

Chapter 1- Nature & Scope of Business Economics

- 1) Mr. X had been given a task to segregate normative and non-normative statements. Help him to identify which one of these is a normative economic statement?
 - a. Pollution level is rising day by day because of urbanization.
 - 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 to defense.

- 2) Which statement differentiates business economics from economics?
 - a. It is abstract in nature.
 - b. It is a narrower concept than economics.
 - c. It is no different from economics.
 - d. It is pragmatic in nature**

- 3) Which of the following is related with the total arrangements for the production and distribution of goods and services in a society?
 - a. Economic Problem
 - b. Economic Choice
 - c. Economic System**
 - d. Economic Institution

- 4) Business Economics is basically concerned with:
 - a. Applied Economics
 - b. Managerial Economics
 - c. Micro Economics**
 - d. Macro Economics

- 5) Business Economics is
 - a. Abstract and applies the tools of Microeconomics.
 - b. Involves practical application of economic theory in business decision making
 - c. Incorporates tools from multiple disciplines.
 - d. (b) and (c) above.**

- 6) In Economics, we use the term scarcity to mean
 - a. Absolute scarcity and lack of resources in less developed countries.
 - b. Relative scarcity i.e. scarcity in relation to the wants of the society**
 - c. Scarcity during times of business failure and natural calamities.
 - d. Scarcity caused on account of excessive consumption by the rich.

- 7) An example of 'positive' economic analysis would be:
- an analysis of the relationship between the price of food and the quantity purchased.**
 - determining how much income each person should be guaranteed.
 - determining the 'fair' price for food
 - deciding how to distribute the output of the economy.
- 8) A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of
- Macro-Economics**
 - Descriptive Economics.
 - Micro-economics.
 - Normative economics.
- 9) Consider the following and decide which, if any, economy is without scarcity:
- The pre-independent Indian economy, where most people were farmers.
 - A mythical economy where everybody is a billionaire.
 - Any economy where income is distributed equally among its people.
 - None of the above**
- 10) The branch of economic theory that deals with the problem of allocation of resources is
- Micro-Economic theory.**
 - Macro-economic theory.
 - Econometrics.
 - none of the above.
- 11) Which of the following is not the subject matter of Business Economics?
- Should our firm be in this business?
 - How much should be produced and at price should be kept?
 - How will the product be placed in the market?
 - How should we decrease unemployment in the economy?**
- 12) The difference between positive and normative Economics is:
- Positive Economics explains the performance of the economy while normative Economics finds out the reasons for poor performance.
 - Positive Economics describes the facts of the economy while normative Economics involves evaluating whether some of these are good or bad for the welfare of the people.**
 - Normative Economics describes the facts of the economy while positive Economics involves evaluating whether some of these are good or bad for the welfare of the people.
 - Positive Economics prescribes while normative Economics describes.

- 13) Which of the following is not within the scope of Business Economics?
- Capital Budgeting
 - Risk Analysis
 - Business Cycles
 - Accounting Standards**
- 14) Which of the following statements is incorrect?
- Business economics is normative in nature.
 - Business Economics has a close connection with statistics.
 - Business Economist need not worry about macro variables.**
 - Business Economics is also called Managerial Economics.
- 15) A capitalist economy uses _____ as the principal means of allocating resources.
- Demand
 - Supply
 - Efficiency
 - Prices**
- 16) Which of the following is not one of the four central questions that the study of economics is supposed to answer?
- Who produces what?
 - When are goods produced?**
 - Who consumes what?
 - How are goods produced?
- 17) The economic system in which all the means of production are owned and controlled by private individuals for profit.
- Socialism
 - Capitalism**
 - Mixed economy
 - Communism
- 18) Freedom of choice is the advantage of
- Socialism
 - Capitalism**
 - Communism
 - None of the above
- 19) Exploitation and inequality are minimal under:
- Socialism**
 - Capitalism
 - Mixed economy
 - None of the above

20) Administered prices refer to:

- a. Prices determined by forces of demand and supply
- b. Prices determined by sellers in the market
- c. **Prices determined by an external authority which is usually the government**
- d. None of the above

21) The managerial economics –

- a. **is Applied Economics that fills the gap between economic theory and business practice**
- b. is just a theory concept
- c. Trains managers how to behave in recession
- d. Provides the tools which explain various concepts

22) Mr. Satish hired a business consultant to guide him for growth of his business. The consultant visited his factory and suggested some changes with respect to staff appointment, loan availability and so on. Which approach is that consultant using?

- a. **Micro economics**
- b. Macro economics
- c. None of the above
- d. Both a and b

23) _____ is also called as command economy

- a. **Socialist**
- b. Capitalist
- c. Mixed economy
- d. None of the above

24) Unlimited ends and limited means together present the problem of

- a. Scarcity of resources
- b. **Choice**
- c. Distribution
- d. None of the above

25) _____ is concerned with welfare proposition.

- a. **Normative Economics**
- b. Positive Economics
- c. Both (A) and (B)
- d. None of these

- 26) "If Americans today, for example were to content to live at the level of the Indian middle class people, all their wants would be fully satisfied with their available resources and capacity to produce." On the basis of the above statement, which of the following conclusion can be made?
- The possession of goods and services by USA has enormously increased to exceed their wants.
 - The affluent and developed countries of USA and Western Europe face the problem of scarcity even today as their present wants remain ahead of their increased resources and capacity to produce.**
 - The affluent and developed countries are not facing the problem of scarcity.
 - None of these
- 27) "A wise individual or a society likes to provide for its growth of productive capacity." This requires that a part of its resources should be devoted to the production of _____.
- Consumer goods
 - Capital goods**
 - Defense goods
 - None of these
- 28) In the beginning the name of economics was _____.
- Economics of wealth
 - Political economy**
 - Welfare economics
 - None of these
- 29) Economics is a branch of _____ focused on the production, distribution and consumption of goods and services
- Natural science
 - Physical science
 - Social science**
 - None of these
- 30) The scope of business economics includes _____
- Demand analysis
 - Cost analysis
 - Inventory management
 - All of these**
- 31) Which one of the following statements is correct regarding socialist economy?
- Production is planned or coordinated and suffers from the business cycle
 - Production suffers from the business cycle
 - Production is planned and does not suffers from business cycle**
 - None of these

- 32) Which of the following is not a merit of socialist economy?
- a. It provides equal access to health care and education
 - b. Workers are no longer exploited because they own the means of production
 - c. **Profits are not spread equitably among all workers according to their individual contributions.**
 - d. Natural resources are preserved for the good of the whole.
- 33) Which of the following falls under Micro Economics?
- a. National Income
 - b. General Price level
 - c. **Factor Pricing**
 - d. National Saving and Investment
- 34) The famous book "Wealth of Nations" was published in
- a. **1776**
 - b. 1750
 - c. 1850
 - d. 1886
- 35) Which of the following is not a characteristic of capitalist economy?
- a. Right to Private property
 - b. Freedom of Enterprise
 - c. Consumer sovereignty
 - d. **Planned Production**
- 36) Which of the following is not an example of Capitalist economy?
- a. USA
 - b. Germany
 - c. **North Korea**
 - d. South Korea
- 37) The concept of socialist economy was propounded by.....
- a. **Karl Marx and Frederic Engels.**
 - b. Marshall
 - c. Adam Smith
 - d. Joel Dean
- 38) Which economic system is the predominant in the modern global economy?
- a. Socialism
 - b. **Capitalism**
 - c. Mixed
 - d. All of the above

- 39) Under the pragmatic approach, economics is abstract and purely theoretical in nature and takes assumptions:
- Practical, Unrealistic
 - Practical, Realistic
 - Theoretical, Unrealistic**
 - Theoretical, Realistic
- 40) Which of the following is a subject matter of macroeconomics?
- Behavior of firms
 - Factor Pricing
 - Overall level of savings and investments**
 - The economic condition of a section of people
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Chapter 2 - Theory of Demand

- 1) All but one of the following are assumed to remain the same while drawing an individual's demand curve for a commodity. Which one is it?
- The preference of the individual.
 - His monetary income.
 - Price of the commodity**
 - Price of related goods.
- 2) In the case of a straight line demand curve meeting the two axes, the price-elasticity of demand at the mid-point of the line would be:
- 0
 - 1**
 - 1.5
 - 2
- 3) In the case of an inferior good, the income elasticity of demand is:
- Positive
 - Zero
 - Negative**
 - Infinite
- 4) If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to:
- Remain the same.
 - Increase**
 - Decrease
 - Any of these.

- 5) If regardless of changes in its price, the quantity demanded of a good remains unchanged, then the demand curve for the good will be:
- Horizontal
 - Vertical**
 - positively sloped.
 - negatively sloped.
- 6) A movement along the demand curve for soft drinks is best described as:
- An increase in demand.
 - A decrease in demand
 - A change in quantity demanded.**
 - A change in demand.
- 7) If the price of Pepsi decreases relative to the price of Coke and 7-UP, the demand for:
- Coke will decrease
 - 7-Up will decrease.
 - Coke and 7-UP will increase.
 - Coke and 7-Up will decrease**
- 8) If a good is a luxury, its income elasticity of demand is
- Positive and less than 1.
 - Negative but greater than -1.
 - Positive and greater than 1.**
 - Zero
- 9) The price of hot dogs increases by 22% and the quantity of hot dogs demanded falls by 25%. This indicates that demand for hot dogs is:
- Elastic**
 - Inelastic
 - Unitarily elastic
 - Perfectly elastic
- 10) If the quantity demanded of Pizza increases by 5% when the price of Burger increases by 20%, the cross price elasticity of demand between mutton and chicken is
- 0.25
 - 0.25**
 - 4
 - 4
- 11) Given the following four possibilities, which one results in an increase in total consumer expenditure?
- Demand is unitary elastic and price falls.
 - Demand is elastic and price rises.
 - Demand is inelastic and price falls.
 - Demand is inelastic and prices rises**

12) Which of the following is an incorrect statement?

- a. When goods are substitutes, a fall in the price of one (ceteris paribus) leads to a fall in the quantity demanded of its substitutes.
- b. When commodities are complements, a fall in the price of one (other things being equal) will cause the demand of the other to rise
- c. **As the income of the consumer increases, the demand for the commodity increases always and vice versa.**
- d. When a commodity becomes fashionable people prefer to buy it and therefore its demand increases

13) When the numerical value of cross elasticity between two goods is very high, it means

- a. The goods are perfect complements and therefore have to be used together
- b. The goods are perfect substitutes and can be used with ease in place of one another
- c. **There is a high degree of substitutability between the two goods**
- d. The goods are neutral and therefore cannot be considered as substitutes

14) A decrease in price will result in an increase in total revenue if

- a. The percentage change in quantity demanded is less than the percentage change in price.
- b. **The percentage change in quantity demanded is greater than the percentage change in price.**
- c. Demand is inelastic.
- d. The consumer is operating along a linear demand curve at a point at which the price is very low and the quantity demanded is very high.

15) What will happen in the rice market if buyers are expecting higher rice prices in the near future?

- a. **The demand for rice will increase and the demand curve will shift to the right**
- b. The demand for rice will decrease and the demand curve will shift to the left
- c. The demand for rice will be unaffected as it is a necessity
- d. The demand for wheat will increase and the demand curve will shift to the right

16) In the case of a Giffen good, the demand curve will usually be

- a. Horizontal
- b. Downward-sloping to the right.
- c. Vertical
- d. **Upward-sloping to the right**

17) For a normal good with a downward sloping demand curve

- a. The price elasticity of demand is negative; the income elasticity of demand is negative.
- b. The price elasticity of demand is positive; the income elasticity of demand is negative.
- c. The price elasticity of demand is positive; the income elasticity of demand is positive.
- d. **The price elasticity of demand is negative; the income elasticity of demand is positive.**

18) Conspicuous goods are also known as

- a. Prestige goods
- b. Snob goods
- c. Veblen goods
- d. All of the above**

19) A relative price is

- a. price expressed in terms of money
- b. what you get paid for babysitting your cousin
- c. the ratio of one money price to another**
- d. equal to a money price

20) Suppose potatoes have $(-).0.4$ as income elasticity. We can say from the data given that:

- a. Potatoes are superior goods
- b. Potatoes are necessities
- c. Potatoes are inferior goods.**
- d. There is a need to increase the income of consumers so that they can purchase potatoes.

21) With a fall in the price of a commodity:

- a. Consumer's real income increases**
- b. Consumer's real income decreases
- c. There is no change in the real income of the consumer
- d. None of the above

22) A decrease in the demand for cameras, other things remaining the same will

- a. Increase the number of cameras bought
- b. Decrease the price but increase the number of cameras bought
- c. Decrease in quantity of camera demanded
- d. Decrease the price and decrease in the number of cameras bought.**

23) The price of a commodity decreases from Rs 6 to Rs 4 and the quantity demanded of the good increases from 10 units to 15 units, find the coefficient of price elasticity.

- a. 1.5
- b. 2.5
- c. -1.5**
- d. 0.5

24) If the price of air-conditioner increases from Rs 30,000 to Rs 30,010 and resultant change in demand is negligible, we use the measure of _____ to measure elasticity.

- a. Point elasticity of demand since it is a small change**
- b. Arc elasticity of demand since it is a small change
- c. Price elasticity based on average prices method
- d. Any of the above

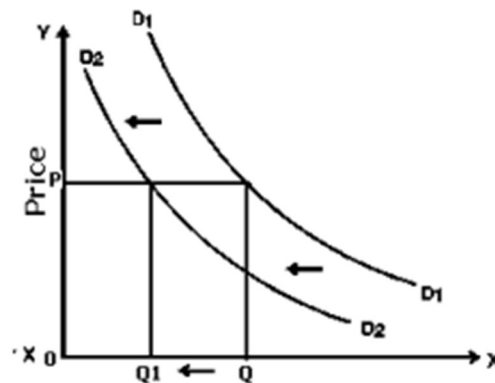
- 25) Suppose the income elasticity of education in private school in India is 3.6. What does this indicate
- Private school education is highly wanted by rich
 - Private school education is a necessity
 - Private school education is a luxury**
 - We should have more private schools.

26) The following diagram shows the relationship between price of Good X and quantity demanded of Good Y. What we infer from the diagram is;



- Good X and Good Y are perfect complements
- Good X and Good Y are perfect substitutes
- Good X and Good Y are remote substitutes
- Good X and Good Y are close substitutes**

27) The diagram given below shows



- A change in demand which may be caused by a rise in income and the good is a normal good
- A shift of demand curve caused by a fall in the price of a complementary good
- A change in demand which is caused by a rise in income and the good is an inferior good**
- A shift of demand curve caused by a rise in the price of a substitute and the good is a normal good

28) The average income of residents of two cities A and B and the corresponding change in demand for two goods is given in the following table. Which of the following statements is true?

City	% Increase In Income	% change in demand for Good X	% change in demand for Good Y
A	12	6.5	-2.3
B	9	5.6	1.6

- a. Both goods are normal goods in both cities A and B
- b. Good X is a normal good in both cities; good Y is an inferior good in city A**
- c. Good X is a normal good in both cities; good Y is an inferior good in city B
- d. Need more information to make an accurate comment

29) Which of the following groups of goods have inelastic demand?

- a. Salt, Smart Phone and Branded Lipstick
- b. School Uniform, Branded Goggles and Smart Phone
- c. Salt, School Uniform and Medicine**
- d. Medicine, Branded Sports Shoes and Diamond ring

30) During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy _____ vegetables than/as her usual demand showing the demand of vegetables is _____.

- a. more, inelastic demand
- b. less, elastic demand
- c. same, inelastic demand**
- d. same, elastic demand

31) Let slope of demand curve is (-) 0.6, calculate elasticity of demand when initial price is Rs. 30 per unit and initial quantity is 100 units of the commodity

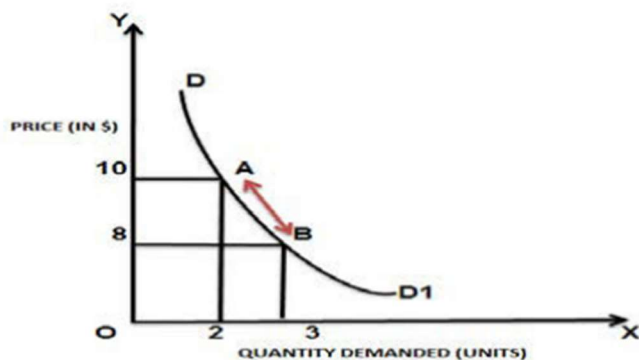
- a. 0.5
- b. 5.55
- c. -0.5**
- d. -0.18

32) Let $Q_x = 1500/P_x$, the elasticity of demand of the good X when its price falls from Rs. 8 to Rs. 2 per unit, will be-

- a. greater than one**
- b. less than one
- c. equal to one
- d. can't say

- 33) With reference to Arc elasticity measures the responsiveness of demand _____ on the demand curve
- at one given point
 - at intercepts on X-axis & Y-axis
 - between two points**
 - Any of the above

34)



In the above figure, DD1 is the demand curve of a commodity. There are two points on the demand curve i.e., A and B with (P, Q) as (10, 2) & (8, 3) respectively. If the initial point is A OR initial point is B, the price elasticity of demand will be –

- same in both cases by point method of price elasticity of demand
 - different in both cases by Arc method of price elasticity of demand
 - same in both cases by Arc method & different by point method of price elasticity of demand**
 - None of these
- 35) Goods X and Y being independent goods, the cross price elasticity of demand (ignoring the sign) between them will be-
- 1 (unit elastic)
 - less than 1
 - greater than 1
 - Zero**

- 36) If consumers always spend 15 percent of their income on food, then the income elasticity of demand for food is _____.
- 1.50
 - 1.15
 - 1**
 - 0.15

37) The elasticity of substitution between two perfect substitutes is:

- a. Zero
- b. greater than zero
- c. less than infinity
- d. infinite**

38) If a point on a demand curve of any commodity lies on X Axis, then price elasticity of demand of that commodity at that point will be _____

- a. Infinite
- b. More than zero
- c. Less than zero
- d. Zero**

39) For Inferior/Giffen goods, the Engel curve is:

- a. Positive sloped
- b. Vertical
- c. Horizontal
- d. Negative sloped**

40) When the demand curve is a rectangular hyperbola an increase in the price of the commodity causes the total expenditure of consumers of the commodity to:

- a. Remain unchanged**
- b. Increase
- c. Decrease
- d. Any of the above

41) The Substitution effect will be stronger when-

- a. The goods are closer substitutes
- b. There is lower cost of switching to the substitute good
- c. There is lower inconvenience while switching to the substitute good.
- d. All of these**

42) According to Hicks and Allen the demand curve slope downwards due to _____

- a. Law of diminishing marginal utility
- b. Income effect and substitution effect**
- c. Either (a) or (b)
- d. None of these

43) 'No matter what the price of coffee is, Ram always spend a total of exactly 100 per week on coffee.'

The statement implies that;

- a. Ram is very fond coffee and therefore he has an inelastic demand for coffee
- b. Ram has elastic demand for coffee
- c. Ram's demand for coffee is relatively less elastic
- d. Ram's demand for coffee is unit elastic**

- 44) "The increase in demand of a commodity due to the fact that others are also consuming the same commodity" is known as _____
- Veblen effect
 - Bandwagon effect**
 - Snob effect
 - Demonstration effect
- 45) Snob effect is explained as _____
- It is a function of consumption of others**
 - It is a function of price
 - Both (a) and (b)
 - None of these
- 46) The tendency of people to imitate the consumption pattern of other people is known as
- Demonstration**
 - Bandwagon
 - Prestige
 - Veblen
- 47) When the quantity of a commodity than an individual buyer demand falls in response to the growth of purchases by other buyers, such an effect
- Bandwagon
 - Snob**
 - Veblen
 - Demonstration
- 48) The demand function is given as $Q = 100 - 10P$. Find the elasticity using point method when price is Rs. 5
- 2
 - 2
 - 1
 - 1**
- 49) Price elasticity of Demand for addictive products like Cigarettes and alcohol would be
- Greater than 1
 - Less than 1**
 - Infinity
 - One
- 50) Ceteris paribus, what would be the impact on foreign exchange earnings for a given falling export prices, if the demand for the country's exports is inelastic?
- Foreign Exchange Earnings decrease**
 - Foreign Exchange Earnings increase
 - No effect on Foreign Exchange earnings
 - None of the above

- 51) In case of unequal distribution of income in the country, the propensity to consume will be ____, and demand for Consumer Goods will be ____
- Higher; Higher
 - Higher; Lower
 - Lower; Higher
 - Lower; Lower**
- 52) If the Consumers expect an Increase in Income in the future, its current demand will be ____
- Decrease
 - Increase**
 - No change
 - Nothing can be said
- 53) If the demand for the good is more elastic, the Demand curve will be:
- Parallel to the X-axis
 - Downward sloping to the right, flatter**
 - Downward sloping to the right, steeper
 - Parallel to the y-axis
- 54) What will be the Slope of Demand Curve when it shows the Cross Elasticity between two Complementary Goods?
- Negative**
 - Positive
 - Zero
 - Can't say
- 55) Consumption of high-priced goods by status-seeking rich people for conspicuous consumption is called:
- Snob effect
 - Bandwagon effect
 - Demonstration effect
 - Veblen effect**
- 56) Calculate the price elasticity of demand when the price increases from Rs. 20 to Rs. 22 and quantity demanded falls from 300 to 200 units (Midpoint method):
- 4.2
 - 4.2**
 - 4
 - 4

- 57) Mr. Z went to a stationery shop to buy pens. The price of a pen decreased from Rs. 5 to Rs. 3 per unit. If the price elasticity of demand for pens is 2.5 and the original quantity demanded for pens is 20, then what is the new quantity demanded?
- 10
 - 40**
 - 30
 - 20
- 58) Suppose the price elasticity of demand of a firm for its product is -1.2. If the price of the product is increased by 5%, then it is most probable that:
- Both total revenue and profit would increase.
 - Both total revenue and profit would decrease,**
 - Total revenue would decrease but profit may increase.
 - Total revenue would increase but profit may decrease
- 59) Mr. X and Mr. Y are rich rivals and, in a party, Mr. X wears an expensive dress and on seeing it Mr. Y who also has the same dress decided to reject the use of the same dress further. Rather Mr. Y will try to use an even more expensive one. Which effect affects Mr. Y?
- Bandwagon Effect
 - Demonstration Effect
 - Snob Effect**
 - Veblen Effect
- 60) The demand function of a product X (in kg.) is expressed as $Q = 1000 - 50P$, where Q is the quantity demanded and P is the price of the product. When price of X is 10 per kg., its price elasticity will be:
- 1**
 - 1
 - 2
 - 2
- 61) The price of 1 kg. of tea is Rs. 50. At this price, 10kg of tea is demanded. If the price of coffee rises from Rs. 30 to Rs. 40 per kg, the quantity demanded of tea rises from 10kg to 15kg. What will be the cross price elasticity of tea?
- +1
 - 1.5
 - +1.5**
 - 1
- 62) If change in quantity demanded is 60% and change in advertisement expenditure is 20% then what will be the advertisement elasticity?
- 3**
 - 0.33
 - 6
 - 20
-

Consumer Behaviour

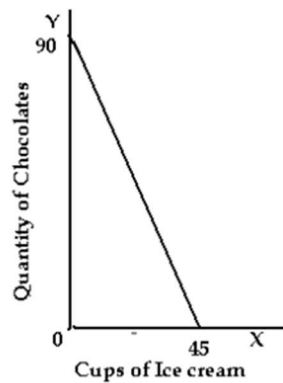
- 1) Which one is not an assumption of the theory of consumer behaviour based on analysis of indifference curves?
 - a. Given scale of preferences as between different combinations of two goods.
 - b. Diminishing marginal rate of substitution
 - c. Diminishing marginal utility of money**
 - d. Consumers would always prefer more of a particular good to less of it, other things remaining the same.

- 2) By consumer surplus, economists mean
 - a. The area inside the budget line above the price of the commodity
 - b. The area between the average revenue and marginal revenue curves.
 - c. The difference between the maximum amount a person is willing to pay for a good and its market price**
 - d. The difference between the market price and the supply curve

- 3) When economists speak of the utility of a certain good, they are referring to
 - a. The demand for the good.
 - b. The usefulness of the good in consumption.
 - c. The expected satisfaction derived from consuming the good.**
 - d. The rate at which consumers are willing to exchange one good for another.

- 4) A point below the budget line of a consumer
 - a. Represents a combination of goods which costs the whole of consumer's income
 - b. Represents a combination of goods which costs less than the consumer's income**
 - c. Represents a combination of goods which is unattainable to the consumer given his/her money income
 - d. Represents a combination of goods which costs more than the consumers' income

- 5) The figure below shows the budget constraint of a consumer with an income of Rs. 900/- to spend on two commodities, namely ice cream and chocolates.



The prices of these two commodities respectively are:

- Rs. 10 and Rs 20
 - Rs 20 and Rs. 10**
 - Rs. 10 and Rs 5
 - Any of the above
- 6) How would the budget line be affected if the price of both goods fell?
- The budget line would not shift.
 - The new budget line must be parallel to the old budget line.
 - The budget line must be shifting to the left
 - The new budget line will have the same slope as the original so long as the prices of both goods change in the same proportion.**
- 7) A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has _____
- more of one of the goods
 - less of at least one of the goods
 - more of at least one of the goods and less of the other good.
 - more of at least one of the goods and no less of the other good**
- 8) According to ordinal approach of consumer's behavior-
- Consumer is able to indicate the exact amounts of utilities that he derives from commodity or any combinations of them
 - Utility being psychological feeling is not quantifiable.
 - The consumer is capable of simply comparing the different levels of satisfaction.
 - Both (B) and (C)**

- 9) While drawing budget line of a consumer consuming Nachos chips and Pepsi, if the quantity of Nachos taken on Y-axis and quantity of Pepsi on X-axis. The slope of budget line will be:
- Pp/ Pn**
 - Pn/Pp
 - M/Pn
 - M/Pp

Where, Pp – Price of Pepsi, Pn - Price of Nachos & M – Money income of consumer

10) Match the following

	List – I		List –II
A.	Cardinal Approach	1.	Marginal Utility
B.	Ordinal Approach	2.	Alfred Marshall
C.	Hicks & Allen Approach	3.	J.R. Hicks
D.	Consumers' surplus	4.	Indifference curve

Codes	A	B	C	D
a.	1	2	3	3
b.	1	3	2	4
c.	1	3	4	2
d.	1	4	2	3

- 11) Law of diminishing marginal rate of substitution is associated with
- Marshall
 - Hicks**
 - Adam Smith
 - Keynes

- 12) According to principle of diminishing marginal rate of substitution
- One commodity must be decreased while other is increased
 - Commodity which is increased has higher marginal significance
 - Commodity which is decreased has higher marginal significance
 - Neither qualitative nor quantitative concept

Of these concepts:

- Only i. is correct
- Both i. & ii. are correct
- Both i. & iii. are correct**
- All are correct

- 13) MU curve will be below X-axis when
- MU is zero
 - TU is falling
 - MU is negative
 - Both (B) and (C)**

- 14) What are the limitations of Consumer Surplus?
- Consumer surplus cannot be measured precisely
 - The Consumer surplus derived from a commodity is affected by availability of substitutes
 - Both (a) & (b)**
 - None of these
- 15) The indifference curve of two perfect substitutes will be:
- Straight line**
 - U-Shaped
 - C-Shaped
 - L-shaped
- 16) After reaching the saturation point, consumption of additional units of the commodity causes -
- Total utility to fall and marginal utility to increase
 - Total and marginal utility both to increase.
 - Total utility to fall and marginal utility to become negative.**
 - Marginal utility to fall and total utility to become negative.
- 17) A consumer is in equilibrium when s/he is deriving _____ satisfaction from the goods.
- Maximum
 - Possible
 - maximum possible**
 - None of these
- 18) The price which a consumer would be willing to pay for a commodity equals to his-
- Total utility
 - Marginal utility**
 - Average utility
 - Does not have any relation to any of these

19) Match the following

	List - I		List - II
A.	Two perfect substitute goods	1.	Linear Indifference Curve
B.	Two perfect complementary goods	2.	Monotonic Preference
C.	Indifference curve is always	3.	L-Shape Indifference Curve
D.	Higher IC gives higher level of satisfaction	4.	Convex to the origin

Codes	A	B	C	D
a.	1	2	3	3
b.	3	1	4	2
c.	1	3	4	2
d.	1	3	2	4

20)The other name of the Budget line is:

- a. Demand line
- b. Price line**
- c. Supply line
- d. None of the above

21)If $M_{ux} > P_x$, then consumer:

- a. Is at equilibrium
- b. He will buy more of X good**
- c. He will buy less of X good
- d. None of the above

22)The farther the IC is from the origin, then

- a. The lower is the satisfaction level
- b. The higher is the satisfaction level**
- c. Same satisfaction level
- d. None of the above

23)..... shows all those combinations of two goods which a consumer can buy spending his given money income on two goods at their given prices.

- a. Budget Line**
- b. Indifference Curve
- c. Demand curve
- d. Supply curve

24)The indifference curve becomes _____ as we move down and to the right.

- a. Steeper
- b. Flatter**
- c. Linear
- d. None of the above

25)When $MRS_{xy} < P_x/P_y$, in order to reach equilibrium, the consumption of

- a. Good Y should increase**
- b. Good X should increase
- c. Good X & Y should increase
- d. None of the above

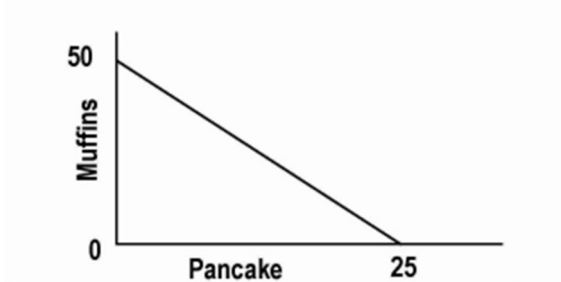
26)Which of the following is not an assumption of Marginal Utility Analysis?

- a. There should not be any gap between consumption of different units
- b. Different units of the commodity are assumed to be heterogeneous**
- c. Constancy of marginal utility of money
- d. Independent utility

- 27) The consumer's objective of reaching highest Indifference curve and maximizing satisfaction is restricted by-
- a. Total utility curve
 - b. Marginal utility curve
 - c. Marginal rate of substitution
 - d. Price line**

- 28) Ram wanted to purchase an Apple tab at Rs. 12,000/-. The actual price in the market (MRP) is Rs. 11,000/ and a discount was given at 20%. Additionally, there is a cash discount of Rs. 300. Find the consumer's surplus:
- a. 3200
 - b. 3500**
 - c. 1000
 - d. 3300

- 29) When the total income of a consumer is Rs. 750, find out the prices of pancake & muffins respectively if:



- a. 15, 30
 - b. 30, 15**
 - c. 50, 25
 - d. 25, 50
- 30) A point above the budget line of a consumer represents:
- a. Represents costs less than the whole consumer's income.
 - b. Represents a combination of goods which costs the whole of the consumer's income.
 - c. Represents a combination which is totally unattainable.**
 - d. Represents a combination that is attainable.
- 31) Which tool does the ordinal utility approach use to analyse consumer behaviour and is based on consumer preferences?
- a. Indifference Curve Analysis**
 - b. Law of Diminishing Marginal Utility
 - c. Elasticity of Demand
 - d. Consumer Surplus

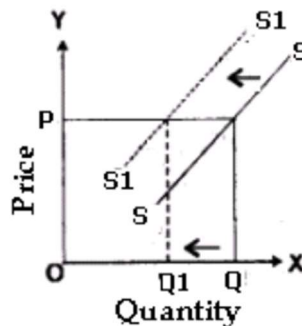
- 32) With respect to the properties of the indifference curve, which of the following statements is false?
- Higher indifference curve represents higher level of satisfaction.
 - Indifference curve is a negatively sloped line.
 - Intersecting point of two indifference curves represents highest level of satisfaction.**
 - An indifference curve is convex to the origin.
-

Supply

- A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is:
 - Zero
 - Infinite**
 - Equal to one
 - Greater than zero but less than one
- Contraction of supply is the result of:
 - Decrease in the number of producers.
 - Decrease in the price of the good concerned.**
 - Increase in the prices of other goods.
 - Decrease in the outlay of sellers.
- In the book market, the supply of books will decrease if any of the following occurs except:
 - a decrease in the number of book publishers
 - a decrease in the price of the book**
 - an increase in the future expected price of the book
 - an increase in the price of paper used.
- The supply function is given as $Q = -100 + 10P$. Find the elasticity using point method, when price is Rs. 15.
 - 4
 - 3
 - 5
 - 3**
- The supply curve shifts to the right because of—————
 - improved technology**
 - increased price of factors of production
 - increased excise duty
 - all of the above

- 6) The supply curve for highly perishable commodities during very short period is generally —
- Elastic
 - Inelastic
 - Perfectly elastic
 - Perfectly inelastic**
- 7) Supply is a _____ concept.
- Stock
 - Flow and stock
 - Flow**
 - None of the above
- 8) Data on production of vegetables for the past two years showed that, despite stable prices, there is a substantial decline in output of cabbage leading to lower supply into the market. Which of the following can possibly be the reason?
- An increase in the price of cauliflower which is equally preferred by consumers**
 - Announcement of a subsidy by government on vegetable production
 - More farmers producing cabbage and the increasing competition among them
 - A substantial decrease in the price of capsicum

- 9) Which of the following alternatives would be true if the event presented in the following diagram occurs?



- A fall in wage costs of the firm along with a fall in consumer incomes
- A shortage of raw materials and consequent increase in raw material price**
- An increase in subsidy by the government and a reduction in taxes
- Decrease in the market price of the commodity in question

10) If a short run supply curve is plotted for the following table which presents price and quantity of fighter aircrafts, what will be its shape?

Price in millions of \$	Number of Aircrafts
124	28
140	28
150	28
160	28
175	28

- a. Horizontal straight line parallel to the quantity axis
 - b. Steeply rising with elasticity less than one
 - c. Vertical straight line parallel to Y axis**
 - d. A perfectly elastic supply curve
- 11) If there is decrease in quantity supplied of a commodity, there will be-
- a. Upward movement on same supply curve
 - b. Rightward shift in supply curve
 - c. Downward movement on same supply curve**
 - d. Leftward shift in supply curve
- 12) Relationship between slope of supply curve and elasticity of supply can be defined as
- a. Product of slope of supply curve and ratio of quantity supply to price
 - b. Elasticity of supply is equal to the slope of supply curve.
 - c. Product of reciprocal of supply curve and ratio of price to quantity supplied**
 - d. Elasticity of supply is equal to reciprocal of slope of supply curve.
- 13) A new technique of production reduces the marginal cost of producing paper. How will this affect the supply curve of writing material like notebook, register & notepad etc.?
- a. Upward movement on same supply curve
 - b. Downward movement on same supply curve
 - c. Leftward shift in supply curve
 - d. Rightward shift in supply curve**
- 14) Suppose we are drawing a supply curve of a farmer which of the following will not be held constant?
- a. Price of Inputs
 - b. Weather Conditions
 - c. Technology
 - d. The price of the Commodity under consideration**

- 15) The supply function is given as $Q = -50 + 15p$. Find the elasticity using point method, when price is Rs. 20.
- 1.2
 - 0.83
 - 0.86
 - None of the above
- 16) When price of a good rises from Rs. 20 to Rs. 30 the producer supplies 20% more, the price elasticity of supply is:
- 0.5
 - 0.4**
 - 1
 - None of the above
- 17) The supply curve shows:
- The minimum quantity that supplier is willing to supply at each price
 - The minimum price which will induce suppliers to offer the various quantities for sale**
 - The maximum price which will induce suppliers to offer the various quantities for sale
 - Both a & c
- 18) The flatter the curve, supply elasticity is:
- Less
 - More**
 - zero
 - 1
- 19) Commodities which requires specialized resources for production may have:
- Less elastic supply**
 - More elastic supply
 - Unitary elastic supply
 - Infinite elasticity
- 20) The market demand curve is: $Q_d = 10 - 2p$ and the market supply curve is: $Q_s = -2 + 10p$. The market will be in equilibrium if:
- $P = 1$ and $Q = 12$
 - $P = 5$ and $Q = 8$
 - $P = 1$ and $Q = 8$**
 - None of the above
- 21) Producer surplus is represented by the area:
- Above the supply curve and below the demand curve
 - Below the supply curve and above the demand curve
 - Above the supply curve and below the price line**
 - Below the supply curve and above the price line

- 22) In case there are fewer barriers of entry into the market, elasticity of supply will be:
- a. Low
 - b. High**
 - c. Zero
 - d. None of the above
- 23) Commodities which can be easily and inexpensively stored without losing value may have
- a. Inelastic supply
 - b. Perfectly inelastic supply
 - c. Elastic supply**
 - d. Any of the above
- 24) Slope of supply curve is 0.6, calculate elasticity of supply when initial price is Rs. 30 per unit and initial quantity is 100 units
- a. 0.5**
 - b. 5.5
 - c. -0.5
 - d. -0.18
- 25) Supply will be _____ if firms are not working to full capacity
- a. Inelastic
 - b. Perfectly inelastic
 - c. Elastic**
 - d. Any of the above
- 26) The price of a commodity is 10 per unit. At this price, the quantity supplied is 500 units. Price elasticity of supply of the commodity is 1.25. At what price the quantity to be supplied would be 20% more?
- a. 8.40
 - b. 11.60**
 - c. 12.50
 - d. 7.50
-

Chapter 7

1. As per Adam Smith, the role of government was-
 - a) national defense
 - b) establishing a system of justice & internal law & order
 - c) establishment and maintenance of highly beneficial public institutions.
 - d) **All of the above**

2. Who introduced the three-branch taxonomy of the role of government in his book 'The Theory of Public Finance'?
 - a) Keynes
 - b) Buchanan
 - c) **Richard Musgrave**
 - d) Garrett Hardin

3. Which of the government function is considered as Microeconomic Function?
 - a. Resource allocation
 - b. Income redistribution
 - c. **Both a & b**
 - d. Macroeconomic Stabilization

4. Efficient allocation of available resources in an economy is assumed to take place only when market is:
 - a. Monopoly
 - b. Monopolistic competitive
 - c. **Perfectly competitive**
 - d. Any of the above

5. Recently, in this year's budget, the Government increased the Tax on Cigarettes. This is an example of which function of public finance?
 - a) **Allocation Function**
 - b) Redistribution Function
 - c) Stabilization Function
 - d) All of the above

6. The Government adopting a Progressive taxation System to tax people on the level of their income is an example of which function of public finance?
 - a) **Redistribution Function**
 - b) Allocation Function
 - c) Stabilization Function
 - d) All of the above

7. Macroeconomic stabilization may be achieved through
- Education policy
 - Fiscal policy
 - Monetary policy
 - (b) and (c) above**
8. Contractionary fiscal policy can involve:
- Increasing the interest rates and decreasing money supply
 - Decreasing government spending and increasing taxes.**
 - Increasing government spending & increasing taxes.
 - Decreasing the interest rates and increasing money supply
9. What is the primary goal of countercyclical fiscal policy in budgeting?
- Increasing government expenditure
 - Stabilizing the economy during economic downturns.**
 - Minimizing Taxation.
 - Reducing public debt.
10. India is a federation of _____.
- 28 states and 7 union territories.
 - 28 states and 8 union territories.**
 - 27 states and 7 union territories.
 - 27 states and 8 union territories.
11. _____ deals with the division of governmental functions and financial relations among the different levels of government.
- Vertical Equity
 - Horizontal Equity
 - Fiscal Federalism**
 - Either a) or b)
12. Economic stabilization and income redistribution is the responsibility of:
- State & local governments
 - Central government**
 - Both
 - None of the above
13. Article _____ of the Constitution demarcates powers of union & state by classifying their powers into three lists
- 268
 - 269
 - 246**
 - 275

14. In order to control high inflation, the government may
- a) **Decrease expenditure & raise tax**
 - b) Increase expenditure & raise tax
 - c) Decrease expenditure & reduce tax
 - d) Increase expenditure & reduce tax
15. The Finance Commission is responsible for
- a) Evaluating the state of finances of union and state Government
 - b) Recommending the sharing of taxes between them.
 - c) Laying down the principles determining the distribution of these taxes among states
 - d) **All of the above**
16. The 15th Finance Commission was constituted on
- a) 24th Nov 2017
 - b) 21st Nov 2017
 - c) **27th Nov 2017**
 - d) 23th Nov 2017
17. Who can levy taxes on agricultural income?
- a) **State Government**
 - b) Central Government
 - c) Both a & b
 - d) None of the above
18. The Finance Commission recommended share of states in the central taxes (vertical devolution) for the year 2021-26 be_____.
- a) 35%
 - b) 44%
 - c) 42%
 - d) **41%**
19. Borrowing by the government of India and borrowing by states are defined under_____ of the Constitution of India
- a) Article 246 & 247
 - b) Article 268 & 269
 - c) **Article 292 & 293**
 - d) Article 255 & 256

20. _____ is entrusted with providing social sector services such as health and education, and police protection.
- a) Central Government
 - b) State Government**
 - c) Local self-government
 - d) All of the above
21. In the event of conflicting legislation in the concurrent list, the law passed by the _____ prevails
- a) State Government
 - b) Central Government**
 - c) Chief Minister of State
 - d) Both a & c
22. _____ is entrusted with providing public utility services such as water supply and sanitation.
- a) Central Government
 - b) State Government
 - c) Local self-government**
 - d) All of the above
23. While recommending transfers, the Finance Commission considers issues related to _____, which deals with deciding about the share of all states in the revenue collected by center and _____ which deals with allocation among states their share of central revenue.
- a) Horizontal equity; Vertical Equity
 - b) Vertical Equity; Horizontal Equity**
 - c) Both a & b
 - d) None of the above
24. GST Compensation cess amount was given to
- a) The manufacturing states for loss of revenue arising on account of implementation of GST**
 - b) The States who collect less GST than expected
 - c) Compensate the loss suffered by the states in their service sector
 - d) All of the above
25. Externalities are also referred to as
- a) Spillover effects
 - b) Neighborhood effects
 - c) Third-party effects or side effects
 - d) All of the above**

26. _____ is initiated in production and imposes an external cost on others?
- a) Negative Consumption Externality
 - b) Negative Production Externality**
 - c) Positive Production Externality
 - d) Positive Consumption Externality
27. Which of the below is initiated in Consumption and confers external benefits on others?
- a) Negative Externality Consumption
 - b) Positive Production Externality
 - c) Negative Production Externality
 - d) Positive Consumption Externality**
28. Who introduced the concept of "collective consumption good" in his paper "The Pure Theory of Public Expenditure"?
- a) Paul A. Samuelson**
 - b) Adam Smith
 - c) JM Keynes
 - d) Alfred Marshall
29. Public goods are characterized by:
- a) Non-excludability and non-rivalry**
 - b) Excludability and rivalry
 - c) Excludability and non-rivalry
 - d) Non-excludability and rivalry
30. Smoking cigarettes in public places causes passive smoking by others. This is an example of _____
- a) negative production externality is received in consumption
 - b) negative production externality is received in production
 - c) negative consumption externality is received in production
 - d) negative consumption externality is received in consumption**
31. A firm that offers training to its employees to increase their skills generates benefits for other firms when they hire such workers as they change their jobs. This is an example of _____
- a) Positive production externality is received in consumption
 - b) Positive production externality is received in production**
 - c) Positive consumption externality is received in production
 - d) Positive consumption externality is received in consumption

32. Excessive consumption of alcohol causes impairment in efficiency for work. This is an example of_____.
- a) negative production externality is received in consumption
 - b) negative consumption externality is received in production**
 - c) negative production externality is received in production
 - d) negative consumption externality is received in consumption
33. The concept of the Lemons Problem was given by_____.
- a) Paul Samuelson
 - b) George Akerlof**
 - c) JM Keynes
 - d) Adam Smith
34. _____ is also known as command solutions, prohibit specific activities that explicitly create negative externalities.
- a. Market based initiatives
 - b. Direct controls**
 - c. Both a & b
 - d. None of the above
35. The concept of Pollution Tax was given by_____.
- a) AC Pigou**
 - b) JM Keynes
 - c) Adam Smith
 - d) George Akerlof
36. _____ are goods that have substantial positive externalities and hence they are socially desirable.
- a) Private goods
 - b) Public goods
 - c) Merit goods**
 - d) Demerit goods
37. When prices of certain essential commodities rise excessively, government may resort to control in the form of:
- a. Price Floor
 - b. Price ceiling**
 - c. Both a & b
 - d. None of the above

38. Which Article of the constitution provides that in respect of every financial year, the 'president shall cause to be laid before both the houses of parliament the "Annual Financial Statement"
- a) Article 111
 - b) Article 112**
 - c) Article 113
 - d) Article 114
39. The budget documents depict information relating to receipts and expenditures for two years. They are:
- a) Budget estimates (BE) of receipts and expenditures in respect of current and ensuing financial
 - b) For the current year through Revised Estimates (RE); and
 - c) Actuals of the year preceding the current year
 - d) All of the above**
40. The finance minister makes a detailed budget speech at the time of presenting the budget before the
- a) Lok Sabha**
 - b) Rajya Sabha
 - c) Vidhan Sabha
 - d) All of the above
41. Part A of the budget speech gives an outline of _____.
- a) the progress the government has made on various developmental measures, the direction of future policies, and the government's tax proposals
 - b) the prevailing macroeconomic situation of the country and the budget estimates for the next financial year.**
 - c) Government's tax proposals
 - d) All of the above
42. All revenues received, loans raised and all money received by the government in repayment of loans are credited to_____.
- a) Consolidated Fund of India**
 - b) Contingency Fund of India
 - c) Contingency Fund of State
 - d) Public Account

43. Under Article 266(1) of the Constitution of India, _____ is used in relation to all the fund flows where government is acting as a banker. The expenditure from this fund need not be approved by the parliament.
- a) Consolidated Fund of India
 - b) Contingency Fund of India
 - c) Contingency Fund of State
 - d) Public Account**
44. _____ is intended to give authority to the government to incur expenditure from and out of the Consolidated Fund of India
- a) Finance Bill
 - b) Appropriation Bill**
 - c) Cut Motion
 - d) None of the above
45. On the last day of the days allotted for discussion on the demand for grants, the speaker puts all the outstanding demands for grants to the vote of the house. This process is known as ____
- a) Cut Motion
 - b) Guillotine**
 - c) Discussion Bill
 - d) Appropriation Bill
46. The Finance Bill is introduced in the Lok Sabha _____ the presentation of the general budget.
- a. After**
 - b. Before
 - c. Either a or b
 - d. None of the above
47. The Parliament has to pass the Finance Bill within _____ of its introduction.
- a) 60 days
 - b) 90 Days
 - c) 45 Days
 - d) 75 Days**
48. _____ receipts are those receipts that lead to a reduction in the assets or an increase in the liabilities of the government
- a. Capital Receipts**
 - b. Revenue Receipts
 - c. Tax Receipts
 - d. None of the above

49. Recoveries of loan advances are an example of_____.
- a) Debt capital receipts
 - b) **Non-debt capital receipts**
 - c) Revenue Receipts
 - d) Non-Tax Revenue receipts
50. Disinvestment by government is classified under which category:
- a. Revenue Receipts
 - b. Debt capital Receipts
 - c. **Non-Debt capital receipts**
 - d. Non-Tax Revenue
51. Which institutions is responsible for managing domestic marketable debt?
- a) Ministry of Finance
 - b) Department of Economic Affairs
 - c) **RBI**
 - d) Budget division
52. External debt (bilateral and multilateral loans) is managed by_____.
- a) Internal debt management department
 - b) **Department of Economic Affairs in the Ministry of Finance**
 - c) RBI
 - d) Budget Division
53. _____ shows the government revenue is insufficient to meet the regular expenditures in connection with the normal functioning of the government.
- a) **Revenue Deficit**
 - b) Budgetary Deficit
 - c) Fiscal Deficit
 - d) Primary Deficit
54. The excess of total expenditure over total receipts excluding borrowings during a given fiscal year is called the_____.
- a) Revenue Deficit
 - b) Budgetary Deficit
 - c) **Fiscal Deficit**
 - d) Primary Deficit
55. _____ shows the total borrowing requirements of the government from all sources.
- a) Revenue Deficit
 - b) Budgetary Deficit
 - c) **Fiscal Deficit**
 - d) Primary Deficit

56. _____ tells how much of the government's borrowings are going towards meeting expenses other than interest payments.
- a) Revenue Deficit
 - b) Budgetary Deficit
 - c) Fiscal Deficit
 - d) Primary Deficit**
57. _____ is a progress card on what various ministries and departments have done with the outlays in the previous annual budget.
- a) Cut Motions
 - b) Guillotine
 - c) Outcome budget**
 - d) None of the above
58. In which type of budget, fiscal policy will be unnecessary
- a. Surplus Budget
 - b. Deficit Budget
 - c. Balances Budget**
 - d. None of the above
59. The policy measure used to close a recessionary gap is _____.
- a) Contractionary fiscal policy
 - b) Expansionary fiscal Policy**
 - c) Recessionary fiscal policy
 - d) None of the above
60. In the expansionary fiscal policy, governments budgets are normally:
- a. Deficit**
 - b. Surplus
 - c. Balanced
 - d. None of the above
61. _____ has a negative net effect on aggregate demand since leakages will be greater than injections.
- a) Balanced Budget
 - b) Budget Surplus**
 - c) Budget Deficit
 - d) Both b & c

62. When spending by government in an economy replaces the private spending, it is known as:
- Crowding out**
 - Government spending
 - Inflationary policy
 - None of the above
63. Read the following statements:
- The market-generated allocation of resources is usually imperfect and leads to inefficient allocation of resources in the economy
 - Market failures can at all times be corrected through government intervention
 - Public goods will not be produced in sufficient quantities in a market economy
- Of the three statements above:
- 1,2 and 3 are correct
 - 1 and 3 are correct**
 - 2 and 3 are correct
 - 3 alone is correct
64. Which function does the government perform when it provides transfer payments to offer support to the underprivileged
- Allocation
 - Efficiency
 - Distribution**
 - None of the above
65. Which of the following is true in respect of the role of Finance Commissions in India?
- The distribution between the union and the states of the net proceeds of taxes
 - Allocation between the states of the respective shares of such proceeds.
 - Make Recommendations on integrated GST on inter-state movement of goods and services
 - To recommend expenditure decentralization among different states
- I and II are correct**
 - II and III are correct
 - I, II and III are correct
 - All the above are correct
66. An adequate amount of a pure public good will not be provided by the private market because of
- the possibility of free-riding**
 - the existence of very low prices and low profits
 - governments would any way produce them, so there will be overproduction
 - there are restrictions as well as taxes on the production of public goods

67. A chemical factory has full information regarding the risks of a product but continues to sell it. This is possible because of
- (a) **asymmetric information**
 - (b) moral hazard
 - (c) free riding
 - (d) (a) and (c) above
68. If an individual tends to drive his car in a dangerously high speed because he has a comprehensive insurance cover, it is a case of
- (a) free riding
 - (b) **moral hazard**
 - (c) poor upbringing
 - (d) Inefficiency
69. Read the following statements
- I. The market-based approaches to control externalities operate through price mechanism
 - II. When externalities are present, the welfare loss would be eliminated
 - III. The key is to internalizing an externality is to ensure that those who create the externalities include them while making decisions
- Of the above statements:
- (a) II and III are correct
 - (b) I only is correct
 - (c) II only is correct
 - (d) **I and III are correct**
70. Rules regarding product labeling
- (a) Seeks to correct market failure due to externalities
 - (b) It is a method of solving the problem of public good
 - (c) **It may help solve market failure due to information failure**
 - (d) Reduce the problem of monopolies in the product market
71. The incentive to let other people pay for a good or service, the benefits of which are enjoyed by an individual
- (a) Is a case of negative externality
 - (b) Is a case of market efficiency
 - (c) **Is a case of free-riding**
 - (d) Is inappropriate and warrant action

72. The production and consumption of demerit goods are
- (a) likely to be more than optimal under free markets.
 - (b) likely to be less than optimal under free markets
 - (c) likely to be subjected to price intervention by government
 - (d) a) and c) above**

Question -The following hypothetical figures relate to country A

Revenue receipts	20,000
Recovery of loans	1,500
Borrowing	15,000
Other receipts	5,000
Expenditure on revenue account	24,500
Expenditure on capital account	26,000
Interest payments	2,000

73. The revenue deficit for country A is

- (a) 5,000
- (b) 24,000
- (c) 4,500**
- (d) None of the above

74. The fiscal deficit of country A is

- (a) 14,000
- (b) 24,000**
- (c) 23,500
- (d) None of the above

75. The primary deficit of Country A is

- (a) 26,000
- (b) 26,500
- (c) 22,000**
- (d) 24,500

76. In NITI Aayog, NITI stands for

- (a) National Initiative for Transforming India
- (b) National Institution for Transforming India**
- (c) National Institute for Technology and Innovation
- (d) None of the above

Question: The following table relates to the revenue and expenditure figures of a hypothetical economy

Recovery of loans	5.1
Salaries of govt. servants	41.1
Capital expenditure	45.0
Interest payments	1.3
Payments towards subsidies	3.2
Other receipts (mainly from dis-investment)	11.6
Tax revenue (net of states' share)	26.3
Non-tax revenue	12.3
Borrowings & other liabilities	6.8
States' share in tax revenue	11.9

77. The capital receipts are

- (a) **23.5**
- (b) 19.7
- (c) 11.3
- (d) None of the above

78. Revenue deficit is

- (a) 23.6
- (b) 13.0
- (c) **7.0**
- (d) 2.6

79. The non-debt capital receipts of this country is

- (a) 45.1
- (b) **16.7**
- (c) 15.8
- (d) None of the above

80. Which of the following is a statement submitted along with the budget as a requirement of the FRBM Act?
- (a) Annual Financial Statement
 - (b) Macro-Economic Framework Statement
 - (c) Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement
 - (d) **(b) and (c) above**
81. The 'Retail Direct' scheme is
- (a) Initiated by the Reserve Bank of India
 - (b) facilitates investment in government securities by individual investors.
 - (c) Direct sale of goods and services by government departments
 - (d) **Both (a) and (b) are correct**
82. Grants given by the central government to state governments is
- (a) A revenue expenditure as it is meant to meet the current expenditure of the states
 - (b) **A revenue expenditure as it does neither create any asset nor reduces any liability of the government**
 - (c) A capital expenditure because it increases the capital base of the states
 - (d) It is a grant and so does not come under revenue expenditure or capital expenditure
83. Short-term credit from the Reserve Bank to state governments to bridge temporary mismatches in cash flows is known as
- (a) RBI credit to states
 - (b) Commercial credit of RBI
 - (c) **Ways and Means Advances (WMA)**
 - (d) Short term facility
84. Richard Musgrave introduced a three-branch taxonomy describing the role of government in a market economy. What are these branches?
- a. Resource allocation, income generation, and price stability
 - b. Resource allocation, income redistribution, and macroeconomic stabilization**
 - c. Production efficiency, income equality, and fiscal sustainability
 - d. Price regulation, employment generation, and fiscal responsibility
85. Under which Supreme Court verdict do the Union and State Legislatures have "equal, simultaneous and unique powers" to make laws on Goods and Services Tax (GST)?
- a. June 2020 verdict
 - b. July 2021 verdict
 - c. Feb 2022 verdict
 - d. May 2022 verdict**

86. If the primary deficit is 20,500 crores and the net interest liabilities of a country are 3,500 crores, then what will be the fiscal deficit?
- 17,000 crores
 - 21,500 crores
 - 19,500 crores
 - 24,000 crores**

87. The following figures relate to country for a particular financial year:

Particulars	Amount (₹ in crores)
Revenue Deficit	10,000
Fiscal Deficit	24,000
Net Interest Liability	2,000
Borrowing	6,000
Expenditure on Revenue Account	3,000

What will be the primary deficit of country 'A'?

- 8,000 crores
 - 22,000 crores**
 - 18,000 crores
 - 21,000 crores
88. Keynesian economists believe that
- fiscal policy can have very powerful effects in altering aggregate demand, employment and output in an economy
 - when the economy is operating at less than full employment levels and when there is a need to offer stimulus to demand, fiscal policy is of great use.
 - Wages are flexible and therefore business fluctuations would be automatically adjusted
 - (a) and (b) above**

89. An expansionary fiscal policy, taking everything else constant, would in the short --run have the effect of
- (a) **a relatively large increase in GDP and a smaller increase in price**
 - (b) a relatively large increase in price, a relatively smaller increase in GDP
 - (c) both GDP and price will be increasing in the same proportion
 - (d) both GDP and price will be increasing in a smaller proportion
90. Which statement (s) is (are) correct about crowding out?
- I. A decline in private spending may be partially or completely offset by the expansion of demand resulting from an increase in government expenditure.
 - II. Crowding out effect is the negative effect fiscal policy may generate when money from the private sector is 'crowded out' to the public sector.
 - III. When spending by the government in an economy increases government spending would be crowded out.
 - IV. Private investments, especially the ones that are interest-sensitive, will be reduced if interest rates rise due to increased spending by the government
- (a) I and III only
 - (b) I, II, and III
 - (c) I, II, and IV**
 - (d) III only
91. When government spending is deliberately reduced to bring in stability
- (a) the government is resorting to contractionary fiscal policy
 - (b) the government is resorting to expansionary fiscal policy
 - (c) trying to limit aggregate demand to sustainable levels
 - (d) (a) and c) above**
92. While the government resorts to deliberate fiscal policy it may not attempt to manipulate
- (a) Government expenditures on public works
 - (b) The rates of personal income taxes and corporate taxes
 - (c) Government expenditures on goods and services purchased by the government
 - (d) The rate of interest prevailing in the economy**
-

CHAPTER 9

1. Which of the following is not the benefit of International trade?
 - a) International trade is a powerful stimulus to economic efficiency
 - b) International trade is beneficial to the community since it tends to decrease the likelihood of domestic monopolies.
 - c) International trade provides greater stimulus to innovative services like banking, etc.
 - d) **Trade cycles and the economic crisis occurring in different countries are likely to get transmitted rapidly to other countries.**

2. Which theory of international trade advocated maximizing exports to accumulate wealth and minimizing imports by imposing high tariff.
 - a) Theory of Absolute Advantage
 - b) **Mercantilists' View of International Trade**
 - c) Theory of Comparative Advantage
 - d) None of the above

3. ____ was the first one to put across the possibility that international trade is not a zero sum game and international trade was absolute cost advantage?
 - a) David Ricardo
 - b) **Adam Smith**
 - c) Eli Heckscher
 - d) Paul Krugman

4. As per which theory of International trade, one country who is more productive than others in all the goods should still import goods?
 - a) The Mercantilists' International Trade
 - b) **Theory of Comparative Advantage**
 - c) Theory of Absolute Advantage
 - d) Heckscher-Ohlin Theory of Trade

5. "Countries well-endowed with capital such as factories and machinery should export capital intensive products while those endowed with labour should export labour intensive products"
Which international trade theory is referred here?
 - a) Mercantilists' View of International Trade
 - b) Theory of Absolute Advantage
 - c) Theory of Comparative Advantage
 - d) **Heckscher-Ohlin Theory of Trade**

6. Which theory considers labour as the sole factor of production?
- a) Theory of Absolute Advantage
 - b) Theory of Comparative Advantage
 - c) **Both a & b**
 - d) Heckscher-Ohlin Theory of Trade
7. Who introduced the New International Trade Theory?
- a) David Ricardo
 - b) Adam Smith
 - c) Eli Heckscher
 - d) **Paul Krugman**
8. According to NTT, two key concepts that gives advantages to countries that import goods to compete with products from the home country are:
- a) Economies of Scale
 - b) Network Effects
 - c) **Both a & b**
 - d) None of the above
9. _____ refers to the way one person's value for a good or service is affected by its value to others.
- a) Bandwagon effect
 - b) Network Effects
 - c) Economies of scale
 - d) **Both a & b**
10. _____ is a fixed amount of money per physical unit or according to the weight or measurement of the commodity imported or exported.
- a) Ad Valorem Tariff
 - b) **Specific Tariff**
 - c) Compound Tariff
 - d) Mixed Tariff
11. _____ is a tariff where duty is levied a fixed percentage of the value of the traded commodity.
- a) **Ad Valorem Tariff**
 - b) Specific Tariff
 - c) Compound Tariff
 - d) Mixed Tariff

12. ____ is a combination of an ad valorem and a specific tariff
- a) Ad Valorem Tariff
 - b) Specific Tariff
 - c) Compound Tariff**
 - d) Mixed Tariff
13. ____ is calculated on the basis of the specific contents of the imported goods i.e., the duties are payable by its components or related items
- a) Technical Tariff**
 - b) Compound Tariff
 - c) Mixed Tariff
 - d) Variable Tariff
14. A duty typically fixed to bring the price of an imported commodity up to the level of the domestic support price for the commodity.
- a) Tariff Rate quota
 - b) Variable Tariff**
 - c) Technical Tariff
 - d) Bound Tariff
15. Which of the following is not true about Bound Tariff?
- a) It represents the maximum level of import duty that can be levied on a product imported by WTO member
 - b) WTO member is always free to impose a tariff that is lower than the bound level
 - c) Once Bound, a tariff rate becomes permanent and can never be increased in any situation.**
 - d) None of the above
16. The tariff on a product increase as that product moves through the value-added chain
- a) Preferential Tariff
 - b) Escalated Tariff**
 - c) Applied Tariff
 - d) Technical Tariff
17. The tariff which are imposed to offset the artificially low prices charged by exporters who enjoy export subsidies and tax concessions from their government in their home country
- a) Anti-Dumping duties
 - b) Countervailing Duties**
 - c) Bound Tariff
 - d) None of the above

18. ___ measures are applied to protect human, animal or plant life from risks arising from additives, pests, etc.
- a) Technical Barriers to Trade
 - b) Sanitary & Phytosanitary measures**
 - c) Non-Technical Measures
 - d) None of the above
19. ___ is a total ban imposed by government on import or export of some or all commodities to particular country or regions for a specified or indefinite period.
- a) Safeguard measures
 - b) Embargos**
 - c) Administrative procedures
 - d) None of the above
20. GATT lost its relevance by the 1980s because-
- a) international investments had expanded substantially
 - b) intellectual property rights and trade-in services were covered not
 - c) world merchandise trade increased by leaps and bounds and was beyond its scope
 - d) All of the above**
21. _____ marked the birth of the Trade Organization (WTO)
- a) July 1, 1996
 - b) July 1, 1994
 - c) July 1, 1995**
 - d) None of the above
22. The WTO's top-level decision-making body is the _____ which can make decisions on all matters under any of the multilateral trade agreements
- a) Ministerial Conference**
 - b) General Council
 - c) Goods Council, Services. Council and Intellectual Property (TRIPS) Council
 - d) None of the above
23. The total member countries under WTO currently:
- a) 164**
 - b) 171
 - c) 169
 - d) 161

24. The secretariat of WTO is based in:

- a) **Geneva**
- b) Italy
- c) London
- d) India

25. The Ministerial Conference meets at least once every _____ years.

- a) 1
- b) **2**
- c) 3
- d) 4

26. As per _____, imported and locally produced goods should be treated equally - at least after the foreign goods have entered the market.

- a) Most-favored-nation Principle
- b) **National Treatment Principle**
- c) Principle of Freer trade
- d) None of the above

27. As per which guiding principle of WTO, if a country grants someone a special favor then that country has to do the same for all other WTO members.

- a) **Most-favored-nation Principle**
- b) National Treatment Principle
- c) Principle of Freer trade
- d) None of the above

28. The most controversial topic in the Doha Agenda is:

- a) Trade in intellectual property rights-based goods
- b) **Trade in agriculture goods**
- c) Trade in manufactured goods
- d) All of the above

29. Dumping occurs when manufacturers sell goods in a foreign country-

- a) below the sales prices in their domestic market
- b) below their full average cost of the product
- c) Above the sales price in their domestic market
- d) **Both a & b**

30. A 5% tariff on the import of Raw material and a 10% tariff on the import of finished goods, is an example of-
- a) Specific Tariff
 - b) Technical Tariff
 - c) Escalated Tariff**
 - d) Bound Tariff
31. _____ is refers to a type of informal quota administered by an exporting country voluntarily restraining the number of goods that can be exported out of that country during a specified period of time.
- a) Ban on exports
 - b) Voluntary Export Restraint**
 - c) Export Taxes
 - d) Export Subsidies & Incentive
32. In which of the exchange rate system, government and central banks do not participate in the market for foreign exchange
- a) Free-floating exchange rate system**
 - b) Managed float system
 - c) Fixed exchange rate system
 - d) Both a & b
33. Which exchange rate system avoids current fluctuations and eliminates exchange rate risks?
- a) Free-floating exchange rate system
 - b) Managed float system
 - c) Fixed exchange rate system**
 - d) None of the above
34. ___ beings in more currency and monetary stability and credibility but lacks flexibility. On the contrary, ___ has greater policy flexibility but lacks stability.
- a) Fixed rate; floating rate**
 - b) Floating rate; fixed rate
 - c) Free floating; managed floating
 - d) Managed floating; free floating
35. ___ is the rate at which a person can trade the goods and services of one country for the goods and services of another
- a) Real Exchange Rate**
 - b) Nominal Exchange Rate
 - c) Real effective exchange rate
 - d) Nominal effective exchange rate

36. Real exchange rate=

- a) **Nominal exchange rate x [Foreign price / Domestic price]**
- b) Nominal exchange rate X [Domestic price / Foreign price]
- c) Nominal exchange rate X [Foreign price / Foreign price index]
- d) Nominal exchange rate X [Domestic price index / Foreign price]

37. The Nominal Exchange rate of India is Rs 75/ \$, the Price Index in India is 120 and the Price Index in the USA is 40\$. What will be the Real Exchange Rate of India?

- a) 30
- b) **25**
- c) 28
- d) 35

38. _____ is considered a vehicle currency

- a) Indian Rupee
- b) **US Dollars**
- c) Pounds
- d) Japanese Yen

39.) If spot exchange rate is Rs. 80/\$ and forward exchange rate is Rs. 85/\$ then it is

- a) **Forward premium**
- b) Forward discount
- c) Spot premium
- d) None of the above

40. On the demand side, people desire foreign currency to

- a) To purchase goods and services from another country
- b) for unilateral transfers such as gifts, awards, grants donations or endowments
- c) to make investment abroad
- d) **All of the above**

41. _____ takes place when there is a decrease in the home currency price of the foreign currency (or, alternatively, an increase in the foreign currency price of the home currency)

- a) **Home-currency appreciation**
- b) foreign-currency appreciation
- c) Home-currency depreciation
- d) Both b & c

42. _____ is a deliberate downward adjustment in the value of a country's currency relative to another country's currency or group of currencies or standards.
- a) **Devaluation**
 - b) Appreciation
 - c) Revaluation
 - d) Depreciation
43. ____ of a country's currency raises the relative price of its exports and lowers the relative price of its imports
- a) **Appreciation**
 - b) Depreciation
 - c) Both a & b
 - d) None of the above
44. Outcome of exchange rate depreciation is an _____ impact on the economy at an aggregate level
- a) Contractionary
 - b) **Expansionary**
 - c) Both
 - d) None of the above
45. Explain the implications of the following on the exchange rate- Investors in India perceive that the returns on investments in the US would be much more lucrative than elsewhere. As a result, there is a huge increase in demand for investments in US dollar-denominated financial investments.
- a) INR will appreciate, and USD will appreciate
 - b) **INR will depreciate, and USD will appreciate**
 - c) INR will depreciate, and USD will depreciate
 - d) INR will appreciate, and USD will depreciate
46. As per the IMF manual on 'Balance of payments', FDI occurs through the acquisition of more than _____ of the shares of the target asset
- a) 5%
 - b) **10%**
 - c) 50%
 - d) 51%
47. A cell phone service provider based in the USA, moving to India to provide the same service. This is an example of-
- a) **Horizontal FDI**
 - b) Vertical FDI
 - c) Conglomerate FDI
 - d) All of the above

48. The purchase of a bond (certificate of indebtedness) of a Swiss company or the Swiss government by a citizen or company based in France. is an example of-
- a) Foreign Direct Investment
 - b) Foreign Portfolio Investment**
 - c) Reciprocal FDI
 - d) All of the above
49. _____ is a form of FDI which makes use of the existing infrastructure by merging, acquiring or leasing, instead of developing a completely new one
- a) Greenfield investment
 - b) Brownfield investment**
 - c) Both a & b
 - d) None of the above
50. Comparative advantage refers to
- (a) a country's ability to produce some good or service at the lowest possible cost compared to other countries
 - (b) a country's ability to produce some good or service at a lower opportunity cost than other countries.**
 - (c) Choosing a productive method that uses minimum of the abundant factor
 - (d) (a) and (b) above
51. Ricardo explained the law of comparative advantage on the basis of
- (a) opportunity costs
 - (b) the law of diminishing returns
 - (c) economies of scale
 - (d) the labour theory of value**
52. Which of the following is not a non-tariff barrier?
- (a) Complex documentation requirements
 - (b) Import quotas on specific goods
 - (c) Countervailing duties charged by importing country**
 - (d) Pre shipment product inspection and certification requirements
53. Under tariff rate quota
- (a) countries promise to impose tariffs on imports from members other than those who are part of a preferential trade agreement
 - (b) a country permits an import of limited quantities at low rates of duty but subjects an excess amount to a much higher rate**
 - (c) lower tariff is charged for goods imported from a country that is given preferential treatment
 - (d) none of the above

54. Which of the following culminated in the establishment of the World Trade Organization?
- (a) The Doha Round
 - (b) The Tokyo Round
 - (c) The Uruguay Round**
 - (d) The Kennedy Round
55. The Agreement on Agriculture includes explicit and binding commitments made by WTO Member governments
- (a) on increasing agricultural productivity and rural development
 - (b) market access and agricultural credit support
 - (c) market access, domestic support and export subsidies**
 - (d) market access, import subsidies and export subsidies
56. The Agreement on Textiles and Clothing
- (a) provides that textile trade should be deregulated gradually and the tariffs should be increased
 - (b) replaced the Multi-Fiber Arrangement (MFA) which was prevalent since 1974**
 - (c) granted rights of textile exporting countries to increase tariffs to protect their domestic textile industries
 - (d) stipulated that tariffs in all countries should be the same
57. The most controversial topic in the yet to conclude Doha Agenda is
- (a) trade in manufactured goods
 - (b) trade in intellectual property rights-based goods
 - (c) trade in agricultural goods**
 - (d) market access to goods from developed countries
58. The WTO commitments
- (a) affect developed countries adversely because they have comparatively less agricultural goods
 - (b) affect developing countries more because they need to make radical adjustments**
 - (c) affect both developed and developing countries equally
 - (d) affect none as they increase world trade and ensure prosperity to all.
59. Based on the supply and demand model of determination of exchange rate, which of the following ought to cause the domestic currency of Country X to appreciate against dollar?
- (a) The US decides not to import from Country X
 - (b) An increase in remittances from the employees who are employed abroad to their families in the home country**
 - (c) Increased imports by consumers of Country X
 - (d) Repayment of foreign debts by Country X

60. All else equal, which of the following is true if consumers of India develop taste for imported commodities and decide to buy more from the US?
- (a) The demand curve for dollars shifts to the right and Indian Rupee appreciates
 - (b) The supply of US dollars shrinks and, therefore, import prices decrease
 - (c) The demand curve for dollars shifts to the right and Indian Rupee depreciates**
 - (d) The demand curve for dollars shifts to the left and leads to an increase in exchange rate

61. Match the following by choosing the term which has the same meaning

i) floating exchange rate	a. fixed exchange rate
ii) pegged exchange rate	b. depreciation
iii) devaluation	c. revaluation
iv) appreciation	d. flexible exchange rate

- (a) (i c); (ii d); (iii b); (iv a))
- (b) (i b); (ii a); (iii d); (iv c)
- (c) (i a); (ii d) ; (iii b); (iv c)
- (d) (i d); (ii a); (iii b); (iv c)**

62. Choose the correct statement

- (a) An indirect quote is the number of units of a local currency exchangeable for one unit of a foreign currency
- (b) the fixed exchange rate regime is said to be efficient and highly transparent.
- (c) A direct quote is the number of units of a local currency exchangeable for one unit of a foreign currency**
- (d) Exchange rates are generally fixed by the central bank of the country

63. Which of the following statements is true?

- (a) Home-currency appreciation or foreign-currency depreciation takes place when there is a decrease in the home currency price of foreign currency
- (b) Home-currency depreciation takes place when there is an increase in the home currency price of the foreign currency
- (c) Home-currency depreciation is the same as foreign-currency appreciation and implies that the home currency has become relatively less valuable.
- (d) All the above**

64. Currency devaluation
- (a) may increase the price of imported commodities and, therefore, reduce the international competitiveness of domestic industries
 - (b) may reduce export prices and increase the international competitiveness of domestic industries**
 - (c) may cause a fall in the volume of exports and promote consumer welfare through increased availability of goods and services
 - (d) (a) and (c) above
65. At any point of time, all markets tend to have the same exchange rate for a given currency due to
- (a) Hedging
 - (b) Speculation
 - (c) Arbitrage**
 - (d) Currency futures
66. 'Vehicle Currency' refers to
- (a) a currency that is widely used to denominate international contracts made by parties because it is the national currency of either of the parties
 - (b) a currency that is traded internationally and, therefore, is in high demand
 - (c) a type of currency used in euro area for synchronization of exchange rates
 - (d) a currency that is widely used to denominate international contracts made by parties even when it is not the national currency of either of the parties**
67. Which is the leading country in respect of inflow of FDI to India?
- (a) Mauritius**
 - (b) USA
 - (c) Japan
 - (d) USA
68. An argument in favour of direct foreign investment is that it tends to
- (a) promote rural development
 - (b) increase access to modern technology**
 - (c) protect domestic industries
 - (d) keep inflation under control
69. Which of the following is a reason for foreign direct investment?
- (a) secure access to minerals or raw materials
 - (b) desire to capture large and rapidly growing emerging markets
 - (c) desire to influence home country industries
 - (d) (a) and (b) above**

70. Foreign investments are prohibited in
- (a) Power generation and distribution
 - (b) Highways and waterways
 - (c) Chit funds and Nidhi company**
 - (d) Airports and air transport
71. Which of the following statement is false in respect of FPI?
- (a) portfolio capital in general, moves to investment in financial stocks, bonds and other financial instruments
 - (b) is effected largely by individuals and institutions through the mechanism of capital market
 - (c) is difficult to recover as it involves purely long-term investments and the investors have controlling interest**
 - (d) investors also do not have any intention of exercising voting power or controlling or managing the affairs of the company.
72. As of 1 February 2021, how many Regional Trade Agreements (RTAs) were in force worldwide?
- a) 239 RTAS
 - b) 339 RTAs**
 - c) 439 RTAS
 - d) 539 RTAS
73. What does the principle of Absolute Advantage refer to?
- a) The ability to produce a greater quantity of a goods using fewer resources
 - b) The ability to produce a greater quantity of a goods using the same amount of resources as competitors**
 - c) The ability to produce a lesser quantity of a goods using the same amount of resources as competitors
 - d) The ability to produce a greater variety of goods than competitors
74. What does TRIPS stand for?
- a) Trade-Related Agreements on Investment Policies
 - b) Trade-Related Aspects of Intellectual Property Rights**
 - c) Transnational Regulations for International Product Standards
 - d) Trade Regulations for International Patent Systems
75. Suppose the exchange rate between INR and EUR changes from 1 EUR = 80 INR to 1 EUR = 85 INR. What can be said about the change in the value of the INR relative terms to the EUR?
- a) INR has appreciated against EUR. 7
 - b) INR has depreciated against the EUR.**
 - c) EUR has no effect against INR.
 - d) EUR has depreciated against INR.

76. What is the main difference between Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI)?
- a) **FDI creates physical assets, while FPI involves only financial assets.**
 - b) FDI involves financial assets, while FPI creates physical assets.
 - c) Both FDI and FPI create physical assets.
 - d) Both FDI and FPI involve only financial assets.
77. Foreign corporations invest in India to benefit from the country's particular investment privileges such as tax breaks and comparatively lower salaries. This type of investment is an example of:
- a) Foreign Portfolio Investment
 - b) Joint Venture
 - c) **Foreign Direct Investment**
 - d) Strategic Alliance
78. A tariff which a WTO member binds itself with a legal commitment not to raise tariff rate above a certain level is known as:
- a) Applied tariff
 - b) **Bound tariff**
 - c) Specific tariff
 - d) Most-favoured nation tariffs
79. Which of the following is covered under Technical Barriers to Trade (TBT)?
- a) Only food products.
 - b) Only non-food traded products.
 - c) Only technical standard products.
 - d) **Both food and non-food traded products.**
80. What term is used for the rate between currencies Y and Z, which is derived from the given rates of another set of two pairs of currency (say, X and Y, and, X and Z)?
- a) Bid rate
 - b) Ask rate
 - c) Spot rate
 - d) **Cross rate**
-