

1. Inequalities of income do not perpetuate in \_\_\_\_\_.
  - a) socialism
  - b) mixed economy
  - c) capitalism
  - d) none
2. Normative Economics is based on:
  - a) Ethical Considerations
  - b) Facts and Generalisation
  - c) What is?
  - d) All of the above
3. The dual system of pricing exists in:
  - a) Free market economy
  - b) Socialistic economy
  - c) Mixed economy
  - d) None of the above
4. The term —Mixed Economy means:
  - a) Co-existence of both consumers and producers goods industries in the economy
  - b) Co-existence of both private and public sectors in the economy
  - c) Co-existence of both rural and urban sectors in the economy
  - d) Co-existence of both large and small industries in the economy
5. Which factor is included in business Economics?
  - a) Business Economics is an art
  - b) Interdisciplinary in nature
  - c) Normative in nature
  - d) All of the above
6. Conspicuous goods are also known as
  - a) prestige goods
  - b) snob goods
  - c) veblen goods
  - d) all of the above
7. Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will
  - a) increase or decrease but the demand curve for chicken will not change
  - b) increase and the demand curve for fish will shift rightwards.
  - c) not change but there will be a movement along the demand curve for fish.
  - d) decrease and the demand curve for fish will shift leftwards.
8. With an increase in the price of diamond, the quantity demanded also increases. This is because it is a:
  - a) substitute good
  - b) complementary good
  - c) conspicuous good
  - d) none of the above
9. If the quantity of good X demanded increases from 8 to 12 in response to an increase in the price of good Y from Rs. 23 to Rs. 27, the cross elasticity of demand for X with respect to the price of Y is approximately:
  - a) 0.35 and X and Y are complements.
  - b) 0.35 and X and Y are substitutes.
  - c) 2.5 and X and Y are complements.

d) 2.5 and X and Y are substitutes.

10. If there are large number of producers in the market of a product and there is high competition among them, then the elasticity of supply will be

- a) More
- b) Less
- c) Zero
- d) Infinity

11. Sir Robert Giffen was surprised to find out relationship of price with two other goods, which were:

- a) Bread and Rice
- b) Meat and Rice
- c) Bread and Meat
- d) Cheese and Meat

12. Which of the following statements is not correct?

- a) Giffen goods exhibit negative relationship between price and demand
- b) Conspicuous goods exhibit positive relationship between price and demand
- c) Incomplete information and irrational behaviour of consumer is one of the reasons of exception to the law of demand
- d) Law of demand states inverse relationship between price of a commodity and its quantity demanded

13. If income elasticity for the household for good A is 2 then it is a:

- a) necessity item
- b) inferior goods
- c) luxurious item
- d) comfortable item

14. If the proportion of income spent on a goods decreases as income rises then income elasticity is:

- a) Positive
- b) Negative
- c) One
- d) Zero

15. For a commodity with a unitary elastic demand curve, if the price of the commodity rises, then the consumer's total expenditure on this commodity would:-

- a) increase
- b) decrease
- c) remains constant
- d) either increase or decrease

16. If all inputs are trebled and the resultant output is doubled, this is a case of:

- a) constant returns to scale
- b) increasing returns to scale
- c) diminishing returns to scale
- d) negative returns to scale

17. In Law of negative returns (Third stage of Law of variable proportions):

- a) Total Product declines, MP is positive
- b) Total Product declines, MP is Zero
- c) Total Product declines, MP is negative
- d) Total Product in constant, MP is constant

18. Labour force wants more:

- a) Facility
- b) Leisure
- c) Benefit
- d) All of the above

19. The efficient scale of production is the quantity of output that minimizes

- a) average fixed cost
- b) average total cost
- c) average variable cost
- d) marginal cost

20. The average profit is the difference between \_\_\_\_\_

- a) AC and TC
- b) AC and VC
- c) AC and AR
- d) AC and TR

21. When output decreases by 20% due to increase in inputs by 20%, this stage is called the law of:

- a) Increasing returns to scale.
- b) Decreasing returns to scale.
- c) Constant returns to scale.
- d) None of the above.

22. Which one of the following is also known as planning curve?

- a) Long run average cost curve.
- b) Short run average cost curve.
- c) Average variable cost curve.
- d) Average total cost curve.

23. Suppose output increases in the short run. Total cost will :

- a) increase due to an increase in fixed costs only.
- b) increase due to an increase in variable costs only.
- c) increase due to an increase in both fixed and variable costs.
- d) decrease if the firm is in the region of diminishing returns.

24. Identify the fixed cost from the following:

- a) Labour cost.
- b) Electricity bill
- c) Salary of watchman
- d) Cost of raw materials

25. Which of the following is a variable cost in the short run?

- a) rent of the factory
- b) wages paid to the factory labour
- c) interest payments on borrowed financial capital
- d) payment on the lease for factory equipment

26. Suppose a firm is producing a level of output such that  $MR > MC$ , What should be firm do to maximize its profits?

- a) The firm should do nothing
- b) The firm should hire less labour
- c) The firm should increase price
- d) The firm should increase output

27. Marginal Revenue is equal to :

- a) the change in price divided by the change in output.

- b) the change in quantity divided by the change in price.
- c) the change in  $P \times Q$  due to a one unit change in output.
- d) price, but only if the firm is a price searcher.

28. For price-taking firm :

- a) marginal revenue is less than price.
- b) marginal revenue is equal to price.
- c) marginal revenue is greater than price.
- d) the relationship between marginal revenue and price is indeterminate.

29. Average revenue curve is also known as:

- a) Profit Curve
- b) Demand Curve
- c) Average Cost Curve
- d) Indifference Curve

30. A purely competitive firm's supply schedule in the short run is determined by

- a) its average revenue.
- b) its marginal revenue.
- c) its marginal utility for money curve.
- d) its marginal cost curve.

31. The competitive firm maximizes profit when it produces output up to the point where

- a) price equals average variable cost
- b) marginal revenue equals average revenue
- c) marginal cost equals total revenue
- d) marginal cost equals marginal revenue

32. In a very short period market :

- a) the supply is fixed
- b) the demand is fixed
- c) demand and supply are fixed
- d) none of the above

33. Durable goods and industrial items generally have a

- a) local market
- b) regional market
- c) national market
- d) secular market

34. Secular period is also known as

- a) very short period
- b) short period
- c) very long period
- d) long period

35. Stock exchange market is an example of

- a) unregulated market
- b) regulated market
- c) pot market
- d) none of the above

36. The market for the ultimate consumers is known as

- a) wholesale market
- b) regulated market
- c) unregulated market
- d) retail market

37. Monopolies are allocatively inefficient because:

- a) They restrict the output to keep the price higher than under perfect competition
- b) They charge a price higher than the marginal cost
- c) Both a) and (b) are correct
- d) Both a) and (b) are incorrect

38. Price-taking firms, i.e., firms that operate in a perfectly competitive market, are said to be —small relative to the market. Which of the following best describes this smallness?

- a) The individual firm must have fewer than 10 employees
- b) The individual firm faces a downward-sloping demand curve
- c) The individual firm has assets of less than Rs.20 lakh
- d) The individual firm is unable to affect market price through its output decisions

39. When  $AR = \text{Rs. } 10$  and  $AC = \text{Rs. } 8$  the firm makes \_\_\_\_\_.

- a) Normal profit
- b) Net profit
- c) Gross profit
- d) Supernormal profit

40. The market structure in which the number of sellers is small and there is inter dependence in decision making by the firms is known as:

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

41. Greatest depression suffered by economy in which year.

- a) 1924
- b) 1930
- c) 2008
- d) 2009

42. Last stage of recession is called:

- a) Depression
- b) Recovery
- c) Slowdown
- d) All of these

43. Which of the following macro economic variables would you include in an index of leading economic indicators?

- a) Employment
- b) Inflation
- c) Real interest rates
- d) Residential investment

44. An economic variable that moves in the opposite direction as aggregate economic activity down in expansions, up in contractions is called.

- a) procyclical
- b) counter cyclical
- c) a cyclical
- d) a leading variable

45. Which is not the characteristic feature of expansion phase in business cycle?

- a) Increase in national output
- b) Unemployment

- c) Rise in price and costs
- d) Boost in business confidence

46. Household inventory is:

- (a) not included in national income
- (b) a stock concept
- (c) both (a) and (b)
- (d) none of these

47. Remittances from a relative working abroad are:

- (a) included in national income
- (b) not included in national income
- (c) transfer payments
- (d) both (b) and (c)

48. Own account production of goods is included in national income because:

- (a) goods are tangible
- (b) their valuation is possible
- (c) goods are more productive than services
- (d) none of these

49. Value added refers to:

- (a) production of durable goods
- (b) output — intermediate consumption
- (c) production of non-durable goods
- (d) expenditure on intermediate goods

50. Gross domestic capital formation is the sum total of:

- (a) expenditure on fixed assets
- (b) gross domestic fixed capital formation and change in stock
- (c) net domestic fixed capital formation + inventory investment + depreciation
- (d) both (b) and (c)

51. Value added method measures the contribution of which of the following within the domestic territory of a country?

- (a) Household consumers
- (b) The producing enterprises owned by residents of the country
- (c) The producing enterprises owned by the non-residents of the country
- (d) Both (b) and (c)

52. Which of the following items is not included while estimating national income by income method?

- (a) Rent
- (b) Mixed income
- (c) Fixed investment
- (d) Undistributed profits

53. Which of the following is not an element of final consumption expenditure?

- (a) Household expenditure on food
- (b) Government final consumption expenditure
- (c) Household expenditure on education
- (d) Expenditure on raw material

54. As a result of double counting, national income is:

- (a) over-estimated

(b) under-estimated (c) correctly estimated (d) not estimated for the entire year of accounting

55. Which of the following is not included in national income?

- (a) Receipt of a gift cheque sent by your parents settled abroad
- (b) Repatriation of wages earned by the NRIs to their parents in India
- (c) Excise duty on domestic production
- (d) All of these

56. If the autonomous consumption equals Rs. 2,000 and the marginal propensity to consume equals 0.8. If disposable income equals Rs. 10,000, then total consumption will be Rs. \_\_\_\_\_

- (a) 8,000
- (b) 6,000
- (c) 10,000
- (d) None of the above

57. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the

- (a) level of full employment income.
- (b) less than full employment level of income.
- (c) equilibrium level of income which may or may not be full employment level of income
- (d) autonomous level of income which may not be full employment level of income

58. In a closed economy, aggregate demand is the sum of

- (a) consumer expenditure, demand for exports and government spending.
- (b) consumer expenditure, planned investment spending and government spending.
- (c) consumer expenditure, actual investment spending, government spending and net exports.
- (d) consumer expenditure, planned investment spending, government spending, and net exports.

59. AD refers to:

- (a) demand for all goods and services produced in the economy during a period of one year
- (b) total unplanned expenditure on the goods and services in the economy during an accounting year
- (c) sum total of investment expenditure and saving in the economy during an accounting year
- (d) all of these

60. In an open economy, aggregate demand is estimated as:

- (a) Private consumption expenditure
- (b) Private consumption expenditure + Government expenditure
- (c) Private investment expenditure + Private consumption expenditure + Government expenditure
- (d) Private consumption expenditure + Private investment expenditure + Government expenditure + Net exports

61. Which one of the following taxes is levied by the State Government only?

- (a) Entertainment tax
- (b) Corporation tax
- (c) Wealth tax
- (d) Income tax

62. According to Musgrave the major functions of public finance is:

- (a) Allocative function

- (b) Distributive function
- (c) Stabilisation function
- (d) All the above

63. Education is an example of:

- (a) Public good
- (b) Merit good
- (c) Social good
- (d) Club good

64. Public Goods are:

- (a) Excludable
- (b) Non-excludable
- (c) Marketable
- (d) All of these

65. Merit goods means:

- (a) Public good
- (b) Free good
- (c) Rare good
- (d) White good

66. A criterion by which public goods are distinguished from private goods:

- (a) Exclusion principle
- (b) Externality principle
- (c) Public choice principle
- (d) None of the above

67. Public debt management aims at

- (a) An efficient budgetary policy to avail of domestic debt facilities
- (b) Raising loans from international agencies at lower rates of interest
- (c) Raising the required amount of funding at the desired risk and cost levels
- (d) Management of public expenditure to reduce public debt

68. The railway budget is

- (a) Part of the general budget, but is presented by the railway minister
- (b) Part of the general budget from the budget for financial year 2017-18.
- (c) Part of the general budget from the budget for financial year 2021-22
- (d) Part of the general budget but presented on the next day of the general budget

69. Taxes can have\_\_\_\_\_impact on economic growth

- (a) Positive
- (b) Negative
- (c) Either Positive or Negative
- (d) None of the above

70. Which one is not an objective of fiscal policy

- (a) Achievement and maintenance of full employment
- (b) Maintenance of price stability
- (c) Acceleration of the rate of economic development
- (d) Unequal distribution of income and wealth

71. The concept of Permanent Income is given by\_\_\_\_\_

- (a) James Tobin
- (b) Milton Friedman
- (c) Baumol
- (d) Keynes



72. Risk avoiding theory is given by\_\_\_\_\_
- (a) James Tobin
  - (b) Milton Friedman
  - (c) Baumol
  - (d) Keynes
73. According to Keynes demand for the transactions motive is related to\_\_\_\_\_
- (a) Interest Rate
  - (b) Level of Income
  - (c) Both
  - (d) None of the above
74. According to Keynes demand for the precautionary motive is related to\_\_\_\_\_
- (a) Interest Rate
  - (b) Level of Income
  - (c) Both
  - (d) None of the above
75. Commercial banks create money by way of:
- (a) time de posits
  - (b) demand deposits
  - (c) treasury bills
  - (d) bill of exchange
76. Which of the following is not concerned with ban king organisation?
- (a) Bank rate
  - (b) Fiscal deficit
  - (c) Cred it creation
  - (d) Cash reserve ratio
77. Open market operations as an instrument of credit control are performed by:
- (a) the central bank of the country
  - (b) the commercial bank of the country
  - (c) both (a) and (b)
  - (d) none of these
78. With an increase in margin requirement, availability of credit in the economy:
- (a) increases
  - (b) decreases
  - (c) unchanged
  - (d) none of these
79. If inflation is to be combated, the RBI:
- (a) raises SLR and lowers CRR
  - (b) lowers SLR and raises CRR
  - (c) raises both CRR as well as SLR
  - (d) none of these
80. Credit control means:
- (a) contraction of credit only
  - (b) extension of credit only
  - (c) extension and contraction of money supply
  - (d) none of these
81. \_\_\_\_\_ explains that the countries acquire comparative advantages due to differences in the national factor endowments like land, labour and capital.

- (a) Theory of absolute advantage
- (b) Theory of comparative advantage
- (c) Heckscher Ohlin Theory
- (d) Theory of mercantilism

82. According to 'New Trade Theory' a firm acquires export competitiveness due to

- (a) Specialization and economies of scale
- (b) Being the first mover in the market
- (c) Government support
- (d) All of the above

83. \_\_\_\_\_ means selling the products at a price less than the ongoing price in the market.

- (a) Quota
- (b) Tariff
- (c) Subsidy
- (d) Dumping

84. A voluntary export restraint is the opposite form of \_\_\_\_\_.

- (a) Import quotas
- (b) International tariffs
- (c) Subsidies
- (d) Dumping

85. \_\_\_\_\_ primarily deals with the economic issues like Tariffs and other trade barriers in many countries.

- (a) ILO
- (b) WTO
- (c) World Bank
- (d) EU

86. \_\_\_\_\_ is a meeting of the —trade ministers of the member countries of the World Trade Organization (WTO).

- (a) Ministerial
- (b) Conference
- (c) General Council
- (d) IP Council

87. Forward market is that market which:

- (a) handles transactions of foreign exchange meant for future delivery
- (b) handles current transactions
- (c) handles current as well as future transactions
- (d) none of these

88. If Rs. 120 are required to buy \$ 1, instead of Rs. 100 earlier:

- (a) domestic currency has appreciated
- (b) domestic currency has depreciated
- (c) rupee value of import bill will increase
- (d) both (b) and (c)

89. What is the FDI limit in insurance sector?

- (a) 74%
- (b) 26%
- (c) 100%
- (d) 49%

90. FDI is a which kind of investment?

- (a) Long term

- (b) Short term
- (c) Medium term
- (d) Both A & B

91. The stock of food grains procured by government is generally used under:

- (a) Public Distribution System
- (b) Grain Distribution System
- (c) Subsidised Distribution System
- (d) Cooperative Distribution of Grains

92. Which of the following is the limitation of Green Revolution in India?

- (a) Un-even spread
- (b) Change in farmers' outlook
- (c) Self-sufficiency in food grain production
- (d) Mechanisation of agriculture

93. Identify which of the following is not an advantage of Green Revolution.

- (a) India has become self-sufficient in the production of food grains
- (b) India has built sufficient buffer stock of food grains
- (c) Increased marketed surplus
- (d) Increase in the price of food grains

94. Industrial Policy Resolution, 1956 laid emphasis on the role of:

- (a) public sector
- (b) private sector
- (c) joint sector
- (d) none of these

95. The basic idea of industrial licensing policy was to:

- (a) ensure environment-friendly investment
- (b) promote private investment in the economy
- (c) encourage industry in the backward regions of the country
- (d) none of these

96. Liberalisation of the economy under the New Economic Policy (NEP) changed the role of RBI in the economy:

- (a) from a 'regulator' to a 'facilitator' of the financial sector
- (b) from a 'controller' to a 'manager' of the government debt
- (c) both (a) and (b)
- (d) none of these

97. Industrial sector reforms under the New Economic Policy (NEP) comprised which of the following?

- (a) Abolition of industrial licencing
- (b) De-reservation of production areas
- (c) Contraction of public sector
- (d) All of these

98. In the context of Indian experience, controls were imposed by the government with a view to:

- (a) checking the growth of private monopolies
- (b) minimising the hold of large industrial houses on the financial resources of the country
- (c) both (a) and (b)
- (d) none of these

99. Which of the following is an element of financial sector of the economy?

- (a) Banking and non-banking financial institutions

- (b) Stock exchange market
- (c) Foreign exchange market
- (d) All of these

100. \_\_\_\_\_ and \_\_\_\_\_ currency notes of old Mahatma Gandhi series were banned as legal tender money on 8th November, 2016.

- (a) 50 and 100
- (b) 500 and 1,000
- (c) 500 and 2,000
- (d) 500 and 200

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