

**PRACTICE PAPER - 12**

1. **Isoquant refers to**
  - a) Another name of indifference curve
  - b) The production Indifference curve
  - c) An equal quantity curve of a consumer
  - d) An equal cost curve of a producer
2. **Disguised unemployment means**
  - a) Seasonal unemployment
  - b) Where marginal productivity of labour is 0
  - c) Frictional unemployment
  - d) None of the above
3. **Cyclical unemployment arises due to**
  - a) seasonal fluctuations in demand
  - b) depression phase of business cycle
  - c) labour immobility
  - d) breakdowns of machinery
4. **What growth target government has estimated for the domestic crude production for the 11th Plan (2007-12)?**
  - a) 42%
  - b) 33%
  - c) 29%
  - d) 26%
5. **Increase in government deficit lead to**
  - a) Increase in national income
  - b) Decrease in national income
  - c) Decrease in import
  - d) None of the above
6. **Structural unemployment arises due to**
  - a) deficiency in effective demand
  - b) structural rigidities
  - c) structural changes in particular area, industry and occupation
  - d) all of the above
7. **Rural women can avail the benefit of Mahila Samriddhi Yojana if they open their account in-**
  - a) Rural Post Offices
  - b) Commercial Banks
  - c) Rural Development Bank
  - d) Any of the above
8. **Keynes theory is possible only if economy has**
  - a) Deficit capacity
  - b) Excess capacity
  - c) Full utilisation of capacity
  - d) None of the above
9. **According to Keynes, full employment means**
  - a) a situation where there were more vacant jobs than employed men
  - b) zero unemployment
  - c) a situation in which employment cannot be increased by an increase effective demand and unemployment does not exceed the minimum allowances that must be made for the effects of frictional and seasonal factors
  - d) the absence of involuntary unemployment
10. **The rate at which banks lend to RBI is known as-**
  - a) Bank Rate
  - b) Repo Rate
  - c) Reverse Repo Rate
  - d) Interest Rate
11. **Velocity of money is assumed to be constant by**
  - a) Classical
  - b) Keynes
  - c) IS-LM theory
  - d) Hansen
12. **Lower turning point in a business cycle refers to**
  - a) recession
  - b) expansion
  - c) downswing
  - d) recovery
13. **The newly appointed Chairman of Competition Commission of India is-**
  - a) Harish Chandra Gupta
  - b) Dhanendra Kumar
  - c) Dr. Shyamn Anand
  - d) Manoj Kumar
14. **If the people expect the price in future to rise then this**
  - a) Increase velocity of money
  - b) Decrease velocity of money
  - c) Velocity of money will remain constant
  - d) Can't say with certainty

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15. Mistry Committee in its final report had recommended full capital account convertibility by-
- 2008 end
  - 2009 end
  - 2010 end
  - 2011 end
16. Liquidity trap occurs because of
- Pessimism
  - Optimism
  - Lack of expectations
  - None of the above
17. Which committee recommended tax on Agriculture Holdings?
- Bhootlingam Committee
  - Wanchoo Committee
  - Jagariti Committee
  - None of these
18. In order to boost investment, Keynesian depend on
- Monetary policy
  - Fiscal policy
  - Price policy
  - Income policy
19. How many Navratna companies have been upgraded and awarded the status of 'Maharatna' companies?
- 4
  - 5
  - 6
  - 7
20. In order to maintain price stability, Monetarist depend on
- Income policy
  - Price policy
  - Fiscal policy
  - Monetary policy
21. The cause of deflation is-
- Lack of goods and services as compared to money supply
  - Lack of imports as compared to exports
  - Lack of money supply as compared to supply of goods and services
  - None of these

22. Who advocated direct control on price and income to check inflation
- Adam Smith
  - J.M.Keynes
  - J.K.Galbraith
  - Hansen
23. Which of the following is a better measure of economic development?
- Employment
  - Size of exports
  - Rural Consumption
  - National Income
24. Increase in import lead to
- Increase in national income
  - Decrease in national income
  - Increase in investment
  - None of the above
25. Which bank in India performs duties of Central Bank?
- Central Bank of India
  - State Bank of India
  - Reserve Bank of India
  - Both (A) and (B)
26. Neighbours curse means
- Depression of one country is transferred to other
  - Boom of one country is transferred to other
  - Both a & b
  - None of the above
27. Agriculture Ministry in its second advance estimates for the year 2010-11, puts foodgrain production at-
- 218.11 MT
  - 232.07 MT
  - 236.07 MT
  - 248.03 MT
28. In Keynesian Economics, inflation occur when there is
- Increase in money supply
  - Excess demand
  - Increase import
  - Increase tax

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29. 'India Brand Equity Fund' was established in

- a) 1996
- b) 1997
- c) 1995
- d) 1992

30. In monetary economics, inflation occur when there is

- a) Increase in money supply
- b) Excess demand
- c) Increase import
- d) Increase in tax

31. Mixed Economy means-

- a) Co-existence of small and large industries
- b) Promoting both Agriculture and Industries in the economy
- c) Co-existence of public and private sectors
- d) Co-existence of rich and poor

32. Shift in IS curve takes place because of

- a) Increase in autonomous Investment
- b) Increase in money supply
- c) Decrease in money demanded
- d) None of the above

33. Ministry of HRD has announced to hike FDI limit in Education to-

- a) 65%
- b) 70%
- c) 75%
- d) 100%

34. Shift in LM curve takes place because of

- a) Increase in autonomous investment
- b) Increase in money supply
- c) Increase in consumption
- d) Increase in saving rate

35. 'Pure Banking, Nothing Else' is a slogan raised by-

- a) ICICI Bank
- b) HDFC Bank
- c) SBI
- d) UTI Bank

36. Increase in the rate of saving will lead to reduction in

- a) National income
- b) Money supply
- c) Money demand
- d) Investment

37. India and China agreed to raise bilateral trade to-

- a) \$120 billion by 2015
- b) \$110 billion by 2015
- c) \$ 100 billion by 2015
- d) \$100 billion by 2012

38. Increase in government expenditure and tax by equal amount will lead to

- a) Constant national income
- b) Increase in national income
- c) Decrease in national income
- d) Increase in saving

39. Indian State having the lowest Infant Mortality Rate is-

- a) Maharashtra
- b) Goa
- c) Gujarat
- d) Kerala

40. If  $C = 500 - .8y$  then what is national income at  $I = 500$ , then

- a) 4000
- b) 4500
- c) 4750
- d) 5000

41. 'Smart Money' is a used for-

- a) Internet Banking
- b) Credit Card
- c) Cash with Bank
- d) Cash with Public

42. In the above example what is national Investment of 1000?

- a) 5000
- b) 6000
- c) 7500
- d) 8000

43. Which of the following has the maximum share in GSM Mobile Phone Service Market?

- a) Vodafone (earlier Hutch)
- b) Airtel
- c) BSNL
- d) Reliance

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44. If planned saving is greater than planned Investment, then it will lead to
- Increase in national income
  - Decrease in national income
  - National income remain constant
  - Can't say with certainty
45. The main objective of TRYSEM was-
- To train rural youth for self employment
  - To train urban youth for self employment
  - Both (A) and (B)
  - None of these
46. If planned investment is greater than planned saving than this will lead to
- Decrease in national income
  - Increase in national income
  - National income remain constant
  - Can't say with certainty
47. The establishment of IORARC (Indian Ocean Rim Association for Regional Cooperation) was officially declared on-
- March 5, 1996
  - March 5, 1997
  - April 1, 1997
  - August 15, 1947
48. Planned investment is equal to planned saving is an example of
- Identity
  - Equation
  - Axiom
  - Law
49. Inside Trading is related to-
- Share Market
  - Horse racing
  - Taxation
  - Public Expenditure
50. Actual Investment is equal to actual saving is an example of
- Identity
  - Equation
  - Axiom
  - Law

51. The largest source of National Income in India is-
- Service Sector
  - Agriculture
  - Industrial Sector
  - Trade Sector
52. Rational expectations hold that government regulation are
- Highly effective
  - Ineffective
  - Effective only in the short run
  - Effective only in the long run
53. 'Public Sector' means-
- Government ownership on commerce and trade
  - Capitalist ownership on commerce and trade
  - Private ownership on trade
  - None of these
54. Increase in unemployment and inflation is called
- Hyper-inflation
  - Hyper deflation
  - Stagflation
  - Death trap
55. ASSOCHAM Investment Meter (AIM) makes a list of top 20 investment attracting states. Which rank Uttar Pradesh gets?
- 1<sup>st</sup>
  - 2<sup>nd</sup>
  - 3<sup>rd</sup>
  - 4<sup>th</sup>
56. Match the following
- | List-I               | List-II         |
|----------------------|-----------------|
| (i) James Tobin      | (a) Monetarists |
| (ii) Milton Freidman | (b) IS-LM curve |
| (iii) J.R.Hicks      | (c) Keynesian   |
| (iv) Marshall        | (d) Classical   |
- i-a, ii-b, iii-c, iv-d
  - i-c, ii-a, iii-b, iv-d
  - i-b, ii-c, iii-d, iv-a
  - i-c, ii-b, iii-a, iv-d
57. Indian Green Revolution is the most successful in-
- Wheat and Potato
  - Jwar and Oil Seeds
  - Wheat and Rice
  - Tea and Coffee

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## 58. Match the Following

List-I	List-II
(i) IS curve	(a) Vertical
(ii) LM curve	(b) Downward sloping
(iii) Aggregate sup	(c) Upward sloping ply curve of classical

- a) i-b, ii-c, iii-a  
b) i-a, ii-b, iii-c  
c) i-b, ii-a, iii-c  
d) i-c, ii-b, iii-a

## 59. The period of 10th plan in India was-

- a) 2000 -2005  
b) 2001-2006  
c) 2002-2007  
d) 2003-2008

## 60. Advocacy of following policies

List-I	List-II
(i) Monetary policy	(a) Milton Freidman
(ii) Fiscal policy	(b) J.K. Galbraith
(iii) Income & price policy	(c) J.M. Keynes

- a) i-a, ii-b, iii-c  
b) i-b, ii-c, iii-a  
c) i-a, ii-c, iii-b  
d) i-c, ii-b, iii-a

## 61. Economic Planning is in-

- a) Union list  
b) State list  
c) Concurrent list  
d) Not any specified list

## 62. Government has issued an ordinance announcing ULIPs as 'Insurance Product'. The regulations of ULIPs will now be done by

- a) SEBI only,  
b) IRDA only  
c) Both SEBI and IRDA  
d) Government itself

## 63. RBI has directed banks not to charge above a limit for any cash deposit made at a non-home branch. What is this directed limit?

- a) Rs.5  
b) RS.10  
c) Rs.20  
d) RS.50

## 64. The new Direct Tax Code is proposed to replace the existing Income Tax Act. From which financial year it will be effective?

- a) 2011-12  
b) 2012-13  
c) 2013-14  
d) 2014-15

## 65. The Oil Refinery established at Panipat belongs to-

- a) Public Sector  
b) Private Sector  
c) Joint Sector  
d) Cooperative Sector

## 66. Devaluation means-

- a) To reduce the value of home currency in other currency  
b) To appreciate the value of home currency  
c) To issue new currency in place of old currency  
d) None of these

## 67. 12th Finance Commission had recommended to merge and determine one single interest rate on various outstanding central loans to states having different interest rates. What is this recommended interest rate?

- a) 7.0%  
b) 7.5%  
c) 8.0%  
d) 8.5%

## 68. NABARD was established in-

- a) Fourth Plan  
b) Fifth Plan  
c) Sixth Plan  
d) Eighth Plan

## 69. MRTP is related to-

- a) Monopoly and trade restrictions  
b) Inflation control  
c) Transport control  
d) Foreign Exchange Regulations

## 70. Committee on Economic Affairs of Union Cabinet has decided to raise share capital of NACIL (National Aviation Company of India Ltd.) by-

- a) Rs. 500 crore  
b) Rs. 600 crore  
c) Rs. 700 crore  
d) Rs. 800 crore

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71. Interest Rate Policy a part of-
- Fiscal Policy
  - Industrial Policy
  - Monetary Policy
  - None of these
72. The outlines of second five year plan was made by-
- B.N.Gadgil
  - VKRV Rao
  - P. C. Mahalanobis
  - C.N.Vakil
73. The basis of determining dearness allowance to employees in India is-
- National Income
  - Consumer Price Index
  - Standard of Living
  - Per Capita Income
74. Index 'Residex' is associated with-
- Share Prices
  - Mutual Fund Prices
  - Price Inflation Index
  - Land Prices
75. The State having the highest literacy rate among woman in India is-
- Tamil Nadu
  - Kerala
  - West Bengal
  - Maharashtra
76. BCCI is-
- An International Terrorist Organisation
  - An International Industrial Organisation
  - A Movement for International Peace
  - An International Banking Organisation
77. IRDP was introduced in the year
- 1978-79
  - 1979-80
  - 1980-81
  - 1981-82
78. The new Share Price Index (in dollar value) of Mumbai Share Market is-
- DOLEX
  - UREX
  - FOREX
  - SENSEX

79. As per 61st Round of NSSO Survey employment growth rate during 1999-2000 to 2004-05 was estimated to be-
- 2.6%
  - 2.8%
  - 3.0%
  - 3.2%
80. The elasticity of substitution between two inputs in CES production function-
- Decrease continuously
  - Increase continuously
  - Remains constant
  - None of these
81. Change in capital stock is called
- Production
  - Income
  - Investment
  - Cost
82. "A money flow arises out of a real flow" which of the following does not correspond to it?
- Payment of wages
  - Payment of prices for goods
  - Payment of rent
  - Payment of pension
83. Match List-I with List-II and select the correct answer:
- | List-I                          | List-II            |
|---------------------------------|--------------------|
| (a) Life Cycle Hypothesis       | 1. Keynes          |
| (b) Permanent Income Hypothesis | 2. Duesenberry     |
| (c) Absolute Income Hypothesis  | 3. Friedman        |
| (d) Relative income Hypothesis  | 4. Ando-Modigliani |
- Codes: (a) (b) (c) (d)
- 4 3 1 2
  - 4 3 2 1
  - 3 2 1 4
  - 3 2 4 1
84. On the basis of above example, what is the value of total saving?
- 100
  - 125
  - 75
  - cannot be determined

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85. The Law of Diminishing Return depends on the assumption that

- Total output is constant
- The state of technical knowledge is unchanged
- Land is the factor kept constant
- Average output declines faster than marginal output

86. Change in capital can be negative because of

- Investment < Depreciation
- Depreciation < Investment
- Income > Investment
- Income < Investment

87. Services not employed in the production and distribution of natural goods, as entertainment services or services of hair dressers are

- included in production only in western definition
- included in production only in Soviet definition
- included in production both in Soviet and western definitions
- excluded from production both in Soviet and western definitions

88. The author of employment multiplier is—

- Lord Beveridge
- Keynes
- R.F. Kahn
- J.R. Hicks

89. Which of the following is a flow concept?

- Wealth
- Money
- Total saving
- Income

90. Increasing returns is not caused by

- Technological advance
- Specialisation of labour
- Marketing economies
- Varying factor proportions

91. Investment can be increased by

- Decrease in consumption
- Increase in saving
- Decrease in rate of interest
- None of the above

92. Between countries national income statistics are useful for

- comparing the levels of living and welfare
- judging the achievements in the field of employment
- assessing the success of economic policies
- knowing the progress of manufacturing activities

93. In a two sector economy, the saving and investment functions are as follows-  $S = -10 + 0.2Y$  ;  $I = -3 + 0.1Y$  what will be the equilibrium level of income?

- 70
- 80
- 90
- 100

94. Which of the following is not correct?

- In measuring GNP, all kinds of goods and services produced in a country during a year are measured in terms of money
- In estimating GNP, only the final products are taken into account
- The sale and purchase of shares of existing companies are included in GNP
- The income earned through illegal activities is not included in the GNP

95. The increasing returns to scale occurs because larger scale provides greater specialisation to various factors." According to

- Joan Robinson
- Alfred Marshall
- Chamberlin
- Paul. A. Samuelson

96. Shift in consumption function occur because of

- Fall in interest rate
- Improvement in sales prospects
- Reduction of thriftness
- None of the above

97. For an economy, national income estimates throw light on the interrelationship of

- Circular Flows
- Balance of Payments and Exchange Reserves
- Employment Situation and Labour Supply
- Savings and Investment

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98. The IS-LM model has been formulated by—

- a) J. R. Hicks
- b) F. Modigliane
- c) P.A. Samuelson
- d) J.M. Keynes

99. Which of the following is not included in the estimation of NNP by income method?

- a) Interest
- b) Dividends
- c) Undistributed profits
- d) Depreciation

100. Central Issue price of foodgrains under TPDS includes price for BPL and APL (below poverty line and above poverty line). What is the difference between the two?

- a) Price for APL is double of BPL price
- b) Price for BPL is one-third of APL price
- c) Difference of Rs. 500 per Qt.
- d) Difference of Rs. 250 per Qt.

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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
A	B	B	D	A	D	A	A	D	C	A	D	B	A	A	A	D	B	A	D
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
C	C	D	B	C	A	B	B	A	A	C	A	D	B	C	A	C	B	D	D
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
B	C	B	B	A	B	B	B	A	A	A	B	A	C	B	B	C	A	C	C
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
C	B	A	A	A	A	B	C	A	D	C	C	B	D	B	D	A	A	A	C
81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
C	D	A	C	B	A	A	C	D	D	C	A	A	C	C	C	A	A	D	B

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