is \_\_\_\_\_ in nature and it \_\_\_\_\_ takes into account of factor price difference

- (a) Positive; does
- (b) Normative; does not
- (c) Positive; does not
- (d) Normative; does

**Ans:-**

- (b) Normative; does not

The Theory of Comparative Advantage is a normative economic theory that prescribes how countries should allocate their resources and specialize in production to maximize efficiency and welfare.

It does not directly consider factor price differences (such as differences in labor costs or capital costs) in its basic form. Instead, it focuses on relative opportunity costs and how countries should specialize based on these differences.

Normative theories provide recommendations or prescriptions about what should be done to achieve certain economic goals, rather than describing how things are in reality.

76. Mercantilism advocates

- (a) Aggressive exports over imports to accumulate wealth
- (b) Comparative advantage
- (c) Absolute cost advantage
- (d) Factor endowment

**Ans:-**

- (a) Aggressive exports over imports to accumulate wealth

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Mercantilism is an economic theory and practice that dominated Western European economic policies from the 16th to the 18th centuries.

It emphasizes the importance of accumulating wealth, particularly gold and silver, through a favorable balance of trade, where exports exceed imports.

Mercantilist policies typically included protectionist measures to promote exports and restrict imports, subsidies to domestic industries, and colonization to secure sources of raw materials.

The goal of these policies was to increase the wealth and power of the nation-state through trade surpluses and accumulation of precious metals.

77. GATT was established in the year

- (a) 1945
- (b) 1948
- (c) 1995
- (d) 2014

**Ans:-**

- (b) 1948

GATT was established in 1948 with the primary goal of promoting international trade by reducing or eliminating trade barriers such as tariffs and quotas.

78. Under WTO agreements, the countries cannot normally discriminate between their trading partners. This is referred to as

- (a) National Treatment (NT)
- (b) Most Favoured Nation (MFN)
- (c) Promoting Fair Competition (PFC)
- (d) Free Trade through negotiation (FTN)

**Ans:-**

- b) Most Favoured Nation (MFN)

The Most Favoured Nation (MFN) principle is a core principle of the World Trade Organization (WTO).

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It requires WTO member countries to treat all other member countries equally regarding tariffs and other trade restrictions. Any advantage, favor, privilege, or immunity granted to one country must be extended to all other WTO member countries.

This principle promotes non-discrimination in international trade relations and helps ensure that trade barriers are not used selectively against specific trading partners.

National Treatment (NT) refers to the principle of treating foreign goods and services no less favorably than domestic goods and services once they have entered the domestic market, not discriminating against foreign products after they have crossed the border.

79. Group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries is referred as

- (a) Trading Bloc
- (b) Free-trade area
- (c) Customs union
- (d) Economic and monetary union.

**Ans:-**

- (a) Trading Block

A trading bloc, also known as a trade bloc or trading block, refers to a group of countries that have established a preferential trade arrangement among themselves. Within a trading bloc:

Member countries typically agree to reduce or eliminate tariffs and other trade barriers on goods and services traded among them.

They may also coordinate their trade policies, such as imposing a common external tariff (CET) on imports from non-member countries.

The term "trading block" or "trade bloc" is more general and encompasses various types of trade agreements, including free-trade areas, customs unions, and economic and monetary unions.

80. A total ban imposed by the government on imports or export of some or all commodities to particular country or regions for a specified or indefinite period is termed as

- (a) Embargos
- (b) Safeguard measure

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- (c) Distribution restrictions
- (d) Restrictive measures

**Ans:-**

- (a) Embargos

Embargoes are trade barriers that restrict or prohibit trade with another country or countries, usually for political reasons or due to security concerns. They can apply to specific goods or to trade across all sectors.

81. Which of the following is levied as a fixed/constant percentage on the money value of an imported or exported good?

- (a) Advalorem Tariff
- (b) Compound Tariff
- (c) Specific Tariff
- (d) Bound Tariff

**Ans:-**

- (a) Advalorem Tariff

This tariff is calculated as a percentage of the value of the imported or exported goods. For example, if the advalorem tariff rate is 10%, and the value of an imported product is \$100, the tariff amount would be \$10.

82. Which of the following is not a negative outcome of tariff?

- (a) Decreases revenue to the government
- (b) Producers of the importing country increases the well being
- (c) Domestic consumers suffer a loss in consumer surplus
- (d) By ignoring comparative advantage, tariffs discourage efficient production in the rest of the world

**Ans:-**

- (b) Producers of the importing country increases the well being

Tariffs increase government revenues, producer surplus and discourage consumer surplus and also efficient production in the rest of the world.



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83. An increase in Real Effective Exchange Rate indicates

- (a) A loss in trade competitiveness
- (b) An increase in trade competitiveness
- (c) Exports become more cheaper
- (d) Imports become more costlier

**Ans:-**

- (a) A loss in trade competitiveness

The Real Effective Exchange Rate (REER) measures the value of a country's currency against a weighted average of several foreign currencies, adjusted for inflation.

An increase in the REER means that the country's currency has appreciated in real terms relative to its trading partners.

A stronger currency (appreciation) makes a country's exports more expensive for foreign buyers, potentially reducing export competitiveness in international markets.

Conversely, imports become cheaper for domestic consumers when the REER increases, as their purchasing power increases relative to foreign currencies.

84. Number of units of a foreign currency can be exchanged for one unit of local currency is referred to as \_

- (a) Direct Quote
- (b) Indirect Quote
- (c) European Currency
- (d) Cross Quotes

**Ans:-**

- (b) Indirect Quote

In an indirect quote, the price of one unit of foreign currency is expressed in terms of the local currency.

For example, if the exchange rate for USD (US Dollar) to EUR (Euro) is 1.20, it means that 1 US Dollar can be exchanged for 1.20 Euros.



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This type of quote is commonly used in many countries, including the United States and Europe.

85. Not a component of FDI according to IMF:

- (a) Equity capital
- (b) Reinvestment earnings
- (c) Portfolio investments
- (d) Intra company loans

**Ans:-**

- (c) Portfolio investments

**Components or Instruments of Fdi:**

Equity capital

Reinvested earnings

Intra-company loans between direct investors (parent enterprises) and affiliate enterprises

86. E-amrit is related to \_\_\_\_

- (a) One-stop destination for all information on electric vehicles
- (b) Facilitates and improve access to Indian government data
- (c) Improves air quality in India by accelerating the deployment of electronic vehicles.
- (d) Provides a stimulus to exports and economic growth

**Ans:-**

- (a) One-stop destination for all information on electric vehicles

It serves as a centralized platform providing comprehensive information and resources related to electric vehicles, aiming to facilitate awareness, adoption, and support for electric mobility in India.

87. Which revolution was materialized by innovative farm technologies including high yielding seed varieties and intensive use of water, fertilizers & pesticides?

- (a) The Green revolution

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- (b) The Kisan revolution
- (c) The Agriculture revolution
- (d) The Fasal revolution

**Ans:-**

- (a) The Green revolution

The Green Revolution refers to the significant increase in agricultural production that occurred in the mid-20th century, primarily due to the adoption of modern agricultural techniques and technologies. These included the development and dissemination of high-yielding varieties of seeds (HYVs), increased use of irrigation, synthetic fertilizers, and pesticides. This revolution led to a substantial increase in crop yields and helped alleviate food shortages in many parts of the world.

88. PM Gati Shakti is related to

- (a) Empowerment of MSMEs
- (b) Data based decisions related to integrated planning of multimodal infrastructure there by reducing the logistic cost.
- (c) Manufacturing of electric and hybrid vehicle technology
- (d) Automatic route for FDI

**Ans:-**

- (b) Data based decisions related to integrated planning of multimodal infrastructure there by reducing the logistic cost.

PM Gati Shakti is a government initiative aimed at enhancing the efficiency and coordination of infrastructure projects in India. It focuses on integrated planning and implementation of infrastructure projects across various modes of transport (such as roads, railways, waterways, and airports) to reduce logistics costs and improve connectivity.

89. Which of the following Sector contributes maximum to India's Gross value added?

- (a) Primary sector
- (b) Secondary sector
- (c) Tertiary sector
- (d) All of the above

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**Ans:-**

(c) Tertiary sector

In India, the tertiary sector, also known as the services sector, contributes the highest share to the Gross Value Added (GVA). This sector includes activities such as trade, transport, communication, finance, hospitality, education, healthcare, and other services.

90. APEDA- full form

- (a) Agricultural product export development agency
- (b) Agricultural produce economic development association
- (c) Animal product export development authority
- (d) Agricultural & processed food export development authority

**Ans:-**

(d) Agricultural & processed food export development authority

Agricultural and Processed Food Export development authority (APEDA)  
responsibility of export promotion of agri-products

91. What does the E-NAM (Electronic National Agriculture Market) aim to achieve?

- (a) Increase farm productivity
- (b) Create a unified national market for agricultural commodities
- (c) Provide financial support to farmers
- (d) Promote organic farming

**Ans:-**

(b) Create a unified national market for agricultural commodities

E-NAM is an online trading platform that facilitates farmers to sell their agricultural produce through competitive online bidding. It aims to create a unified national market by integrating existing APMC (Agricultural Produce Market Committee) mandis across the country into a single electronic platform. This helps in ensuring better price discovery for farmers, reducing intermediaries, and promoting efficient agricultural marketing practices.

92. Which of the following cause is reducing the ability of Indian agriculturalists to participate in domestic as well as export market?

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- (a) Low farming productivity and subsistence farming.
- (b) Large amount of marketable surplus with farmers
- (c) Dominated by big farmers and farm productivity
- (d) Big landholdings by small farmers

**Ans:-**

- (a) Low farming productivity and subsistence farming.

Low farming productivity and subsistence farming practices can limit the surplus available for market sale and hinder the competitiveness of Indian agricultural products in both domestic and international markets. It can also lead to lower incomes for farmers and decreased investment in modern agricultural practices, further impacting their participation in markets.

93. What is the main cause attributed to the immediate need for economic reforms in 1991?

- (a) Fiscal deficit was financed by huge amounts of domestic and external debts
- (b) Forex reserves touched the highest point
- (c) Persistent huge deficit led to declining public debt
- (d) Government's revenue expenditure consistently lowering revenue receipts.

**Ans:-**

- (a) Fiscal deficit was financed by huge amounts of domestic and external debts.

During the early 1990s, India faced a severe balance of payments crisis, primarily due to high fiscal deficits that were financed by substantial amounts of domestic and external borrowing. This led to a situation where the country's foreign exchange reserves were critically low, making it difficult to meet external payment obligations.

94. The Government of India has allowed 100% FDI in marketing of food products and in food product E-commerce under the route.

- (a) Automatic
- (b) Green channel route
- (c) Priority route
- (d) Trade route

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**Ans:-**

(a) Automatic

Under the automatic route, foreign investors do not require prior approval from the government or the Reserve Bank of India (RBI) for their investments in these sectors. This policy is aimed at promoting investment and facilitating ease of doing business in India.

95. To develop the mechanism to formulate credible plans at village level and aggregate these progressively at higher level of government is an objective of

- (a) Ministry of rural development
- (b) NITI Aayog
- (c) Commission of policy and planning
- (d) Planning commission

**Ans:-**

(b) NITI Aayog

NITI Aayog (National Institution for Transforming India) is a policy think tank of the Government of India that aims to facilitate cooperative federalism by involving states in the economic policy-making process. It emphasizes decentralized planning and the aggregation of plans from the grassroots level to higher levels of government to ensure comprehensive and effective development strategies.

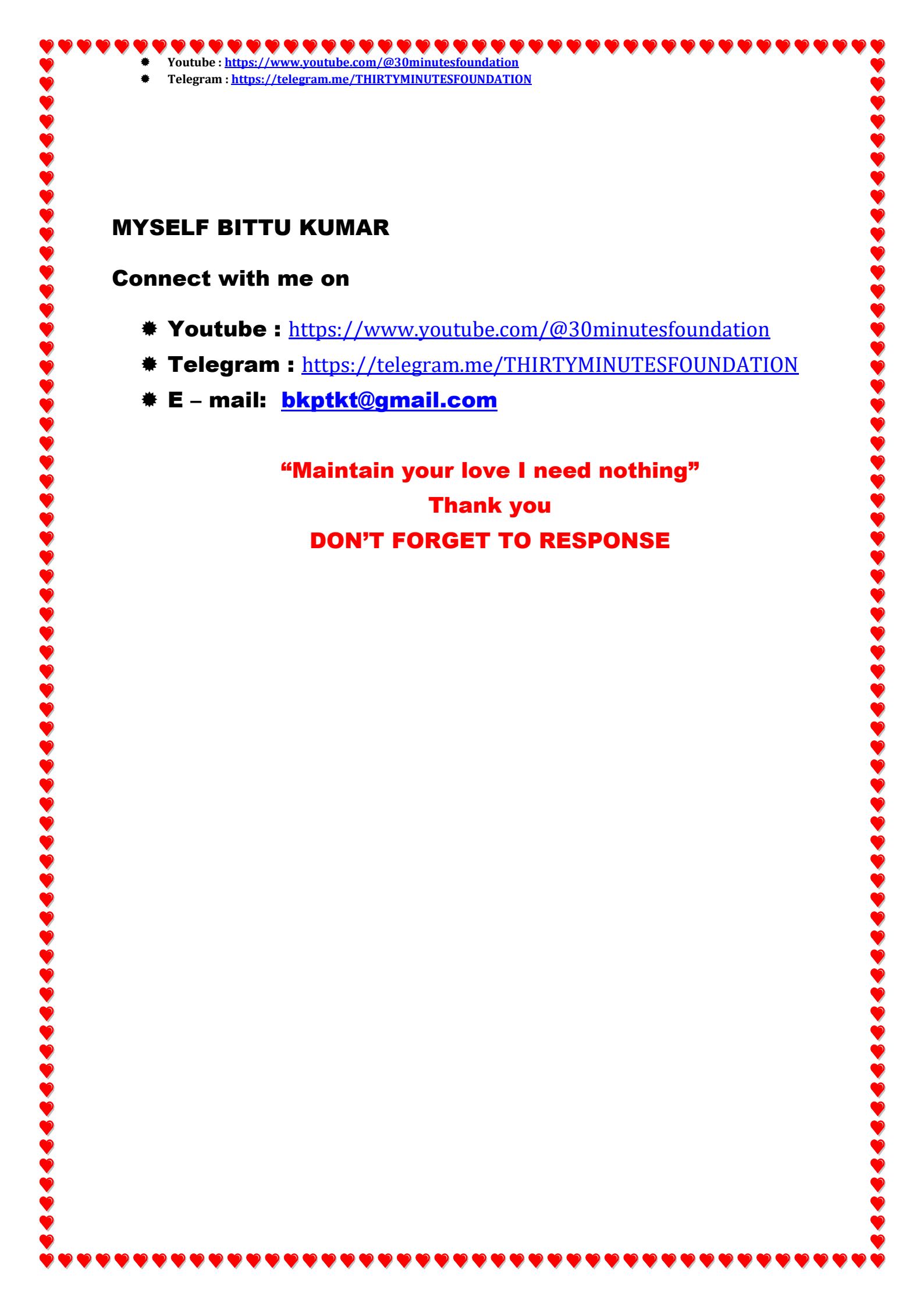
96. MRTP act, 1969, is aimed at regulation of which had relatively market power.

- (a) Large Firms, large
- (b) Large firms, small
- (c) Small firms, small
- (d) Small firms, medium

**Ans:-**

(a) Large Firms, large

The MRTP Act primarily targeted large firms that held significant market power and aimed to prevent monopolistic practices and restrictive trade practices that could harm competition in the market. It focused on ensuring fair competition and protecting consumer interests from monopolistic and restrictive practices.

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**Thank you**

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