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1000+ MCQs

ECONOMY

Useful for
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- ❖ Fundamentals : Micro and Macro Economics
- ❖ Business Trade
- ❖ World Economy
- ❖ Indian Economy
- ❖ Miscellaneous

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Team Prabhat



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by Team Prabhat

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1

FUNDAMENTALS: MICRO AND MACRO ECONOMICS

1. Who among the following is most benefitted from inflation? [IAS 1989]
 - (a) Government pensioners
 - (b) Creditors
 - (c) Savings Bank Account holders
 - (d) Debtors
2. Which of the following groups suffer the most from inflation? [CPO SI 2003]
 - (a) Debtors
 - (b) Creditors
 - (c) Business class
 - (d) Holders of real assets
3. Of the various ways of financing government's investment expenditure, the least inflationary is: [PCS 1994]
 - (a) foreign aid
 - (b) deficit financing
 - (c) taxation
 - (d) public borrowing
4. 'Devaluation' means: [RRB 1992]
 - (a) converting rupee into gold
 - (b) lowering of the value of one currency in comparison of some foreign currency
 - (c) making rupee dearer in comparison to some foreign currency
 - (d) None of these
5. Convertibility of the rupee implies: [IAS 1994]
 - (a) being able to convert rupee notes into gold
 - (b) freely permitting the conversion of rupee to other major currencies and vice versa
 - (c) allowing the value of the rupee to be fixed by market forces
 - (d) developing an international market for currencies in India
6. Consider the following statements:
The price of any currency in international market is decided by the: [IAS 1998]
 - I. World Bank
 - II. Demand for goods/services provided by the country concerned
 - III. stability of the government of the concerned country
 - IV. economic potential of the country.
 - (a) 1, 2, 3 and 4 are correct
 - (b) 2 and 3 are correct
 - (c) 3 and 4 are correct
 - (d) 1 and 4 are correct
7. Inflation implies: [Railways 1994]
 - (a) rise in budget deficit
 - (b) rise in money supply
 - (c) rise in general price index
 - (d) rise in prices of consumer goods
8. The situation with increasing unemployment and inflation is termed as: [CPO AC 2003]
 - (a) hyperinflation
 - (b) galloping inflation
 - (c) stagflation
 - (d) reflation
9. Who among the following are not protected against inflation? [Railways 1992]
 - (a) Salaried class
 - (b) Industrial workers
 - (c) Pensioners
 - (d) Agricultural farmers
10. The period of high inflation and low economic growth is termed as: [RRB 1992]
 - (a) stagnation
 - (b) take-off stage in economy
 - (c) stagflation
 - (d) none of these
11. Stagflation implies a case of: [CDS 1992]
 - (a) galloping inflation
 - (b) recession plus inflation
 - (c) adverse balance of trade
 - (d) rising wages and employment
12. Deficit financing creates additional paper currency to fill the gap between expenditure and revenue. This device aims at economic development but if it fails, it generates: [IFS 1990]
 - (a) inflation
 - (b) devaluation
 - (c) deflation
 - (d) demonetization
13. A steady increase in the general level of prices as a result of excessive increase in aggregate demand as compared to aggregate supply is termed as: [CDS 1999]
 - (a) demand-pull inflation
 - (b) cost-push inflation
 - (c) stagflation
 - (d) structural inflation

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14. The terms of economics, the recession occurring two times with a small gap in between is known as:

[Bank of India PO 2010]

- (a) Double Deflation
- (b) Deflation
- (c) Deep Recession
- (d) Double Dip Recession
- (e) None of these

15. Consider the following statements:

Full convertibility of the rupee may mean: [IAS 2002]

1. it free floats with other international currencies.
2. its direct exchange with any other international currency at any prescribed place inside and outside the country.
3. it acts just like any other international currency.

Which of these statements are correct?

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

16. As per the reports published in various journals and newspapers the 'small borrowers' in rural areas still prefer to take the informal route for their credit needs. Which of the following is the 'informal route' of credit in financial sector? [Punjab & Sindh Bank 2011]

- (a) Credit cards
- (b) Loan against gold from financial institute
- (c) Debit cards
- (d) Money lender
- (e) None of the above

17. Which of the following is not a method of estimating national income?

[I. Tax & Central Excise 1991]

- (a) Income method
- (b) Value-added method
- (c) Expenditure method
- (d) Export-import method

18. An advalorem duty is a tax on the basis of: [IAS 1988]

- (a) the price of a commodity
- (b) the value added
- (c) the advertisement expenditure
- (d) the unit of the commodity

19. If the price of an inferior good falls, its demand:

[CPO SI 2003]

- (a) rises
- (b) falls
- (c) remains constant
- (d) can be any of the above

20. In economic terms, which of the following factors determine the 'Individual's demand' of a product/commodity?

[RBI Grade B Officer 2011]

- A. Price of a commodity
 - B. Income of the individual
 - C. Utility and quality of a commodity
- (a) Only A
 - (b) Only B
 - (c) Only C
 - (d) Only A & C
 - (e) All A, B, & C

21. The measure of a worker's real wage is: [CPO SI 2002]

- (a) the change in his productivity over a given time
- (b) his earning after deduction at source
- (c) his daily earnings
- (d) the purchasing power of his earnings

22. Which one of the following situations makes a firm most efficient? [CDS 2002]

- (a) Falling average costs
- (b) Rising average costs
- (c) Constant average costs
- (d) Lowest average costs

23. What is meant by 'Underwriting', the term frequently used in financial sector?

[Punjab & Sindh Bank 2011]

- (a) Under valuation of the assets.
- (b) The Act of taking on a risk for a fee.
- (c) Giving a guarantee that a loan will not become a bad loan.
- (d) The act of permission to float an IPO.
- (e) None of the above

24. Under increasing returns the supply curve is

[SSC (10+2) 2010]

- (a) positively sloped from left to right
- (b) negatively sloped from left to right
- (c) parallel to the quantity-axis
- (d) parallel to the price-axis

25. Development is: [CDS 1999]

- (a) synonymous with economic growth
- (b) narrower than economic growth
- (c) wider than economic growth
- (d) not related to economic growth

26. In the short run, a producer continues his production as long as he covers:

[Asstt Grade 1992]

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

27. A deflator is a technique of:

[IAS 1992]

- (a) adjusting for changes in price level
- (b) adjusting for change in commodity
- (c) accounting for higher increase of GNP
- (d) accounting for decline of GNP

28. Economic growth is usually coupled with [CSAT 2011]

- (a) deflation
- (b) inflation
- (c) stagflation
- (d) hyperinflation

29. Under perfect competition:

[GIC AAO 1993]

- (a) any firm can influence price in the market
- (b) any firm can influence supply in the market
- (c) any firm can influence price and supply in the market
- (d) no firm can influence price and supply in the market

30. A country is said to be in a debt trap if:

[IAS 2002]

- (a) it has to abide by the conditionalities imposed by the International Monetary Fund
- (b) it has to borrow to make interest payments on outstanding loans
- (c) it has been refused loans or aid by creditors abroad
- (d) the World Bank charges a very high rate of interest on outstanding as well as new loans

31. 'Take off stage' in an economy means:

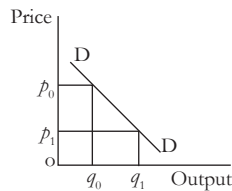
[CBI 2000]

- (a) Steady growth begins
- (b) Economy is stagnant
- (c) Economy is about to collapse
- (d) All controls are removed

32. Which of the following are correct regarding Competitive Behaviour and Competitive Structure?

- i. A competitive market is the one where an individual firm is unable to influence the price at which the product is sold in the market.
 - ii. Competitive behaviour and competitive market structure are directly related.
- (a) Only i
 - (b) Only ii
 - (c) Both i & ii
 - (d) None of the above

33. Identify the figure below:



- (a) Marginal Revenue curve
- (b) Market Demand curve
- (c) Total Revenue curve
- (d) None of the above

34. Which of the following statements below satisfy how the firms behave in Oligopoly?

- i. If the market of a particular commodity consists of more than one seller but the number of sellers is few, the market structure is termed oligopoly.
- ii. The special case of oligopoly where there are exactly two sellers is termed duopoly.

- (a) Only i
- (b) Only ii
- (c) Both i & ii
- (d) None of the above

35. What is exchange rate?

- (a) The price of one currency in terms of the other.
- (b) The transactions in goods, services and assets between residents of a country with the rest of the world.
- (c) The balance of exports and imports of goods.
- (d) None of the above

36. In a closed economy, what are the sources of demand for domestic goods?

- (a) Consumption
- (b) Government spending
- (c) Domestic investment
- (d) All the above

37. Normative planning is:

- (a) The type of planning which gives less emphasis upon the social and institutional dimensions
- (b) In such planning, the planners just search for the best

possible results in relation to the established goals giving less importance to issues like caste, creed, religion, region, language, marriage, family, etc.

- (c) The system planning that gives due importance to the socio-institutional factors.
- (d) Both (a) & (b)
- (e) Both (b) & (c)

38. Mixed economy means an economy where:

[CDS 2009]

- (a) Both agriculture and industry are equally promoted by the state
- (b) There is co-existence of public sector along with private sector
- (c) There is importance of small scale industries along with heavy industries
- (d) Economy is controlled by military as well as civilian rulers

39. What are the advantages of e-banking?

- (a) The operating cost per unit services is lower for the banks.
- (b) It offers convenience to customers as they are not required to go to the banks' premises.
- (c) There is very low incidence of errors.
- (d) The customers can obtain funds at any time from ATM machines.
- (e) All the above

40. Absolute Poverty means:

- (a) Poverty in terms of absolute number of people
- (b) Poverty in terms of the basic minimum calorie requirement
- (c) Poverty in terms of the prevailing price level
- (d) Poverty in terms of the absolute level of unemployment

41. When the productive capacity of the economic system of a State is inadequate to create

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- sufficient number of jobs, it is called: [CDS 2012]
- (a) Seasonal unemployment
 - (b) Structural unemployment
 - (c) Disguised unemployment
 - (d) Cyclical unemployment
42. The term 'mixed economy' denotes: [SSC Tax Assit. 2008; SSC Tax Assit. 2009]
- (a) Existence of both rural and urban sectors
 - (b) Existence of both private and public sectors
 - (c) Existence of both heavy and small industries
 - (d) Existence of both developed and underdeveloped sectors
43. In an economy, the sectors are classified into public and private on the basis of: [SSC DEO 2009, CDS 2014]
- (a) Employment condition
 - (b) Nature of economic activities
 - (c) Ownership of enterprise
 - (d) Use of raw material
44. When development in an economy takes place, the share of tertiary sector in National Income: [47th BPS 2005]
- (a) First falls and then rises
 - (b) First rises and then falls
 - (c) Keeps on increasing
 - (d) Remains constant
45. A firm sells new shares worth ₹ 1000 direct to individuals. This transaction will cause: [SSC Grad. 2004]
- (a) Gross National Product to rise by ₹ 1000
 - (b) Gross Domestic Product to rise by ₹ 1000
 - (c) National Income to rise by ₹ 1000
 - (d) No impact on Gross National Product
46. GDP at factor cost is: [SSC Tax Assit. 2008]
- (a) GDP minus indirect taxes plus subsidies
 - (b) GNP minus depreciation allowances
 - (c) NNP plus depreciation allowances
 - (d) GDP minus subsidies plus indirect taxes
47. Per Capita Income is obtained by dividing National Income by: [SSC Sec. Off. (Aud.) 2008]
- (a) Total population of the country
 - (b) Total working population
 - (c) Area of the country
 - (d) Volume of the capital used
48. Gross Domestic Product (GDP) is defined as the value of all: [SSC Tax Assit. 2009]
- (a) Goods produced in an economy in a year
 - (b) Goods and Services in an economy in a year
 - (c) Final goods produced in an economy in a year
 - (d) Final goods and services produced in an economy in a year
49. Depreciation is equal to: [SSC DEO 2009]
- (a) Gross National Product-Net National Product
 - (b) Net National Product- Gross National Product
 - (c) Gross National Product- Personal Income
 - (d) Personal Income- Personal Taxes
50. Which of the following is NOT a method of measurement of National Income? [SSC CPO SI 2009]
- (a) Value Added Method
 - (b) Income Method
 - (c) Expenditure Method
 - (d) Investment Method
51. Which of the following can be called as a part of the Service Sector? [SBI Clerk 2008]
- (a) Textile Mills
 - (b) Banking
 - (c) Coal Mills
 - (d) Agriculture
 - (e) None of these
52. Which of the following is the correct definition of the term National Income? [RBO Grade B Officer 2009]
- (a) National Income means the total amount of money Government earns only through direct tax collections every year
 - (b) It is the total value of all sorts of stocks held by a country at a particular point of time
 - (c) This is the measure of the volume of commodities and services turned out during a given period counted without duplication
 - (d) All 'a', 'b' and 'c'
 - (e) None of these
53. Which one of the following is NOT an example of economic overheads? [UP PCS (Main) 2004]
- (a) Schools
 - (b) Sanitary Facilities
 - (c) Roads and Railways
 - (d) Coal Mines
54. In an open economy, the National Income (Y) of the economy is [UPSC 2000]: (C = Consumption, I = Investment, G = Government expenditure, X = Total exports, M = Total import)
- (a) $Y = C + I + G + X$
 - (b) $Y = I + G - X + M$
 - (c) $Y = C + I - G + (X - M)$
 - (d) $Y = C + I - G + X - M$
55. The growth rate of Per Capita Income at current prices is higher than that of Per Capita at constant prices, because the latter takes into account the rate of: [UPSC 2000]
- (a) Growth of population
 - (b) Increase in price level
 - (c) Growth in money supply
 - (d) Increase in the wage rate

56. The most appropriate measure of a country's economic growth is its:
[UPSC 2001, SSC CGL 2014]
 (a) Gross Domestic Product
 (b) New Domestic Product
 (c) New National Product
 (d) Per Capita Real Income
57. Inclusive growth would necessitate: **[UP PCS (Main) 2008]**
 (a) Development of infrastructural facilities
 (b) Revival of Agriculture
 (c) Increase availability of social service such as education and health
 (d) All of the above
58. Production is at socially ideal level under:
 (a) Monopolistic competition
 (b) Monopoly
 (c) Oligopolistic Competition
 (d) Perfect Competition
59. Which one of the following is a residual earning?
 (a) Rent (b) Profit
 (c) Wage (d) Interest
60. New firms are barred from entering the market in:
 (a) Perfect Competition
 (b) Oligopoly
 (c) Monopolistic Competition
 (d) Monopoly
61. Who says: The propensity to consume is stable in the short run?
 (a) Keynes (b) Hicks
 (c) Arrow (d) Stiglitz
62. The supply of a commodity does not depend directly upon:
 (a) Cost of Production
 (b) Price of the Commodity
 (c) Technology of Production
 (d) Demand for the Commodity
63. Capital information in an economy depends on:
 (a) Total Income
 (b) Total demand
 (c) Total savings
 (d) Total Production
64. Price cost is equal to:
 (a) Variable cost plus administrative cost.
 (b) Variable cost plus fixed cost
 (c) Variable cost only
 (d) Fixed cost only
65. An expenditure that has been made and cannot be recovered is called:
 (a) Variable cost
 (b) Opportunity cost
 (c) Sunk Cost
 (d) Operational cost
66. Who propounded the market law?
 (a) Adam Smith
 (b) J.B. Say
 (c) T.R. Malthus
 (d) David Ricardo
67. Who among the following is NOT a classical economist?
 (a) David Ricardo
 (b) John Stuart Mill
 (c) Thomas Malthus
 (d) John Maynard Keynes
68. Prof. Amartya Sen was awarded Nobel Prize for his contribution to the field of:
 (a) Food and famines
 (b) Welfare economics
 (c) Indian Economy
 (d) Poverty
69. Structural unemployment arises due to:
 (a) Deflationary conditions
 (b) Heavy industry bias
 (c) Shortage of raw material
 (d) Inadequate productive capacity
70. The break-even point is where:
 (a) Marginal revenue equals marginal cost
 (b) Average revenue equals marginal cost
 (c) Average revenue equals average cost
 (d) Total revenue equals total cost
71. Consider the following statements about Pareto Optimality:
 1. Pareto Optimality in an economy is ensured if a marginal rate of substitution between two goods is the same for all individuals.
 2. Pareto Optimality is ensured when the marginal rate of technical substitution is equal to input price ratio.
 3. There is a link between the conditions of attainment of Pareto Optimality and those of attainment of the general equilibrium.
 4. Pareto Optimality is neutral about income distribution.
Which of the statements given above are correct?
 (a) 1 and 2 (b) 2 and 3
 (c) 1 and 4 (d) 3 and 4
72. The sum of squares of deviation of a set of values is minimum when deviation is taken about:
 (a) Arithmetic Mean
 (b) Median
 (c) Mode
 (d) Harmonic Mean
73. If the distribution is positively skewed, then
 (a) Mean > Median > Mode
 (b) Mean < Median < Mode
 (c) Mean < Mode > Median
 (d) Median < Mode < Mean
74. Given the following data:
 No. of observations = 100
 Arithmetic mean = 1000
 Variance = 256.0
The co-efficient of variance will be equal to
 (a) 1.6% (b) 2.5%
 (c) 3.5% (d) 4.5%
75. Consider the following statements about consumer's surplus and public finance:

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1. Where the consumers are enjoying surplus, there is scope for taxation, for people are willing to pay more
2. In the case of constant return, the consumer's surplus will be diminished by more than the gross receipts of the State.
3. In the case of diminishing return, the gross receipts from the tax may be greater than the resulting loss of consumer's surplus.
4. In the case of increasing return, a tax will increase consumer's surplus more than what it brings to the State.

Which of the statements given above is/are correct?

- (a) 1 only
 - (b) 1, 2 and 3
 - (c) 2 and 4
 - (d) 1, 2, 3 and 4
- 76. If the co-efficient of correlation is unity, the relation between the two variables X and Y is:**
- (a) Y is directly proportional to X
 - (b) Y is inversely proportional to X
 - (c) Y is equal to X_2
 - (d) None of the above
- 77. Fisher's idea index number satisfies**
- (a) Time reversal test only
 - (b) Factor reversal test only
 - (c) Both Time and Factor reversal test
 - (d) Circular test only
- 78. Who has given the well-known 'Diamond-Water' paradox?**
- (a) Adam Smith
 - (b) J.M. Keynes
 - (c) Alfred Marshall
 - (d) F.Y. Edgeworth
- 79. Let $c = MPC$, and $t =$ rate of tax on income. Then the expression of investment multiplier is:**
- (a) $1 - c(c - t)$
 - (b) $1 - c(c + t)$

- (c) $1 + c(1 - t)$
- (d) $1 - c(1 - t)$

80. The two-gap theory as applied to development planning refers to:

- (a) Inflationary gap and foreign exchange constraint
- (b) Savings gap and income constraint
- (c) Foreign exchange gap and recessionary gap
- (d) Savings constraint and foreign exchange constraint

81. Which one of the following is not an assumption of Heckscher-Ohlin theorem of international trade?

- (a) Differences in factor endowments of two countries
- (b) Products in the two countries are differentiated
- (c) Production functions are identical
- (d) Commodity prices determine factor prices

82. Which one of the following is correct in respect of the concept of specie flow price mechanism?

- (a) It is a mechanism evolved by Haberler to restore equilibrium in balance of payments
- (b) It is a mechanism for purchasing gold from abroad
- (c) It is a mechanism devised by Marshall-Lerner to check fluctuations in exchange rates.
- (d) It is propounded by David Hume to disregard the mercantilists who believed it useful to accumulate gold in the country.

83. Which of the following statements is/are not correct?

- (a) The quantum of consumer's surplus reflects the state of social welfare.
- (b) Consumer's surplus may serve as a convenient measure of aggregate gains from trade.

- (c) Consumer's surplus is independent of prices of the commodities in an economy.
- (d) If market demand curves are horizontal, there will be no consumer's surplus.

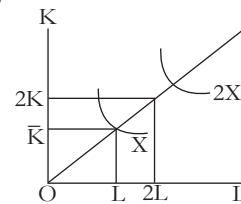
Select the correct answer using the codes given below:

- (a) 1 and 2
- (b) 3 only
- (c) 1 and 3
- (d) 3 and 4

84. In the theory of production with one variable input, which one of the following will not hold when the Average Product (AP) is at its peak?

- (a) Declining Total Product (TP) curve
- (b) Increasing Total Product (TP) curve
- (c) Declining Marginal Product (MP)
- (d) $MP = AP$

85. Which one of the following is represented by the diagram given



above (where, L = labour, K = capital, X = output)?

- (a) Laws of production
 - (b) Decreasing returns to scale
 - (c) Diminishing returns to variable factor, labour
 - (d) All of the above
- 86. Which one of the following statements is correct?**
- (a) A firm's long run average cost curve is derived from a series of short run average cost curves
 - (b) There is no relationship between short run and long-run average cost curves
 - (c) A firm's short-run average cost curve is derived from its long-run average cost curve

- (d) Long-run total cost is the sum of long run fixed and long-run average costs

87. Which one of the following is represented by a rectangular hyperbola?

- (a) Average fixed cost curve
 (b) Average variable cost curve
 (c) Production possibility curve
 (d) Expansion path

88. Consider the following statements:

1. Explicit and implicit costs are not included in opportunity cost.
2. Explicit and implicit costs are included in opportunity cost.
3. The economic costs include both explicit and implicit costs
4. The imputed value of the entrepreneur's own resources and services is called explicit costs.

Which of the statements given above are correct?

- (a) 1 and 2
 (b) 2 and 3
 (c) 1 and 3
 (d) 2 and 4

89. In the Cobb-Douglas production function of the form, $X = b_0 L^{b_1} K^{b_2}$, which one of the following is correct ($X =$ output, $L =$ labour and $K =$ capital)?

- (a) Elasticity of substitution is equal to unity
 (b) Factor-intensity is measured by the ratio, b_1/b_2
 (c) Organisational and entrepreneurial efficiency is measured by b_0
 (d) All the above

90. Suppose a consumer is consuming two somewhat substitutable goods X and Y and the price of X increases. What is the nature of consumer's demand for X if he decreases his expenditure on X?

- (a) Unitary elastic
 (b) Perfectly inelastic
 (c) Elastic
 (d) Inelastic

91. Which one of the following is not the basic assumption of indifference curve approach of consumer theory?

- (a) Consumer is able to set up preference ranking of the combination of goods and services.
 (b) Consumer is able to measure the utility.
 (c) The ranking is consistent.
 (d) Consumer prefers more to less of a commodity.

92. Consider the following statements.

1. Cross elasticity of demand for petrol with respect to price of diesel is close to zero in the short-run but it may increase in the long run if the price differential between these two products remains high for long.
2. Cross elasticity of demand of X with respect to Y would be negative if X and Y are substitutes.
3. Cross elasticity of demand of X with respect to Y would be positive if X and Y are complements.
4. Cross elasticity of demand of X with respect to Y would be close to zero if X and Y are unrelated products.

Which of the statements given above are correct?

- (a) 1, 3 and 4 only
 (b) 2 and 3 only
 (c) 1 and 4 only
 (d) 1, 2, 3 and 4

93. Which one of the following is the correct statement?

In the case of Giffen goods:

- (a) substitution effect is negative
 (b) income effect is negative

- (c) income effect is stronger than the substitution effect
 (d) All the above three

94. Which one of the following is the correct statement?

Given two parallel straight-line demand curves, the price-elasticity of demand in case of each curve is equal:

- (a) At each price level
 (b) At each demand level
 (c) Only at points on these demand curves which fall on a straight line emanating from the origin
 (d) In none of the above cases

95. Which of the following are the characteristics of the kinked demand curve?

1. Equilibrium is defined by the point of kink.
2. Price rigidity under oligopoly.
3. The upper portion of the kinked demand curve is highly elastic.
4. To the point right of kink, marginal cost is larger than marginal revenue.

Select the correct answer using the code given below:

- (a) 1, 2 and 3 only
 (b) 1 and 4 only
 (c) 2, 3 and 4 only
 (d) 1, 2, 3 and 4

96. Consider the following statements regarding determination of factor prices:

1. The mechanism of determination of factor prices does not differ fundamentally from that of prices of commodities.
2. Factor prices are determined by the forces of demand and supply.
3. The difference lies in the determinants of the demand and supply of productive resources.

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Which of the statements given above are correct?

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

97. Which one of the following is the correct statement?

The demand for labour is a derived demand because it depends on:

- (a) the elasticity of labour supply
- (b) the demand for other factors of production
- (c) the wage rate
- (d) the demand for goods and services produced by labour

98. What does the Coase's theorem deal with?

- (a) Internalisation of externalities
- (b) Pricing of public goods
- (c) Solution to the problem of externalities of terms of well-defined and exchangeable property rights
- (d) None of the above

99. Which one of the following is the correct statement?

Consumer surplus is largest in:

- (a) discriminating monopoly
- (b) monopolistic competition
- (c) single-price monopoly
- (d) perfect competition

100. Consider the following statements relating to consumer surplus:

1. Boulding renamed consumer surplus as buyer surplus.
2. Hicks explained consumer surplus through indifference curves.
3. There is a direct relationship between price and consumer surplus.
4. Consumer surplus is nothing but the difference between the price that 'one is willing to pay' and the price 'one actually pays for a particular product'.

Which of the statements given above are correct?

- (a) 1, 2 and 3
- (b) 2, 3 and 4
- (c) 1, 3 and 4
- (d) 1, 2 and 4

101. Compared with monopolist charging single price, a monopolist adopting discriminatory practices would not end up with which one of the following?

- (a) Larger revenue and larger profit
- (b) Larger output and larger revenue
- (c) Larger profit and larger output
- (d) Shorter output but larger profit

102. Which one of the following is the correct statement?

Price of a commodity does not go down when:

- (a) only supply curve moves rightward
- (b) only supply curve moves leftward
- (c) only demand curve moves leftward
- (d) supply curve moves rightward and demand curve moves leftward

103. Which one of the following statements is correct?

A monopolist charging different prices in two different markets will charge a higher price in the market in which the price elasticity of:

- (a) demand is greater
- (b) supply is greater
- (c) demand is smaller
- (d) supply is smaller

104. Which one of the following statements is correct?

A firm under perfect competition will be in stable equilibrium in the long run if the price is equal to:

- (a) marginal revenue
- (b) marginal cost
- (c) average fixed cost
- (d) average variable cost

105. Between two periods, in a closed economy, the savings propensity triples while the level of investment remains unchanged. As a result of this, which one of the following is correct?

- (a) Savings triple
- (b) National Income triples
- (c) National Income remains unchanged
- (d) Savings remain unchanged

106. If money supply rises, then in the IS-LM framework which one of the following statements is correct?

- (a) LM curve shifts to the right
- (b) IS curve shifts to the right
- (c) IS and LM curves both shift to the right
- (d) LM curve does not undergo any change

107. Which one of the following factors does not influence velocity of circulation of money?

- (a) Quantity of money
- (b) Selling costs of business firms
- (c) Credit facilities
- (d) Business conditions

108. Slutsky's decomposition of price effect is not possible without a prior knowledge of which one of the following?

- (a) Income-elasticity of demand
- (b) Price elasticity of demand
- (c) Substitution-elasticity
- (d) Cross-elasticity of demand

109. Which one of the following statements is correct?

The money multiplier in an economy increases with:

- (a) improvement in banking habit of the population
- (b) increase in statutory liquidity ratio
- (c) increase in the cash reserve ratio
- (d) increase in the population of the country

110. How can the inflationary gap at full employment be wiped out?

1. By rise in voluntary saving of the community.
2. By imposition of tax to mop up the surplus.
3. By increasing output to absorb excess demand.
4. Through increase in money supply.

Select the correct answer using the codes given below:

- (a) 1 only (b) 1, 2 and 3
(c) 2, 3 and 4 (d) 1 and 2 only

111. In which one of the following sequences does the change in the quantity of money leads to change in price level in the Keynesian models?

- (a) Change in quantity of money-change in investment-change in employment and output-change in rate of interest-change in price level
- (b) Change in quantity of money-change in employment and output-change in investment-change in rate of interest-change in price level
- (c) Change in quantity of money-change in investment-change in rate of interest-change in employment and output-change in price level
- (d) Change in quantity of money-change in rate of interest-change in investment-change in employment and output-change in price level

112. On which one of the following is the benefits received principle of taxation to achieve optimality based?

- (a) Marginal benefit received
- (b) Total benefit received
- (c) Average benefit received
- (d) Ability to pay for the benefit

113. Which one of the following is the correct statement?

In industries displaying increasing returns to scale and

operated by the public sector to achieve optimality, there has to be:

- (a) a subsidy to the consumer only
- (b) a tax on the industry
- (c) a tax on the consumer and subsidy to the producer
- (d) a subsidy to the consumer and a tax on the producer

114. Consider the following statements:

The Heckscher-Ohlin theory of the trade is based on the assumption that:

1. Factors are mobile within the country.
2. Factors are immobile within the country.
3. Factors are mobile internationally.
4. Factors are immobile internationally.

Which of the statements given above are correct?

- (a) 1 and 3 (b) 1 and 4
(c) 2 and 3 (d) 2 and 4

115. Which one of the following is the correct statement?

The factor price equalisation theorem is a corollary of

- (a) the Ricardian Trade Theorem
- (b) the Heckscher-Ohlin Theorem
- (c) imperfect competition model of trade
- (d) None of the above

116. What does inverted U-shaped Kuznet's curve depict where PCY stands for per capita income?

- (a) As PCY increases, equality of income increases and then falls
- (b) As PCY increases, inequality of income increases and then falls
- (c) PCY and inequality are inversely related to each other
- (d) PCY and equality of incomes are inversely related to each other

117. Which one of the following is the correct statement?

'Verdoorn Coefficient' reflects relationship between:

- (a) growth of labour productivity in agriculture and growth of agricultural output
- (b) growth of labour productivity in agriculture and growth of manufacturing output
- (c) growth rate of labour productivity in manufacturing and growth of manufacturing output
- (d) growth rate of labour productivity in manufacturing and growth of agriculture output

118. Sum of a set of 100 observations is 500. If its Standard Deviation is 4, which one of the following is equal to the value of sum of squares of these observations?

- (a) 2500 (b) 4100
(c) 2516 (d) 50000

119. Which one of the following is the correct statement?

According to Harrod, technical change is said to be capital saving if it:

- (a) raises the capital output ratio
- (b) leaves the capital output ratio unchanged
- (c) lowers the capital output ratio
- (d) raises the capital labour ratio

120. Consider the following statements:

In Harrod's Growth Model (assuming no technical progress) the 'knife edge' problem arises because

1. The natural rate of growth is exogenously given.
2. Capital output ratio is constant.
3. There is no technical progress.

Which of the statements given above is/are correct?

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

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121. Which one of the following is the correct statement?
The 'Sen measure' of poverty is said to measure the distribution of welfare rather than merely the distribution of wealth in a society because:
- (a) it defines poverty in terms of minimum level of living
 - (b) it measures the energy requirements of a household
 - (c) it prescribes a universal standard of well being
 - (d) it seeks to measure the income shortfall of each person below the poverty line
122. The point of intersection of the curves 'less than Ogive' and 'more than Ogive' gives which one of the following measures?
- (a) Median
 - (b) Harmonic Mean
 - (c) Arithmetic Mean
 - (d) Geometric Mean
123. If $z = x + y$, and if x and z are positively correlated, then what is the nature of the correlation between variable y and variable z ?
- (a) Negative
 - (b) Positive
 - (c) May be negative or positive
 - (d) None of the above
124. If food prices increase at relatively faster rates than other items, then at what rate will the consumer price index for agricultural labour in relation to that for urban non-manual workers increase?
- (a) Slower rate
 - (b) Same rate
 - (c) Faster rate
 - (d) Cannot be determined
125. A locus of constant utility is called the:
- (a) expansion path
 - (b) utility function
 - (c) indifference curve
 - (d) demand function
126. Total product is exhausted when actors are paid according to their respective marginal products provided that the production function is homogeneous of degree (n) , where:
- (a) $n = 1$
 - (b) $n > 2$
 - (c) $n < 2$
 - (d) $n \neq 1$
127. A competitive farmer, with a given family farm and equipment and no alternative employment opportunities either for himself or for his family members, would use the family labour on his farm up to a level till the marginal physical productivity of labour reaches:
- (a) Maximum
 - (b) Zero
 - (c) A level where it is equal to average productivity of labour
 - (d) Negative values
128. Which one of the following is/are characteristic(s) of the equilibrium point of a firm?
- (a) Tangency between the iso-quant and the iso-cost line
 - (b) Equality between the MRTSLK and PL/PK
 - (c) Equality between the MPK/ and MPL/PL
 - (d) All of the above
129. In the leadership model of duopoly, if one is a (quantity) leader and the other is a (quantity) follower, equilibrium takes place:
- (a) At any point on the reaction curve of the leader
 - (b) At a point on the reaction curve of the follower
 - (c) At the point of intersection of the two reaction curves
 - (d) Nowhere
130. The break-even point for a perfectly competitive firm occurs at:
- (a) The minimum point of the AVC curve
 - (b) The minimum point of the AC curve
 - (c) The minimum point of the MC curve
 - (d) The minimum point of the AFC curve
131. When labour supply curve bends backward:
- (a) Income becomes an inferior commodity
 - (b) Work becomes an inferior commodity
 - (c) Leisure becomes an inferior commodity
 - (d) People become lazy at higher wage level
132. In which one of the following conditions, price discrimination under monopoly would not be possible?
- (a) When consumers have certain preference and prejudices
 - (b) When a monopolist faces a perfectly elastic demand curve for his product
 - (c) when a monopolist can render the same service for different uses of the service
 - (d) When consumers are separated by distance or tariff barriers
133. Consider the following statements:
'Market failure' may arise as a result of:
1. Monopolistic competition.
 2. perfect competition
 3. economies of scale
- Of the statements—**
- (a) 1 and 2 are correct
 - (b) 2 and 3 are correct
 - (c) 1 and 3 are correct
 - (d) 1, 2 and 3 are correct
134. It is not necessarily worse for a society if a large number of optimality conditions are violated than if only a few are violated. This consideration relates to:
- (a) rational consumer
 - (b) rational producer
 - (c) the theory of second best
 - (d) Social good