Civil Services, UPSC Examination – Economics 2009

1. The production function for a commodity is given by $Q = 10 \sqrt{LK}$, where Q is the quantity of Output, L is the quantity of Labour and K is the quantity of Capital. Given the above information, which one of the following is the nature of return to scale throughout the function?
   (a) Constant return to scale
   (b) Decreasing return to scale only
   (c) Increasing return to scale only
   (d) Both decreasing and increasing return to scale

2. Elasticity of substitution in the case of linear-homogeneous production function equals to
   (a) unity
   (b) more than unity
   (c) less than unity
   (d) zero

3. Which of the following are the components of foreign capital?
   1. Grants and loans
   2. External commercial borrowings
   3. foreign direct investment
   4. Deposits from non-residents
   Select the correct answer using the code given below:
   Code:
   (a) 1, 2, 3 and 4
   (b) 1, 2 and 4 only
   (c) 1 and 2 only
   (d) 3 and 4 only

4. Consider the following statements:
   The kinded demand curve analysis helps to explain price inflexibility (rigidity) because it implies that an oligopolist would
   1. gain few additional customers from a price reduction since the firm's competitors would also reduce price.
   2. lose many of its customers if it raised its prices since rivals would not follow suit.
   3. often find that MR = MC at the same output level even after costs had increased.
   Which of the statements given above is/are correct?
   (a) 1 only
   (b) 1 and 2 only
   (c) 2 and 3 only
   (d) 1, 2 and 3

5. Consider the following diagram:
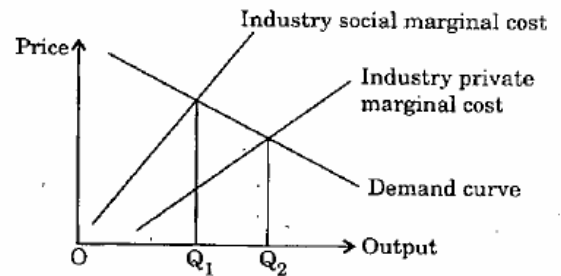
   The policies which will bring a Pareto optimal position may be
   1. a corrective tax on the industry.
   2. a production quota by the government.
   3. a subsidy to the industry.
   Which of the statements given above is/are correct?
   (a) 1 only
   (b) 1 and 2 only
   (c) 1, 2 and 3
   (d) 2 and 3 only

6. Under which one of the following conditions, does production exhaustion theorem hold?
   (a) Increasing return to scale
   (b) Decreasing return to scale
   (c) constant return to scale
   (d) Constant return to factors of production

7. Public goods are characterized by
   1. Collective consumption
   2. Divisibility
   3. Non-exclusion
   4. Rival-consumption
   Select the correct answer using the code given below:
   Code:
   (a) 1 and 2
   (b) 1 and 3
   (c) 1 and 4
   (d) 2 and 4

8. Suppose the market demand function of a perfect competitive industry is given by $Q_d = 4,750 – 50 P$ and market supply function is given by $Q_s = 1,750 + 50 P$. Price is expressed in rupees. Which one of the following is equal to the market equilibrium price?
   (a) Rs. 30
   (b) Rs. 20
   (c) Rs. 25
   (d) Rs. 26

9. Market failure occurs because of
1. Externality
2. Asymmetric information
3. Perfect competition
Select the correct answer using the code given below:
Code:
(a) 1, 2 and 3
(b) 1 only
(c) 1 and 2 only
(d) 2 and 3 only

10. Given the total cost as C, the price of labour (L) as P_L, price of capital (K) as P_k; from which one of the following functions, can an iso-cost curve be drawn?
(a) $K = C / P_k + (C/P_L)L$
(b) $C = C / P_L + (C/P_k)$
(c) $C = C \cdot P_k + L \cdot P_L$
(d) $L = C / P_k - (C/P_L)K$

11. In national income accounting, which one of the following is the difference between gross aggregates and net aggregates?
(a) The value of net indirect taxes
(b) The value of consumption of fixed capital
(c) The value of intermediate consumption
(d) The value of final consumption expenditure

12. Consider the following statements relating to gross investment in the national income accounts:
1. It includes the items relating to residential and non-residential construction.
2. It takes care of spending on producers' durable goods.
3. It includes changes in business inventories.
Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

13. Which one of the following is the difference between value at market prices and value at factor cost for a national income aggregate?
(a) Value of consumption of fixed capital
(b) Value of indirect taxes net of subsidies
(c) Value of net factor income earned abroad
(d) Value of subsidies net of indirect taxes

14. Given C = 120 + 0.4 Y, I = 100, G = 56 (where C = Consumption, I = investment, G = Government Expenditure and Y = Income); which one of the following is the value of equilibrium income?
(a) 366.67
(b) 460.00
(c) 310.00
(d) 266.67

15. Which one of the following is shown by the Phillips curve?
(a) Inverse relationship between real and nominal wages
(b) Inverse relationship between the rate of inflation and rate of unemployment
(c) Positive relationship between nominal wages and the rate of employment
(d) Positive relationship between rate of inflation and nominal wages

16. Consider the following LM and IS functions:
LM : Y = 75 + 10i
IS: Y = 135 − 20i
Which of the following are the equilibrium income and interest rate respectively?
(a) 90 and 2
(b) 95 and 2
(c) 100 and 3
(d) 110 and 3

17. Consider the following statements:
1. Pigou held the view that employment depends upon money wages and could be substantially increased by curtailing wages.
2. Keynes held the view that employment depends upon the level of effective demand which can be increased by leaving money wages intact.
Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

18. Which one of the following is related to the theory that supply creates its own demand and therefore full employment is a natural situation?
(a) Say's Law
(b) Pigou's Law of employment
(c) Giffen Paradox
(d) Keynesian Theory of employment

19.
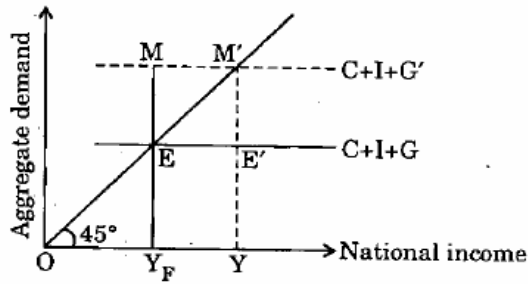
In the diagram given above, point E denotes the full employment equilibrium corresponding to the aggregate demand function c + I + G. the aggregate demand function shifts to C + I + G'. Which one of the following is represented by EM (Dropping the assumption of constant general price level)?
(a)   The inflationary gap
(b)   The deflationary gap
(c)   The liquidity trap
(d)   Saving and investment gap

20.
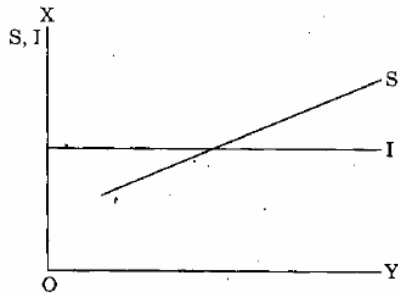
In the context of the diagram given above, which one of the following statements is correct?
(a)   Both saving and investment are autonomous.
(b)   Saving is autonomous but investment is dependent on income.
(c)   Saving is dependent on income but investment is autonomous.
(d)   Both saving and investment are dependent on income.

21.   The life cycle hypothesis of consumption implies that consumption is related to
(a)   price expectation over one's life time
(b)   permanent income
(c)   transitory income
(d)   expected life time income

22.   According to Keynes, which one of the following is meant by liquidity preference?
(a)   Refraining from saving
(b)   Desire to hold cash
(c)   A preference to hold assets like bonds and securities which are liquid
(d)   Increasing savings in terms of precious metals

23.   Under loanable funds theory of interest, which of the following are included in the supply of loanable funds?
1.   Current savings
2.   Funds released from embodiment in working capital
3.   Bank loans
Select the correct answer using the code given below:
(a)   1 and 2 only
(b)   2 and 3 only
(c)   1 and 3 only
(d)   1, 2 and 3

24.   Which one of the following is represented by the intersection of the IS curve and the LM curve?
(a)   Only a flow equilibrium
(b)   Only a stock equilibrium
(c)   A stock-cum-flow equilibrium
(d)   moving away from equilibrium

25.   Which one of the following situations occurs during the period when borrowers and lenders expect inflation?
(a)   The nominal rate of interest exceeds real rate of interest
(b)   The real rate of interest exceeds the nominal rate of interest
(c)   The nominal rate of interest equals the real rate of interest
(d)   Nominal and real rates of interest become zero

26.   With whom, among the following, is the theory that the rate of interest is also a factor for transaction demand for money, associated?
(a)   Baumol and Tobin
(b)   Pigou
(c)   Keynes
(d)   Samuelson

27.   According to Friedman, on which of the following does the velocity of circulation of money depend?
1.   Market interest rat eon bonds
2.   Rate of change in general price level
3.   Ratio of physical non-human wealth to human wealth
4.   Ratio of savings to investment
Select the correct answer using the code given below:
(a)   1 and 3 only
(b)   1, 2 and 4
(c)   1, 2 and 3
(d)   4 only

28. Consider the following statements:
    1. Lower the currency-deposit ratio, higher the money multiplier.
    2. Lower the reserve-deposit ratio, higher the money multiplier.
    3. Larger the monetary base, higher is the money supply.
    4. Larger the monetary base, lower is the money supply.
    Which of the statements given above are correct?
    (a) 1 and 3 only
    (b) 1, 2 and 4
    (c) 1, 2 and 3
    (d) 2 and 4 only

29. In the standard Keynesian IS-LM model, a decrease in minimum case reserve ratio will
    (a) create demand-pull inflation in full-employment
    (b) create cost-push inflation in full-employment
    (c) create mark-up inflation in full-employment
    (d) create demand-pull inflation if there is unemployment

30. Which one of the following is a capital receipt in government budget?
    (a) Interest receipts on loans given by the government to other parties
    (b) Dividends and profit from public sector undertakings
    (c) Borrowing of the Government from public
    (d) Property tax receipts

31. Which one of the following is not a tax sacrifice principle?
    (a) Equal absolute sacrifice
    (b) Equal proportional sacrifice
    (c) Equal marginal sacrifice
    (d) Equal average sacrifice

32. Which of the following are the characteristics of progressive tax?
    1. Marginal tax rate should be increasing.
    2. Marginal tax rates should be more than average tax rate.
    3. Gini coefficient for the post-tax distribution of income should be less than that of pre=tax distribution.
    4. Tax amount should be lump sum in nature.
    Select the correct answer using the code given below:
    (a) 1, 2, 3 and 4
    (b) 1, 2 and 3 only
    (c) 1 and 4 only
    (d) 2 and 3 only

33. Consider the following statements:
    In competitive markets, incidence of tax
    1. is shared by buyers and sellers.
    2. on buyers increases if elasticity of supply increases.
    3. is fully borne by buyers if elasticity of demand is zero.
    4. is independent of elasticities.
    Which of the statements given above are correct?
    (a) 1 and 2 only
    (b) 1, 2 and 3
    (c) 3 and 4 only
    (d) 2 and 4 only

34. Which one of the following taxes/cess is levied by States in India?
    (a) Tax on motor vehicles
    (b) Tax on hotels
    (c) Educaitonal cess
    (d) Tax on wealth

35. The Lorenz Curve shows the relationship between
    (a) asset creation and income generation
    (b) population groups and their respective income shares
    (c) unemployment and inflation
    (d) wage, labour hours and leisure

36. The currency notes in circulation as well as the proportion of the total money supply held in the form of currency are influenced by which of the following?
    1. The physical volume of trade and transactions.
    2. The level of prices in the economy.
    3. The development of banks and banking habits of the people.
    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) 1, 2 and 3
    (d) 1 and 3 only

37. Which of the following are the characteristics of the "Traditional Society' in Rostow's Stage theory?
    1. Limited production function
    2. No government intervention
    3. Pre-Newtonian science and technology
    4. Dominance of agricultural activity
    Select the correct answer using the code given below:
    (a) 1, 2 and 4
    (b) 1, 2 and 3
    (c) 1, 3 and 4
    (d) 2, 3 and 4

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38. Capital Depending refers to which one of the following?
    (a) Going for more fixed capital
    (b) Emphasis on social overhead capital
    (c) A constant capital-output ratio
    (d) An increasing capital-output ratio

39. Which of the following initiatives is/are identified by the 11th Five year Plan for accelerating the National e-governance programme?
    1. Making digital signatures mandatory for e-commerce, e-government, and e-banking initiatives.
    2. promoting technologies such as wireless fidelity (WiFi) for providing the last mile connectivity to the places where copper wiring is not possible.
    Select the correct answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) Both 1 and 2
    (d) Neither 1 nor 2

40. Disguised underemployment refers to the situation when
    (a) people seem occupied on a full time basis even through the services they render requires less than full time
    (b) workers are underpaid despite doing full time job
    (c) there is co-existence of unemployment and inflation
    (d) the economy experiences underemployment equilibrium

41. Which one of the following is explained by Fei-Ranis model?
    (a) The inter-relationship between the agricultural and the industrial sectors
    (b) Planning methods when labour is in short supply
    (c) Growth process of the industrial sector
    (d) A neo-classical framework of growth analysis

42. Consider the following statements:
    1. The Solow model explains a capital/labour ratio which does not grow under equilibrium conditions.
    2. Substituting capital for labour is possible in the Solow model.
    Which of the statements given above is/are correct?
    (a) 1 only
    (b) 2 only
    (c) Both 1 and 2
    (d) Neither 1 nor 2

43. Consider the following statements:
    1. Dualism refers to the existence and persistence of increasing divergences between rich and poor nations and rich and poor people at various levels.
    2. Dualism is the political division of the society into two broad groups of the rightists and the leftists in modern democracy.
    Which of the statements given above is/are correct?
    (a) 1 only
    (b) 2 only
    (c) Both 1 and 2
    (d) Neither 1 nor 2

44. Consider the following statements:
    1. Countries with high per capita income do have high physical quality of life index (PQLI).
    2. Countries with high PQLI need not necessarily have high per capita income.
    Which of the statements given above is/are correct?
    (a) 1 only
    (b) 2 only
    (c) Both 1 and 2
    (d) Neither 1 nor 2

45. Consider the following:
    A good index number is one which satisfies
    1. Unit test.
    2. time-reversal test.
    3. Factor-reversal test.
    Which of the statements given above is/are correct?
    (a) 1 only   (b) 2 only
    (c) Both 1 and 2   (d) Neither 1 nor 2

46. If personal income s Rs. 57,000; personal income tax is Rs. 9,000; consumption Rs. 43,000; interest payment Rs. 10,000; personal saving Rs. 40,000; then the disposable personal income would be equal to
    (a) Rs. 50,000   (b) Rs. 47,000
    (c) Rs. 48,000   (d) Rs. 40,000

47. A discriminating monopolist charges a
    (a) higher price in the sub-market where price elasticity of demand is high
    (b) higher price in the sub-market where price elasticity of demand is low
    (c) lower price in the sub-market where price elasticity of demand is low
    (d) higher price in the sub-market where demand is low

48. According to Life Cycle Hypothesis, consumption is related to which one of the following?
    (a) Current income
    (b) Past peak level income
    (c) Life time expected income
    (d) Price expectations over one's life time

49. The correlation coefficient in independent of
    (a) scale only
    (b) origin only
    (c) both scale and origin
    (d) vertex

50. Which one of the following is referred to as lack of peakedness?
    (a) Skewness
    (b) Kurtosis
    (c) Moments
    (d) Mode

51. The inequality of income can be measured by using
    (a) Mean
    (b) Mean deviation
    (c) Standard deviation
    (d) Lorenz curve

52. Which one of the following is the value of mode if mean is equal to 12 and median is equal to 14?
    (a) 16   (b) 26
    (c) 18   (d) 13

53. The weighted average of price relatives, using base values as weights is same as the
    (a) Laspeyres' quantity index
    (b) Paasche's price index
    (c) Laspeyres's index
    (d) Kelly's price index

54. If every item in a set of data is multiplied by a constant, which of the following measures will remain unchanged?
    (a) Arithmetic mean
    (b) Geometric mean
    (c) Variance
    (d) Coefficient of variation

55. Consider the following statements:
    1. In case of imperative planning, the market mechanism is entirely replaced by a command hierarchy, while in case of indicative planning, it is looked upon as a way to improve the functioning of market system.
    2. In case of imperative planning, all economic activities belong to the public sector, while in case of indicative planning they belong to the private sector.

Which of the statements given above is/are correct?
    (a) 1 only
    (b) 2 only
    (c) Both 1 and 2
    (d) Neither 1 nor 2

56. Demographic dividend refers to a rise in population
    (a) between the age group of 1 and 14 years
    (b) between the age group of 15 and 64 years
    (c) between the age group of 65 and 74 years
    (d) above 74 years

57. usual Principal Status unemployment is calculated with reference to which one of the following periods?
    (a) One week
    (b) One month
    (c) One year
    (d) Five years

58. Disguised unemployment generally exists in
    (a) Manufacturing sector
    (b) Agriculture
    (c) Small scale industries
    (d) Urban societies

59. Who, among the following, were the pioneers in estimating poverty in India for rural and urban areas separately?
    (a) P. K. Bardhan and B. S. Minhas
    (b) V. M. Dandekar and N. Rath
    (c) M. Ahluwalia and P. D. Ojha
    (d) E. P. W. DaCosta and N. Rath

60. During the year 2006 – 07, which one of the following states had the lowest per capital state domestic product on current prices?
    (a) Uttar Pradesh
    (b) Assam
    (c) Jharkhand
    (d) Madhya Pradesh

61. Which one of the following statements regarding Aam Admi Bima Yojana (AABY) is not correct
    (a) It was launched in the year 2007
    (b) The contribution of the Central government and State governments in the premium is in the ratio of 75 : 25
    (c) The scheme is applicable to rural landless households
    (d) It provides insurance against natural death as well as accidental death

62. During the year 2006 – 07, which of the following items under manufacturing goods sector had the highest share in India's exports?
    (a) Gems and Jewellery
    (b) Engineering goods
    (c) Chemical and related products
    (d) Handicrafts

63. In which one of the following years have India's negative trade balances been the highest?
    (a) 2003 – 04   (b) 2004 – 05
    (c) 2005 – 06   (d) 2006 – 07

64. As per the Economic Survey 2007 – 08, which of the following are the major reasons for India's recent slugging export performance in textile and clothing sector?
    1. Slowdown in demand from some major importers
    2. The depreciation of US $
    3. Labour laws and scale economies
    4. High cost of power in India
    Select the correct answer using the code given below:
    Code:
    (a) 1, 3 and 4 only
    (b) 1, 2, 3 and 4
    (c) 1 and 2 only
    (d) 3 and 4 only

65. Consider the following components of India's external debt in terms of their share at end-March, 2008:
    1. Multilateral debt.
    2. Bilateral debt.
    3. External commercial borrowings
    4. NRI deposits
    Which of the following is the correct descending order of the above?
    (a) 1 – 2 – 3 – 4
    (b) 3 – 4 – 1 – 2
    (c) 3 – 1 – 2 – 4
    (d) 1 – 3 – 2 – 4

66. Which of the following are the strategies of urban development adopted in India in the Eleventh Five Years Plan?
    1. Strengthening urban local bodies through capacity building and better financial management.
    2. Increasing the efficiency and productivity of cities by deregulation and development of land.
    3. Reducing incidence of poverty.
    Select the correct answer using the code given below:
    (a) 1 and 2 only
    (b) 2 and 3 only
    (c) 1, 2 and 3 only
    (d) 1 and 3 only

67. In which one of the following years was growth rate in India's GDP at factor cost and at constant prices (1999 – 2000) the highest?
    (a) 2006 – 07
    (b) 2005 – 06
    (c) 2004 – 05
    (d) 2007 – 08

68. Which of the following are India's average growth rates of GDP at factor cost 9at 1999-2000 prices) in the Ninth Five Year Plan and Tenth Five Year Plan respectively?
    (a) 6.0 percent, 8.0 percent
    (b) 5.5 percent, 7.8 percent
    (c) 5.5 percent, 7.4 percent
    (d) 5.8 percent, 8.5 percent

69. In which one of the following years of the Tenth Five Year Plan was the growth rate in India's per capita income (at 1999 – 2000 prices) the highest?
    (a) 2003 – 04
    (b) 2004 – 05
    (c) 2005 – 06
    (d) 2006 – 07

70. Which of the following are the limitations of national income estimation in India?
    1. Output of non-monetized sector
    2. Non-availability of data about income of small producers or household enterprises
    3. Unreported legal income
    4. Inflation
    Select the correct answer using the code given below:
    Code:
    (a) 1, 2, 3 and 4   (b) 1, 2 and 3 only
    (c) 2 and 3 only   (d) 1 and 4 only

71. Which one of the following is the targeted rate of growth of agriculture in India during the eleventh Five Year Plan?
    (a) 2 percent   (b) 3 percent
    (c) 4 percent   (d) 5 percent

72. Which of the following observations were made by the National Knowledge commission with regard to their national survey on innovation?
    1. Innovation intensity has increased for large firms and small and medium enterprises (SME).
    2. SMEs are registering greater increase in innovation than large firms.
    Select the answer using the code given below:
    (a) 1 only
    (b) 2 only
    (c) Both 1 and 2
    (d) Neither 1 nor 2

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73. Which of the following statements is/are correct?
A rise in per capita income does not automatically imply an increase in economic welfare because
1. distribution of income is not known.
2. rate of growth is not known.
3. it suffers from the limitations of averages.
Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

74. Which of the following is/are the targets for elementary education during the Eleventh Five Year Plan in India?
1. Universal enrolment of 6 – 14 years age group children including the hard-to-reach segment.
2. All gender, social and regional gaps in enrolments to be eliminated by 2011 – 12.
3. Levelling of institutions for equality.
Select the correct answer using the code given below:
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

75. In which one of the following years was the National Food Security Mission Launched?
(a) 2003 – 04
(b) 2004 – 05
(c) 2006 – 07
(d) 2007 – 08

76. The total public sector outlay in the Eleventh Five Year Plan (Central, State and Union Territories) is estimated at about
(a) Rs. 30 lakh crores
(b) Rs. 36 lakh crores
(c) Rs. 40 lakh crores
(d) Rs. 46 lakh crores

77. Which of the following are included in broad money (M_3) in India?
1. Currency with the public
2. Demand deposits with banks
3. Time deposits with banks
4. 'Other' deposits with RBI
Select the correct answer using the code given below:
(a) 1, 2 and 3 only
(b) 1 and 2 only
(c) 3 and 4 only
(d) 1, 2, 3 and 4

78. Which one of the following is the prescribed investment limit for medium enterprises in the manufacturing sector as per the Micro, Small and Medium Enterprises Development Act, 2006?
(a) More than Rs. 10 lakhs and less than Rs. 2 crores
(b) More than Rs. 2 crores and less than Rs. 5 crores
(c) More than Rs. 5 crores and less than Rs. 10 crores
(d) More than Rs. 10 crores

79. In which one of the following core infrastructure industries in India was the growth rate highest in the year 2006 – 07?
(a) Petroleum refinery products
(b) Finished steel
(c) Cement
(d) Electricity

80. Which one of the following shares in the net proceeds of shareable Central taxes has been recommended for the States by the Twelfth Finance commission?
(a) 29.00 percent
(b) 28.50 percent
(c) 30.50 percent
(d) 31.25 percent

81. Consider the following important sources of tax revenue for the Central government budgeted for the year 2008 – 09:
1. Corporation tax
2. Taxes on income other than corporation tax
3. Customs
4. Union excise duties
Which one of the following is their correct descending order in terms of gross tax revenue?
(a) 1 – 2 – 4 – 3
(b) 1 – 2 – 3 – 4
(c) 3 – 1 – 2 – 4
(d) 2 – 3 – 1 – 4

82. Consider the following statements with respect to a duopoly market with firms A and B:
1. If both firms act as followers, then they will have reaction functions.
2. If firm A acts as leader and firm B acts as follower, then firm A will not have any reaction function.
3. If both firms act as leaders, then the outcome is economic warfare.
Which of the statements given above are correct?
(a) 1 and 2 only
(b) 1, 2 and 3
(c) 1 and 3 only
(d) 2 and 3 only

83. Match List I with List II and select the correct answer using the code given below the lists:

	List I		List II
A.	Market failure	1.	Net loss of total surplus
B.	Externalities	2.	Maximisation of aggregate consumers' and producers' surplus
C.	Economic efficiency	3.	The impact of one person's actions on the well-being of other persons
D.	Dead weight loss	4.	When prices fail to provide proper signals to consumers and producers

Code:

	A	B	C	D
(a)	4	3	2	1
(b)	4	2	3	1
(c)	1	2	4	3
(d)	1	4	2	3

84. Consider the following:
According to Ricardian theory of distribution
1. rent is price determined.
2. land is supposed to have various alternative uses.
3. marginal land earns no rent.
4. rent is a surplus in the sense that it is an excess over transfer earnings.
Which of the statements given above are correct?
(a) 1, 2 and 4
(b) 1, 3 and 4
(c) 2 and 3 only
(d) 1 and 4 only

85. Match List I with List II and select the correct answer using the code given below the lists:

	List I		List II
A.	Firm-equilibrium in perfect competition	1.	MC = MR, MC curve must cut the MR curve from below
B.	Firm-equilibrium in monopoly market	2.	TR = TC
C.	Zero profit condition	3.	MC = MR, Price demand elasticity is greater than one
D.	Market equilibrium	4.	Demand = Supply

Code:

	A	B	C	D
(a)	1	4	3	2
(b)	4	3	2	1
(c)	4	2	3	1
(d)	1	3	2	4

86. If two commodities are perfectly substitutable (competitive), the direction of change of the cross elasticity of demand between them will be
(a) zero (b) positive
(c) negative (d) infinity

87. From which of the following axioms does the property that 'indifference curves for a consumer cannot intersect each other', follow?
1. Axiom of non satiation
2. Axiom of transitivity
3. Axiom of reflexivity
4. Axiom of convexity
Select the correct answer using the code given below:
(a) 1 and 3 (b) 1 and 4
(c) 2 and 3 (d) 1 and 2

88. Match List I with List II and select the correct answer using the code given below the lists:

	List I Nature of (MRS_{xy})		List II (Shape of indifference curve)
A.	MRS_{xy} is equal to zero	1.	Convex to the origin
B.	MRS_{xy} is constant	2.	Concave to the origin
C.	MRS_{xy} is positive	3.	L shaped (Right tangle)
D.	MRS_{xy} is negative	4.	Straight line with negative slope

Code:

	A	B	C	D
(a)	1	2	3	4
(b)	1	3	2	4
(c)	4	2	3	1
(d)	4	3	1	2

89. In the long run, the cost and output relationship depends on which one of the following?
(a) Return to scale
(b) Fixed proportion of the variables
(c) Return to the variable factor
(d) Return to the fixed factor

90. Balance of Capital account refers to the
(a) nation's net exports of goods and services
(b) nation's net exports of financial claims
(c) nation's net exports of international official reserve assets
(d) nation's sum of net exports of goods, services and financial claims

91. With which one of the following does the Prebisch – Singer hypothesis deal?
    (a) Terms of trade of less developed countries
    (b) Terms of trade of developed countries
    (c) Balance of payments of less developed countries
    (d) Balance of payments of development countries

92. The effect of trade with different production possibilities curves and identical indifference curves is to make a country
    (a) more specialized in consumption and less specialized in production
    (b) more specialized in production and less specialized in consumption
    (c) less specialized both in consumption and in production
    (d) more specialized both in consumption and in production

93. Keynes states that the aggregate demand function is
    (a) an increasing function of the level of employment
    (b) a decreasing function of the level of employment
    (c) a constant function of the level of employment
    (d) not related to the level of employment

94. Consider the following statements:
    1. Bond price and interest rate vary indirectly.
    2. A tax on personal income reduces disposable income.
    3. According to Say's Law, demand creates its own supply.
    Which of the statements given above are correct?
    (a) 1 and 2 only   (b) 2 and 3 only
    (c) 1 and 3 only   (d) 1, 2 and 3

95. Imposition of a tariff with change the income distribution of the tariff-imposing country in favour of the scarce factor and against the abundant factor. This is known as
    (a) Leontief parqadox
    (b) Lerner paradox
    (c) Stolper – Samuelson theorem
    (d) Metzler paradox

96. Consider the following statements:
    When factor intensity reversal occurs
    1. Heckscher – Ohlin trade model fails.
    2. factor price equalization theorem fails.
    3. elasticity of substitution of one factor for the other is much higher in the production of a commodity.

Which of the statements given above is/are correct?
    (a) 1 only
    (b) 2 only
    (c) 1 and 3 only
    (d) 1, 2 and 3

97. Which of the following are the measures of Integrated Slum Development Programme adopted in India in the 11th Five Year Plan?
    1. Creating and updating database on slums.
    2. Using land as a resource for housing and shelter development for slum dwellers.
    3. Asking slum dwellers to apply for house loan from government.
    4. Granting tenure security to slum dwellers.
    Select the correct answer using the code given below:
    (a) 1, 2 and 3 only
    (b) 1 and 2 only
    (c) 2 and 4 only
    (d) 1, 2 and 4

98. Under which one of the following conditions is the gain from international trade maximised?
    (a) Marginal rate of transformation (MRT) in production is equal to the marginal rate of substitution (MRS) in consumption
    (b) MRT in production is greater than MRS in consumption
    (c) MRT is production is less than MRS in consumption
    (d) MRT in production and MRS in consumption are equal to international price ratio

99. Consider the following statements regarding argument for free trade:
    1. Free trade leads to maximization of output, income and employment.
    2. Free trade prevents monopoly.
    3. Free trade protects domestic industries.
    Which of the statements given above is/are correct?
    (a) 1 only   (b) 1 and 2 only
    (c) 2 and 3 only   (d) 1, 2 and 3

100. If a producer pays the price for each of the inputs that it uses, equal to its value of marginal product, then which one of the following does it earn?
    (a) Positive supernormal profit
    (b) Zero supernormal profit
    (c) Negative supernormal profit
    (d) Monopoly profit

101. Marshall – Lerner condition states that the foreign exchange market would be stable if the sum of the price elasticities of the demand for imports and the demand for exports is
(a) greater than one
(b) less than one
(c) equal to one
(d) equal to zero

102. Consider the following statements:
Under flexible exchange rate system, balance of payments disequilibria are corrected by
1. changes in the exchange rates.
2. international flow of money and reserves.
Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

103. Which one of the following is implied by interest parity?
(a) Interest rates are at par in all the countries
(b) Movements in spot rates and forward rates in the foreign exchange market are same
(c) Potential holders of foreign currency deposits view them as not equally desirable asset
(d) A condition that the expected returns on deposits of any two countries are equal when measured in the same currency

104. Which one of the following best describes the nineteenth century gold standard system?
(a) Regulated system with floating exchange rates
(b) Automatic system with fixed exchange rates
(c) Regulated system with fixed exchange rates
(d) Automatic system with floating exchange rates

105. Consider the following statements regarding the features of the World Bank:
1. The Board of Governors is the supreme body.
2. The voting power of the governor of a member country is related to the financial contribution of the country concerned.
3. It gives short-term loan to its members to correct their temporary balance of payments disequilibrium.
Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

106. Which of the following is/are the reasons for the collapse of Bretton – Woods system?
1. The refusal by the U.S. Treasury to convert short term liability into gold.
2. The U.S. move to make dollar inconvertible.
3. The devaluation of U.s. dollar in 1973.
Select the correct answer using the code given below:
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

107. Tariffication refers to
(a) replacement of quotas by tariffs only
(b) replacement of all existing non-tariff restrictions by tariff
(c) scaling down of tariffs in general
(d) obtaining sanction to increase tariff rates

108. Which one of the following is not correct in the context of IS and LM framework of the theory of interest?
(a) It integrates money, interest and income into a general equilibrium model of product and money market
(b) investment and interest are the two important variables in the model
(c) The theory is propounded by J. R. Hicks
(d) IS represents the money market equilibrium and LM represents the product market equilibrium

109. The accelerator model predicts that the changes in investment is determined by the changes in
(a) inventory   (b) capital
(c) interest   (d) output

110. If ΔY = change in national income, ΔI = change in investment, and k = value of multiplier, then the relationship can be written as
(a) $\Delta Y = \Delta I / k$ (b) $\Delta Y = \Delta I \cdot k$
(c) $\Delta Y = k / \Delta I$ (d) $\Delta Y = I \cdot \Delta k$

111. Given, MPC = 0.8 and the threshold consumption = 100, which one of the following is the corresponding saving function?
(a) $100 + 0.2\,Y$
(b) $-100 + 0.8\,Y$
(c) $-100 + 0.2\,Y$
(d) $400 + 0.2\,Y$

112. According to the classical theory of employment, deviations from the state of full employment are of
    (a)   permanent nature
    (b)   purely temporary nature
    (c)   imaginary situations
    (d)   normal situations

113. The costs of factors of production, supplied by the entrepreneur himself are known as
    (a)   implicit costs
    (b)   explicit costs
    (c)   fixed costs
    (d)   variable costs

114. Effective demand at which
    (a)   aggregate demand is more than aggregate supply
    (b)   aggregate demand is less than aggregate supply
    (c)   aggregate demand is equal to aggregate supply
    (d)   output is maximum

115. Consider the following two demand curves DD_1 and DD_2. Supposing km = mn, which one of the following is the price elasticity of demand at point m?
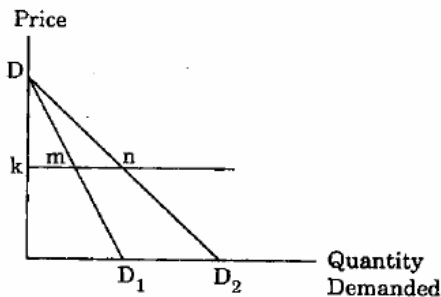
    (a)   It is the same as the price elasticity of demand at point n
    (b)   It is greater than the price elasticity of demand at point n
    (c)   It is smaller than the price elasticity of demand at point n
    (d)   It is half the price elasticity of demand at point n

Direction: The following five (5) items consists of two statements, one labeled as the 'Assertion (A)' and the other as 'Reason (R)'. You are to examine these two statements carefully and select the answers to these items using the code given below:
Codes:
(a)   Both A and R are individually true and R is the correct explanation of A
(b)   Both A and R are individually true but R is not the correct explanation of A
(c)   A is true but R is false
(d)   A is false but R is true

116. Assertion (A) : Marginal cost curve is U shaped.
    Reason (R) : The law of variable proportions operates in production sphere.

117. Assertion (A) : A firm under monopolistic competition incurs extra expenditure on advertisement.
    Reason (R) : There is free entry and free exit of firms under monopolistic competitions.

118. Assertion (A) : The money creation multiplier is equal to the reciprocal of the minimum reserve ratio.
    Reason (R) : The banking system as a whole can grant new credit up to an amount of excess reserves.

119. Assertion (A) : Inflationary gap is caused by excess demand.
    Reason (R) : Excess demand is due to scarcity of supply of money.

120. Assertion (A) : The doctrine of unbalanced growth is based on creation of imbalances in the economy in a conscious manner.
    Reason (R) : Unequal development of various sectors often generates conditions for rapid development.

End of Question Papers