

Question Paper Booklet No. 5
ONS TO CANDIDATES

7793239



GENERAL INSTRUCTIONS

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Question Paper Booklet No. 779323

INDIA

Do not open this booklet till you are told to do so.

If the booklet does not contain 100 questions or if it is not of the medium opted or if condition, ask for change immediately.

For the exam, please fill up the necessary information in the space provided below and circles for answers in the answer sheet. Choose the correct or most appropriate option and darken the number in the OMR Answer Sheet, completely, as shown below, with

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11

1. The cross elasticity of demand for monopolist's product and any other product is:

(A) 1
(C) Less than 1
(B) Greater than 1
(D) Zero or very small

2. In a monopoly market if $ATC > AR$:

(A) Firm will earn normal profits
(B) Firm will earn super normal profits
(C) Firm will earn abnormal profit
(D) Firm will incur losses

3. Which of the following is not true for long run equilibrium of a perfectly competitive industry?

(A) All firms in the industry are in equilibrium.
(B) All firms are earning super normal profits.
(C) The price of the product is such that quantity supplied by the industry is equal to the quantity demanded by consumers.
(D) Plants are used to full capacity in the long run.

4. A market characterized by a small number of large buyers and is mostly relevant to factor market is termed as:

(A) Duopoly
(C) Oligopsony
(B) Monopsony
(D) Bilateral monopoly

5. Purchase of foreign currency contract at future rate from bank is a transaction involving:

(A) Forward Market
(C) Spot Market
(B) Regulated Market
(D) Retail Market

(4)
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Which of the following is not a channel of monetary policy transmission?

(A) Saving and Investment channel (B) Cash-flow channel
(C) Exchange Rate channel (D) Open Market channel

7. Speculative demand for money can be closely linked to which of the following situation?

(A) Unforeseen and unpredictable contingencies
(B) Current transaction for business exchange
(C) Mismatch between receipt of salary and household expenses
(D) Attractive investment opportunity

8. Which equation accurately represents the expanded version of the equation of exchange?

(A) $P = MV$ (B) $P = M'V'$
(C) $PT = MV + M'V'$ (D) $PT = MV - M'V'$

9. Tobin, in his theory of liquidity preference function, framed the relationship between which of the following?

(A) Demand for money and supply of money
(B) Rate of inflation and demand for money
(C) Rate of interest and demand for money
(D) Rate of interest and disposable income

10. Given the required reserve ratio (RRR) is 8% and 12.5% for every ₹ 1,00,000 deposited in the banking system, compute the credit multipliers.

(A) 12.5 ; 8 (B) 8 ; 12.5
(C) 12.5 ; 10 (D) 8 ; 10

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12.5 ; 8

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$$\frac{P_2 - P_1}{P_1 + P_2} + \frac{Q_2 \times Q_1}{Q_2 + Q_1} \quad (5)$$

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11.

Which of these is the correct expression for Arc Elasticity?

(A) $\frac{(P_2 - P_1)}{(P_2 + P_1)} \times \frac{(Q_2 + Q_1)}{(Q_2 - Q_1)}$
 (B) $\frac{(P_2 - P_1)}{(P_2 + P_1)} \times \frac{(Q_2 + Q_1)}{(Q_2 + Q_1)} \times \frac{(Q_2 - Q_1)}{(Q_2 + Q_1)}$
 (C) $\frac{(P_2 + P_1)}{(P_2 - P_1)} \times \frac{(Q_2 - Q_1)}{(Q_2 + Q_1)}$
 (D) $\frac{(P_2 + P_1)}{(P_2 - P_1)} \times \frac{(Q_2 - Q_1)}{(Q_2 + Q_1)}$

10
AP

$$\frac{p-1}{q_1} \frac{p_0}{\omega_0}$$

$$\gamma \frac{P_1 + P_2}{W_1 + W_2}$$

the dem

12.

When even after increase in price, total revenue remains the same the demand is said to be:

(A) Perfectly elastic (B) Elastic
(C) Inelastic (D) Unitary elastic

13.

The product of price quantity ratio at a particular point on the demand curve and the reciprocal of the slope of the demand line is called:

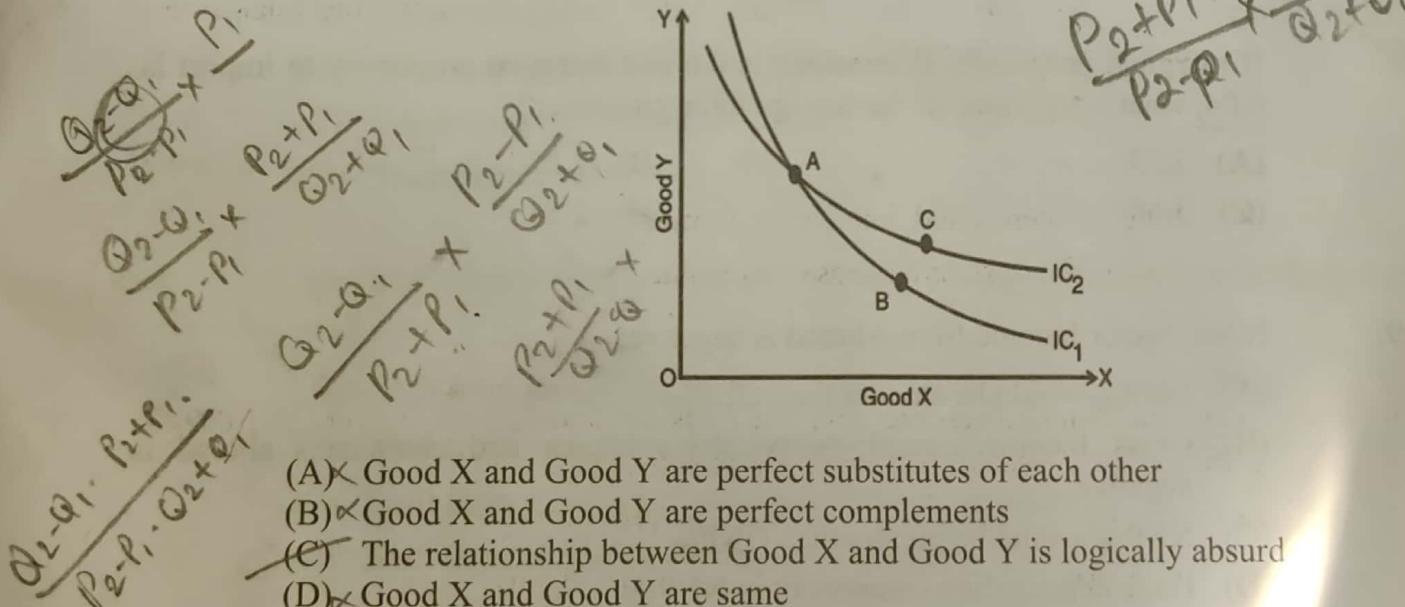
- (A) Point elasticity
- (B) Arc elasticity
- (C) Total outlay method of elasticity
- (D) Total revenue method of elasticity

$$\frac{P}{Q} \times \frac{1}{5100^\circ}$$

$$\frac{P_2 - P_1}{P_2 + R} + \frac{Q_2 + Q_1}{Q_2 - Q_1}$$

14.

Consider the indifference curves given below. What can you infer about the relationship between Good X and Good Y?



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Given the saving function $S = -20 + 0.5Y$ and autonomous investment $I = 100$ crores, what is the consumption?

15. (A) ₹ 240 crores (B) ₹ 140 crores
(C) ₹ 340 crores (D) ₹ 440 crores

16. National income of the economy which is either consumed or saved is equal to the:
 (A) Aggregate supply
 (B) Marginal propensity to consume ✕
 (C) Average supply ✕
 (D) Marginal propensity to save ✕

17. Which of the following factor of production is not included in calculating the National Income?
 (A) Pensions of retired workers
 (B) Wages of labourers
 (C) Employers' contribution to provident fund
 (D) Interest on loans availed for productive services

18. If marginal propensity to consume is 0.6 and marginal propensity to import is 0.04, what is the value of the foreign trade multiplier?
 (A) 3.33 (B) 2.27 $\frac{1}{1-0.6} \times 0.04$
 (C) 3.66 (D) 2.54

19. If Net Factor Income from Abroad is negative:
 (A) GNP_{MP} would be smaller than GDP_{MP}
 (B) Gross Income earned by country's citizen and companies abroad is negative
 (C) NNP_{MP} would be greater than GNP_{MP}
 (D) Huge depreciation component in NNP_{MP}

20. How many crops are mandated to receive price support through "Minimum Support Price" (MSP)?

(A) 22 (B) 21
~~(C) 23~~ (D) 24

21. Which of following taxes has not been replaced by the Goods and Service Tax?

(A) VAT (B) Income Tax
(C) Excise duty (D) Service Tax

~~Q22~~

In India, public sector is limited to which of the following sectors?

(A) Railway transport and arms and ammunition
~~(B)~~ Railway transport and atomic energy
(C) Atomic energy and arms and ammunition
(D) Hazardous chemicals and narcotic drugs

23. Introduction of prudential norms of accounting in respect of classification of assets, disclosure of income and provisions for bad debts in case of commercial banks is related to which of the following reform measures?

(A) Fiscal reforms
~~(B)~~ Monetary and financial sector reforms
(C) Capital market reforms
(D) Trade policy reforms

24. Which of the following is a unique feature in the growth trajectory of the Indian economy?

(A) Shift from services to the agricultural sector
(B) Shift from manufacturing to the services sector
(C) Shift from agricultural to the manufacturing sector
~~(D)~~ Shift from agriculture to the services sector

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(10)

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34.

Which of the following is a combination of two policy instruments – quotas and tariffs?

(A) Tariff rate quotas
(C) Mixed tariffs

(B) Compound tariffs
(D) Applied tariffs

35.

Which of the following is not a benefit of International Trade?

(A) Provides greater stimulus to innovative services
(B) Trade provides access to new markets and new materials
 (C) Underprivileged countries will be less vulnerable to exploitation by corporations operating globally
(D) Improvement in the quality of output of goods and services for emerging economies

36.

Which of the following represents a technical measure within Non-Tariff Measures (NTMs)?

(A) Custom formalities
 (B) Shipping requirements
(C) Production Processes
(D) Trade-related finance and Investment measures

37.

Calculate the Nominal exchange rate considering the following data :

Real exchange rate 25

Domestic price index 140

Foreign price index 70

Choose the correct answer from the following options:

(A) 50.0
(C) 40.0

(B) 12.5

(D) 35.0

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38. Which of the following factors does not lead to internal economies of scale:

- (A) Specialisation of labour
- (B) Use of superior techniques
- (C) Use of by-products
- (D) Supply of skilled labour

39. Which of the following is not true with regard to stage of diminishing returns?

- (A) Total product continues to decrease
- (B) Both marginal product and average product of the variable factor are diminishing but are positive
- (C) A rational producer will seek to produce within the range of this stage
- (D) By the end of this stage, total product reaches its maximum

Use the table to answer questions 40 and 41 :

Output	0	1	2	3	4	5	6
Total Cost (₹)	270	370	460	540	610	690	780

(12)

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43.

Which of the following is not listed as a common objective of fiscal policy?

- (A) Equitable distribution of income and wealth
- (B) Maintenance of price stability
- (C) Promotion of exports and imports
- (D) Achievement and maintenance of full employment

44.

An autonomous increase in imports has _____ effect on equilibrium income.

- (A) Expansionary
- (B) Contractionary
- (C) Balanced
- (D) No

45.

All of the following are included in government final consumption expenditure except:

- (A) Government expenditure on defence
- (B) Government expenditure on education
- (C) Government expenditure on healthcare
- (D) Government expenditure on pensions

46.

Which of the following is not an example of leakages from income stream?

- (A) Progressive rates of taxation
- (B) High liquidity preference
- (C) Distributed profits of corporations
- (D) Demand for imported goods

47.

In National Accounts, which of the following is considered an 'economic bad' excluded from GDP?

- (A) Traffic Congestion
- (B) Volunteer services
- (C) Rent from self-owned houses
- (D) Consumption of fixed capital

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48. The optimal average money holding is a negative function of which of the following?

(A) Income (B) Nominal interest rate
(C) Transaction cost (D) Price level

49. When the RBI uses persuasion to convince banks to hold government securities instead of lending to certain sectors, it is called:

(A) Margin requirements (B) Statutory Liquidity Ratio
(C) Market Stabilization Ratio (D) Moral Suasion

50. Who is responsible for determining the inflation target for the RBI under the Monetary Policy Framework?

(A) RBI independently (B) The Central Government in collaboration with the RBI
(C) The Finance Ministry (D) The Monetary Policy Committee

51. Which action does the central bank perform during Open Market Operations (OMO) to introduce high-powered money into the economy?

(A) Purchase of government securities (B) Sale of corporate bonds
(C) Printing additional currency (D) Raising interest rates

52. The money multiplier would be larger in which of the following scenarios?

(A) Smaller expenditure-deposit ratio (B) Higher currency-deposit ratio
(C) Smaller currency-expenditure ratio (D) Smaller currency-deposit ratio

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Use the following data to answer question 58 and 59 :

Particulars	₹ Crores
Operating surplus	2,500
Mixed income of Self Employed	1,500
Rent	680
Profit	720
Interest	1,100
Net indirect tax	400
Consumption of fixed capital	300
Compensation of employees	1,000

58. Calculate GDP_{MP}

(A) ₹ 5,700 crores (B) ₹ 8,200 crores
 (C) ₹ 5,000 crores (D) ₹ 7,500 crores

59. Calculate GDP_{FC}

(A) ₹ 5,000 crores (B) ₹ 7,500 crores
 (C) ₹ 7,100 crores (D) ₹ 5,300 crores

60. Calculate real GDP if nominal GDP is 450 and price index is 120.

(A) 540 (B) 350
 (C) 375 (D) 475

61. Operating surplus includes:

(A) Rent, Interest and Compensation of employees
 (B) Rent, Interest and Profit
 (C) Rent, Profit and Compensation of employees
 (D) Rent, Interest and Taxes

(16)

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Which of the following industries is included in the eight core sectors assessed by the Index of Industrial Production (IIP)?

(A) Pharmaceuticals (B) Textiles
(C) Coal ~~(D) Tourism~~

Make in India 2.0 focuses on _____.

(A) 15 manufacturing and 12 service sectors
(B) 12 manufacturing and 15 service sectors
~~(C) 22 manufacturing and 18 service sectors~~
(D) 18 manufacturing and 22 service sectors

64. Which initiative of the NITI Aayog is a one-stop destination for all information on electric vehicles?

(A) Shoonya Campaign ~~(B) E-Amrit~~
(C) Methanol economy (D) Life

65. What does a Brownfield investment in Foreign Direct Investment (FDI) imply:

(A) Developing entirely new infrastructure
~~(B) Utilizing existing infrastructure by means of mergers, acquisitions or leasing~~
(C) Forming partnerships with foreign companies
(D) Establishing a new subsidiary in another country

66. Which sector accounts for the largest recipient of FDI inflows in India?

~~(A) Service~~ (B) Manufacturing
(C) Primary (D) Secondary

67. Which of the following was not a major reform introduced during the 1980s in India?

~~(A) Industrial delicensing~~ ~~(B) Formation of SEBI~~
(C) Currency demonetization ~~(D) Implementation of MODVAT~~

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Q68

Which characteristic is shared by monopoly and monopolistic competition, but NOT by perfect competition?

(A) Price equal to marginal cost
 (B) Supernormal profits in long run
 (C) Price higher than marginal cost
 (D) No selling costs

60

$$\frac{A}{B} = \frac{60}{6}$$

69

Consider a monopolist selling in two markets. At a price of 60, the elasticity of demand in market A is 5 and in market B is 6. Calculate the marginal revenue in both markets and determine which market should receive more output.

(A) Market A, MR = 48; Market B, MR = 50, output to market B should increase
 (B) Market A, MR = 50; Market B, MR = 48, output to market A should increase
 (C) Both markets have equal MR
 (D) Neither market should change output

$$\frac{60}{5} = \frac{300}{20}$$

70

If the price elasticity of demand is 1, MR will be

(A) 0
 (B) 1
 (C) Positive
 (D) Negative

$$e^{-1}$$

$$\frac{Q}{P} = e$$

71.

First degree price discrimination in a monopolist market is based on:

(A) Attributes such as location
 (B) Different quantities sold
 (C) Each individual customer
 (D) Different markets

72.

In the kinked demand curve scenario for oligopoly, what happens when a firm raises its price above the prevailing level?

(A) Competitors follow and raise prices
 (B) The demand becomes perfectly inelastic
 (C) The firm loses market share as competitors do not follow
 (D) The demand curve becomes horizontal

73

$$\frac{Q}{P} = \frac{300}{60}$$

12

PQN

$$\frac{60}{60} = 1$$

$$\frac{500}{300} = \frac{5}{3}$$

$$\frac{300}{400} = \frac{3}{4}$$

Using below mentioned data, answer Question No. 73 and 74:

Revenue receipts	₹ 25,000 Cr
Expenses on revenue account	₹ 30,000 Cr
Expenses on capital account	₹ 30,000 Cr
Estimated total expenditure	₹ 60,000 Cr
Estimated total revenue	₹ 54,000 Cr

O.P. = 20000

73. Calculate the revenue deficit:

(A) ₹ 5,000 crores (B) ₹ 12,000 crores
 (C) ₹ 2,000 crores (D) ₹ 8,000 crores

74. Calculate the budgetary deficit:

(A) ₹ 25,000 Crores (B) ₹ 5,000 Crores
 (C) ₹ 6,000 Crores (D) ₹ 12,000 Crores

75. What is Net Divisible Pool (NDP)?

(A) Total funds from which loans can be taken by various states
 (B) Total loans recovered from IMF to be divided among center and states
 (C) Distribution of total revenue of a nation among various sectors of the economy
 (D) Portion of gross tax revenue which is distributed between the center and the states

76. Laissez faire approach advocated:

(A) Minimum government interference in or regulation of economic activity
 (B) Increase in government spending to combat the recessionary forces
 (C) Having a more active fiscal policy
 (D) Increasing taxes to curtail aggregate demand

77. Which of the following are types of measurement of supply-elasticity?

- I. Point elasticity
- II. Inelasticity
- III. Arc elasticity
- IV. Perfect elasticity

(A) I only (B) II only
 (C) Both I and IV (D) Both I and III

78. Consumer surplus is:

- (A) What a consumer is ready to pay over what he actually pays
- (B) Necessaries and comforts needed by a consumer
- (C) Desire or wish to buy a commodity backed by adequate ability and willingness to pay
- (D) Actual demand by a consumer

79. Predominance of bureaucracy and the resulting inefficiency and delays which may lead to corruption, red-tapism is a demerit of:

(A) Capitalist economy (B) Socialist economy
 (C) Consumer sovereignty (D) Normative economy

80. The price of a product is ₹ 100 per unit. If price falls by 20% the quantity increases by 120 units. The price elasticity of demand is -1. The new quantity demanded due to fall in price is:

(A) 480 units (B) 600 units
 (C) 680 units (D) 720 units

$$\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

$$\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

81. Other things being equal, the demand for a good and the price of its complement has:

(A) Positive relationship (B) Direct relationship
 (C) Inverse relationship (D) Proportional relationship

82. Markets where firms buy the resources they need like land, labour etc. are called:
 (A) Product Markets (B) Factor Markets
 (C) National Markets (D) Spot Markets

83. "Total Supply of land is perfectly inelastic from the point of view of the economy", it means:
 (A) Its supply increases with increase in demand
 (B) Its supply is unaffected with change in demand
 (C) Its supply decreases with increase in demand
 (D) Its supply decreases with decrease in demand

84. A curve which shows all the different combinations of inputs that can produce same level of output is known as:
 (A) Marginal Cost Curve (B) Isocost
 (C) Isoquant (D) Total product curve

85. Which of the following is core characteristic of an oligopoly?
 (A) Efficient allocation of resources
 (B) Lease advertising
 (C) Unique product
 (D) Interdependence between firms

86. If output increases from 60 units to 70 units, leading to an increase in total revenue from ₹ 100 to ₹ 120. What is the marginal revenue?
 (A) ₹ 10 (B) ₹ 20
 (C) ₹ 100 (D) ₹ 2

60 100
 70 120

87. Statement 1 : During recession, the government increases its expenditure or cuts down taxes.
 Statement 2 : Deficit budgets are expected to stimulate economic activity while surplus budget tends to slowdown economic growth.

(A) Both statements (1) and (2) are correct
 (B) Statement (1) is correct while statement (2) is incorrect
 (C) Statement (1) is incorrect while statement (2) is correct
 (D) Both statements (1) and (2) are incorrect

88. ~~88.~~ Governments redistribution function leads to dead weight losses because:

(A) It leads to lower taxes on the rich for the government
 (B) It emphasizes on production of merit goods only
 (C) It acts as a disincentive to entrepreneurship and work
 (D) It decreases social security costs

89. Which of the following is not one of the three main macroeconomic goals for any nation:

(A) Universal education to all (B) Economic growth
 (C) High level of employment (D) Price stability

90. ~~90.~~ Stagflation is:

(A) Increased taxes leading to reduced disposable income
 (B) Economic situation where inflation and unemployment exist side by side
 (C) Easy transmission of economic instability from one country to other countries
 (D) Improved economic stability

91. GST is a:

(A) Production based taxation system
 (B) Income based taxation system
 (C) Turnover based taxation system
 (D) Consumption based taxation system

92. Match the following:

Column A

- (i) Capitalist Economy
- (ii) Socialist Economy
- (iii) Mixed Economy
- (A) (i)-(a), (ii)-(b), (iii)-(c)
- (C) (i)-(b), (ii)-(a), (iii)-(c)

Column B

- (a) Command Economy
- (b) High Degree of operative Efficiency
- (c) Encourages enterprise and Risk taking

(B) ~~(A)-(b), (ii)-(c), (iii)-(a)~~

~~(D)-(i)-(c), (ii)-(a), (iii)-(b)~~

93. Which of the following is a normative statement?

- (A) Public healthcare increases public expenditure
- (B) Higher interest rates as set by the government's economic policy will reduce house prices
- (C) If consumer income drops, consumers will have less money to spend
- (D) The government should provide healthcare for all

94. Which of the following is not covered in micro economics?

- (A) Product pricing
- (B) Factor pricing
- (C) The general price level and interest rates
- (D) The economic conditions of a section of people

95. Precedence of property rights over human rights is a demerit of which type of economy?

- (A) Micro economy
- (B) Macro economy
- (C) Capitalist economy
- (D) Socialist economy

(23)

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96.

According to Pigou, modern business activities are based on;

(A) Innovations
(B) Purely monetary phenomena
(C) Anticipations /expectations of business community
(D) Fluctuations in output and employment

97.

In which phase of business cycle, actual demand stagnates?

(A) Expansion
(C) Contraction
(B) Peak
(D) Trough

98.

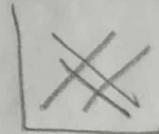
The slope of MR curve for a monopoly firm is _____ that of the AR curve. Choose the correct answer.

(A) Equal to
(C) Three times
(B) Twice
(D) Half

99.

What will be the impact on equilibrium price and equilibrium quantity when demand decreases and supply increases?

(A) Both equilibrium price and equilibrium quantity falls
(B) Both equilibrium price and equilibrium quantity will rise
(C) Equilibrium price falls but impact on equilibrium quantity is not certain
(D) Equilibrium quantity decreases but impact on equilibrium price is not certain



100.

Which phase of business cycle is also called downswing?

(A) Expansion
(C) Trough
(B) Contraction
(D) Depression

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