



ECONOMICS
Paper – II

1. Taxes on commodities of mass consumption are generally an example of which of the following types of taxes ?
 - (A) Progressive tax
 - (B) Regressive tax
 - (C) Income Tax
 - (D) Property tax
2. Public expenditure elasticity is
 - (A) Ratio of rise in public expenditure to rise in GNP
 - (B) Ratio of rise in GNP to rise in public expenditure
 - (C) Ratio of percentage rise in public expenditure to percentage rise in GNP
 - (D) Ratio of percentage rise in GNP to percentage rise in public expenditure
3. In reference to 'sinking fund' which of the following is not true ?
 - (A) This is a debt redemption fund
 - (B) It must never be financed from revenue
 - (C) It means that some part of public revenue is used for debt repayment
 - (D) If finance from borrowing it is not a true sinking fund
4. It is said that fiscal policy in LDCs has caused inflation. This is mainly because of which of the following ?
 - i. Tax systems of LDCs is often inelastic w.r.t. income.
 - ii. Political pressures on public spending lead to inflationary spending.
 - iii. Inflation reduces real value of savings.
 - (A) i and ii
 - (B) i and iii
 - (C) Only ii
 - (D) Only iii
5. Suppose a man takes out a life insurance policy on his wife and disconnects the car breaks leading to his wife's death in an accident. Who is the victim of moral hazard ?
 - (A) The husband
 - (B) The wife
 - (C) The insurance company
 - (D) Both husband and insurance company
6. Which of the following is among the "pull factors of migration" ?
 - (A) Security of life
 - (B) Unemployment
 - (C) Poor living conditions
 - (D) Unpleasant climate



7. Which of the following is/are correct about Paramparagat Krishi Vikas Yojana ?
- It was launched in 2015
 - It is being implemented by the organic farming cell of the integrated Nutrient Management (Division)
 - The Funding pattern under the scheme is in the ratio of 60:40 by the Central and State Govts. respectively
 - It aims at organising a minimum of one cluster demonstration in a village
- (A) i, ii and iii only
(B) i, ii, iii and iv
(C) i, ii and iv only
(D) iii and iv only
8. The solow residual
- Is the difference between the rate of growth of productivity and the rate of growth of inputs
 - Is the difference between the rate of growth of output and the rate of growth of savings
 - Is the difference between the rate of growth of output and the rate of growth of inputs
 - Is the difference between the golden rule level of consumption and the steady state level of consumption

9. The phenomenon of 'Demographic dividend' which occurs with _____ birth rate is the shift in the age structure of the population towards the adult working age. (fill in the blank space)
- (A) Falling
(B) Rising
(C) 4 per cent
(D) 3 per cent
10. A 'private good' is
- Rival but not excludable
 - Not rival but excludable
 - Both rival and excludable
 - Neither rival nor excludable
11. As per Union Budget 2022, how many schemes form the "Core of Core Schemes" of the government ?
- (A) 7
(B) 6
(C) 5
(D) 4



12. In Indian manufacturing sector the phenomenon of the 'missing middle' and the unusual productivity gap between small and large units is commonly referred to as which of the following ?
- (A) Dualism in Indian Manufacturing
(B) Employment in Indian Manufacturing
(C) Dynamic role of Indian Manufacturing
(D) Legacy of Indian Manufacturing
13. As per Union Budget 2022, in US dollar terms what were India's forex reserves at end-December 2021 ?
- (A) US\$ 533.6 billion
(B) US\$ 633.6 billion
(C) US\$ 733.6 billion
(D) US\$ 833.6 billion
14. Which of the following statements about 15th Finance Commission of India is/are correct ?
- i. Shri N. K. Singh was the Chairman of Commission.
ii. Title of the Report of the Commission was 'Finance Commission in Covid Times'.
iii. Volume – IV of the report is devoted to the union government.
- (A) Only i and ii are correct
(B) Only i and iii are correct
(C) Only ii and iii are correct
(D) All are correct
15. The ratio of total number of registered deaths to the total mid-year population during the year multiplied by thousand gives
- (A) Standardised Death Rate
(B) Mortality Rate
(C) Absolute Death Rate
(D) Crude Death Rate
16. Match the following and select the correct answer from options given below :
- | List – 1 | List – 2 |
|--|------------------------------------|
| i. Prisoner' Dilemma | 1. Production Possibility Frontier |
| ii. Patent | 2. Game Theory |
| iii. Output combinations from the contract curve | 3. Perfect Competition |
| iv. Firms are price takers | 4. Source of Monopoly power |
- (A) i – 1; ii – 2; iii – 3; iv – 4
(B) i – 2; ii – 3; iii – 4; iv – 1
(C) i – 2; ii – 4; iii – 1; iv – 3
(D) i – 1; ii – 4; iii – 2; iv – 3



17. Match the following and select the correct answer from options given below :

List – 1**List – 2**

- | | |
|---|-----------------------------|
| i. Increase in rupee value of harm caused by 1 unit increase in output | 1. Private marginal benefit |
| ii. Benefit received by society when 1 additional unit of good is produced and consumed | 2. Social marginal benefit |
| iii. Revenue benefits for the firm for sale of additional unit produced | 3. Private marginal cost |
| iv. Hiring more labour and purchasing more raw materials to produce 1 more unit of good | 4. Marginal damage |

- (A) i – 1; ii – 2; iii – 3 and iv – 4
(B) i – 2; ii – 1; iii – 4 and iv – 3
(C) i – 4; ii – 2; iii – 1 and iv – 3
(D) i – 4; ii – 3; iii – 2 and iv – 1

18. Match the following and select the correct answer from options given below :

List – 1**List – 2**

- | | |
|---|-------------------------------------|
| i. Procedure of deriving value of an asset by discounting expected future income from it | 1. Equilibrium in goods market |
| ii. Rate of interest at which present value of income yielded by an asset equals its cost | 2. Equilibrium in money market |
| iii. Equilibrium when total demand for output equals current value of output | 3. Capitalization |
| iv. Equilibrium when desired money holdings equals the amount of money in existence | 4. Rate of return on a capital good |

- (A) i – 1; ii – 2; iii – 3; iv – 4
(B) i – 2; ii – 1; iii – 4; iv – 3
(C) i – 3; ii – 4; iii – 1; iv – 2
(D) i – 4; ii – 3; iii – 2; iv – 1



19. Match the following and select the correct answer from options given below :

List – 1

List – 2

- | | |
|---|---------------------------|
| i. Fluctuations in final sales of a product tend to produce larger fluctuations in induced investment | 1. Autonomous Investment |
| ii. Investment resulting from an increase in demand | 2. Acceleration Principle |
| iii. Investment not due to increase in demand and usually associated with innovation | 3. Induced Investment |
| iv. Replacement investment + net investment | 4. Gross Investment |

- (A) i – 2; ii – 3; iii – 1; iv – 4
(B) i – 1; ii – 2; iii – 3; iv – 4
(C) i – 3; ii – 2; iii – 1; iv – 4
(D) i – 1; ii – 3; iii – 2; iv – 4

20. Over the long run the rate of depreciation of the nominal exchange rate between two countries is approximately equal to the difference in national _____ rates.

Choose the correct option to fill the blank :

- (A) Productivity Growth
(B) Real Interest
(C) Inflation
(D) Real Output Growth

21. If Monetary Base remains unchanged then a decrease in the currency preferences of households will cause which of the following ?

- (A) Decrease in the required reserves of deposit institutions.
(B) Increase in the reserves of deposit institutions.
(C) Exponential decrease in the reserves of deposit institutions.
(D) No effect on the reserves of deposit institutions.

22. In case of Capital Market CAPM stands for

- (A) Capital Assets Product Method
(B) Capital Authorisation Prevention Method
(C) Capital Asset Pricing Model
(D) None of the above



23. In many LDCs, economic reasons to explain why educational systems give poor students less chance of completing any given educational cycle include

- i. Opportunity cost of a child's labour to poor families are higher.
- ii. Expected benefits of primary education are lower for poor students.
- iii. Poor school performance may have nothing to do with cognitive skills.
- iv. Substantial tuition fee for higher level of education make cost prohibitive for poor families.

- (A) i, ii and iii
- (B) i, ii and iv
- (C) ii, iii and iv
- (D) i, iii and iv

24. In the Solow growth model, and increase in depreciation rate holding everything else constant, leads to _____ at the new steady state.

Fill in the blank from the appropriate option given below :

- (A) A decrease in output per worker
- (B) An increase in capital stock per worker
- (C) An ambiguous effect of output per worker
- (D) Both (B) and (C)

25. Gender Inequality Index (GII) is a composite metric of gender inequality using three dimensions which of the following is not a dimension included in construction of GII ?

- (A) Reproductive Health
- (B) Female Literacy Rate
- (C) Empowerment
- (D) Labour Market Participation

26. **Statement 1** : BLUE properties are the main criteria for good estimators obtained from small samples.

Statement 2 : An estimator is a Mean Square Error (MSE) estimator if it has the largest Mean Square Error.

Choose the correct answer from the options given below :

- (A) Statement 1 is true; Statement 2 is false
- (B) Statement 1 is false; Statement 2 is false
- (C) Statement 1 is true; Statement 2 is true
- (D) Statement 1 is false; Statement 2 is true



27. **Statement 1** : Premultiplying matrix B by A and postmultiplying matrix B by A will lead to a well defined product matrix AB only for square matrices.

Statement 2 : A transpose matrix A^T , is the original matrix A with its rows and columns interchanged.

Choose the correct answer from the options given below :

- (A) Both Statements are true
- (B) Statement 1 is true and Statement 2 is false
- (C) Both Statements are false
- (D) Statement 1 is false and Statement 2 is true

28. **Statement 1** : A function whose range comprises only single element is not called a constant function.

Statement 2 : A function expressed in terms of polynomials and/or roots of polynomials (e.g. cube root) is an algebraic function.

Choose the correct answer from the options given below :

- (A) Both Statements are true
- (B) Statement 1 is true and Statement 2 is false
- (C) Both Statements are false
- (D) Statement 1 is false and Statement 2 is true

29. **Assertion (A)** : A BoP deficit may originate in forces affecting either the current or the capital account.

Reason (R) : Capital account disturbance could result from either a fall in capital exports or a rise in inflow of capital.

Choose the correct option regarding the Assertion and Reason given above :

- (A) Both (A) and (R) are true, but (R) does not explain (A)
- (B) (A) is true and (R) is false
- (C) Both (A) and (R) are true and (R) explains (A)
- (D) (A) is false and (R) is true

30. **Statement 1** : Strictly speaking, dumping is the sale of a commodity in a foreign market at a price lower than the marginal cost.

Statement 2 : If dumping could be proved then GATT / WTO accepted the imposition of special import duties.

Choose the correct answer from the options given below :

- (A) Statement 1 is true and Statement 2 is false
- (B) Statement 1 is false and Statement 2 is true
- (C) Both Statements are true
- (D) Both Statements are false



31. In reference to two events A and B, match the following and choose the correct answer from the options given below :

List – 1**List – 2**

- | | |
|---|----------------------------------|
| i. $P(A \text{ or } B) = P(A) + P(B) - P(A \text{ and } B)$ | 1. Mutually exclusive events |
| ii. $P(A \text{ and } B) = P(A).P(B)$ | 2. Dependent events |
| iii. $P(A \text{ or } B) = P(A) + P(B)$ | 3. Independent events |
| iv. $P(A \text{ and } B) = P(A).P(B/A)$ | 4. Not mutually exclusive events |

(A) i – 1; ii – 2; iii – 4; iv – 3

(B) i – 2; ii – 4; iii – 3; iv – 1

(C) i – 3; ii – 1; iii – 2; iv – 4

(D) i – 4; ii – 3; iii – 1; iv – 2

32. Match the following conditions for the occurrence of an extreme value and choose the correct answer from the options given below :

List – 1**List – 2**

- | | |
|---|-------------------|
| i. $f_x = 0, f_y = 0,$
$f_{xx} < 0, f_{yy} < 0,$
$f_{xx}f_{yy} - (f_{xy})^2 > 0$ | 1. Maximum |
| ii. $f_x = 0, f_y = 0,$
$f_{xx} > 0, f_{yy} > 0,$
$f_{xx}f_{yy} - (f_{xy})^2 > 0$ | 2. Minimum |
| iii. $f_x = 0, f_y = 0,$
$f_{xx}f_{yy} - (f_{xy})^2 < 0$ | 3. Saddle point |
| iv. $f_x = 0, f_y = 0,$
$f_{xx}f_{yy} - (f_{xy})^2 = 0$ | 4. No information |

(A) i – 1; ii – 2; iii – 3; iv – 4

(B) i – 4; ii – 3; iii – 2; iv – 1

(C) i – 3; ii – 4; iii – 1; iv – 2

(D) i – 2; ii – 3; iii – 4; iv – 1



33. Match the following and choose the correct answer from the options given below :

List – 1

i. $a + b = b + a$

ii. $ab = ba$

iii. $(a + b) + c = a + (b + c)$

iv. $(ab)c = a(bc)$

v. $a(b + c) = ab + ac$

List – 2

1. Associative law of addition

2. Associative law of multiplication

3. Commutative law of addition

4. Commutative law of multiplication

5. Distributive law

(A) i – 1; ii – 2; iii – 3; iv – 4; v – 5

(B) i – 4; ii – 3; iii – 2; iv – 1; v – 5

(C) i – 3; ii – 4; iii – 1; iv – 2; v – 5

(D) i – 2; ii – 3; iii – 4; iv – 1; v – 5

34. Match the following and choose the correct answer from the options given below :

List – 1

i. Smith

ii. MacDougall

iii. Vernon

iv. Hechscher-Ohlin

List – 2

1. Lable product cycle

2. Absolute advantage

3. Factor proportion hypothesis

4. Tested classical comparative advantage theory

(A) i – 1; ii – 2; iii – 3; iv – 4

(B) i – 2; ii – 4; iii – 1; iv – 3

(C) i – 3; ii – 1; iii – 4; iv – 2

(D) i – 4; ii – 3; iii – 2; iv – 1



35. Match the following possible combinations of internal and external imbalance to achieve internal balance in each case and their effect on external balance and choose the correct answer from the options given below :

List – 1**List – 2**

Case	Policy for Internal Balance	Effect on External Balance
i. Unemployment with deficit	1. Expansionary	Worsens
ii. Unemployment with surplus	2. Expansionary	Improves
iii. Inflation with surplus	3. Restrictive	Worsens
iv. Inflation with deficit	4. Restrictive	Improves

(A) i – 4; ii – 3; iii – 2; iv – 1

(B) i – 3; ii – 4; iii – 1; iv – 2

(C) i – 2; ii – 1; iii – 4; iv – 3

(D) i – 1; ii – 2; iii – 3; iv – 4

36. A function $f(x)$ which is defined as an open interval including the point $x = a$, is differentiable at that point if which of the following holds true ?

(A) $\lim_{\delta x \rightarrow 0} [f(a + \delta x) - f(a)] \div \delta x$ exists and is finite

(B) $\lim_{\delta x \rightarrow 0} [f(a + \delta x) - f(a)] \div x$ exists and is finite

(C) $\lim_{\delta x \rightarrow 0} [f(a - \delta x) + f(a)] \div \delta x$ exists and is finite

(D) $\lim_{\delta x \rightarrow 0} [f(a - \delta x) - f(a)] \div x$ exists and is finite

37. A producer's output decision that has to be made one period in advance of the actual sale illustrates the use of first-order difference equations for economic analysis. What is another name for this market model for a single commodity ?

(A) Lewis model

(B) Cobweb model

(C) Euler's theorem

(D) Lagrange multiplier method

38. The solution values of output variables all turn out to be non-negative, when Leontief matrix satisfies

(A) Leontief – Hawkins Properties

(B) Jacobian Condition

(C) Hawkins – Simon Condition

(D) Maclaurin and Taylor Condition



39. A feasible solution of Linear Programming Problem
- (A) Must satisfy all the constraints simultaneously
 - (B) Need not satisfy all the constraints, only some of these be satisfied
 - (C) Must be a corner point of the feasible region
 - (D) All of the above
40. What was the basic assumption of the Classical theory of international trade, to explain costs of production in a single country, which seriously restricted its explanatory usefulness ?
- (A) International mobility of factors
 - (B) Natural dis-advantage
 - (C) Labour determines value
 - (D) Competing groups
41. **Assertion (A)** : It is simply not possible to separate economic from non-economic phenomena when dealing with real world development problems.
- Reason (R)** : Low productivity, low incomes and low levels of living are mutually reinforcing phenomena.
- Choose the correct option regarding the assertion and reason given above :
- (A) Both (A) and (R) are true and (R) explains (A)
 - (B) Both (A) and (R) are true, but (R) does not explain (A)
 - (C) (A) is true and (R) is false
 - (D) (A) is false and (R) is false

42. **Assertion (A)** : Both a rapidly growing population and one which has stabilized in numbers face the same problem of high proportion of dependents to active members.

Reason (R) : In a rapidly growing population dependents are mainly youth and in a stabilized population dependents are mainly older people.

In reference to the age structure, choose the correct option regarding the assertion and reason given above :

- (A) Both (A) and (R) are true, but (R) does not explain (A)
- (B) Both (A) and (R) are true and (R) explains (A)
- (C) (A) is true and (R) is false
- (D) (A) is false and (R) is false

43. **Assertion (A)** : A poor country invests in the individual's education, health etc., and this individual joins the labour force in the rich country causing loss of welfare in the poor country.

Reason (R) : It is often said that emigration from a poor to a rich country is appropriate from a welfare perspective.

In light of the concept of migration choose the correct answer from the options given below :

- (A) Both (A) and (R) are true, but (R) does not explain (A)
- (B) Both (A) and (R) are true and (R) explains (A)
- (C) (A) is true and (R) is false
- (D) (A) is false and (R) is true



44. **Assertion (A)** : Economic growth is not the only means of poverty alleviation.

Reason (R) : Low income is not the only form of poverty and fruits of economic growth may not be automatically used to expand basic social services.

Choose the correct answer from the options given below :

- (A) Assertion (A) is true and Reason (R) is false
- (B) Assertion (A) is false and Reason (R) is true
- (C) Both Assertion (A) and Reason (R) are true and (R) explains (A)
- (D) Both Assertion (A) and Reason (R) are true but (R) does not explain (A)

45. **Statement 1** : The obvious argument in favour of land reform in India is equity.

Statement 2 : Owner cultivated plots of land tend to be less productive than those under share cropping tenancy.

Choose the correct answer from the options given below :

- (A) Both Statement 1 and 2 are true
- (B) Statement 1 is true and Statement 2 is false
- (C) Both Statement 1 and 2 are false
- (D) Statement 1 is false and Statement 2 is true

46. Which of the following statement regarding perfect substitute is correct with respect to indifference curve analysis ?

- (A) Indifference curves are 'L' shaped and there is corner solution
- (B) Indifference curves are downward sloping straight line and the consumer consumes some quantities of both the commodities
- (C) Indifference curves are 'L' shaped and equilibrium is indeterminate
- (D) Indifference curves are downward sloping straight line and the consumer suffers from monomania

47. Fill in the blanks by choosing appropriate options :

As per Ricardo "Corn is not _____ because rent is paid but rent is paid because corn is _____".

- (A) Low, High
- (B) High, Low
- (C) High, High
- (D) High, Constant

48. Which of the following are taxes imposed as a fixed percentage of the price of a commodity ?

- (A) Ad valorem taxes
- (B) Lump sum taxes
- (C) Unit taxes
- (D) Annual operating licence fee



49. Which of the following is/are assumptions of Cournot's oligopoly model ?
- Firms sell differentiated products
 - Their marginal costs are zero
 - Market demand curve is unknown to both sellers and is non-linear
 - Each firm believes that its rival will hold output constant regardless of what level of output it produces
- (A) i and iii
(B) only ii
(C) only iii
(D) ii and iv
50. Which of the following are conditions for economic efficiency ?
- At all points along the contract curve, the marginal rates of substitution between the two commodities are the same for both consumers.
 - At all points along the contract curve, the marginal rate of technical substitution between land and labour are equal in the production of the two commodities.
 - Marginal benefit to consumers of one good in terms of the other good will be exactly equal to the marginal cost of producing that good in terms of the other good.
- (A) only i
(B) i and ii
(C) ii and iii
(D) i, ii and iii
51. As per the Union Budget 2022, what is the Budget Estimate for Fiscal Deficit for 2022-23 ?
- (A) 4.4 % of GDP
(B) 5.4 % of GDP
(C) 6.4% of GDP
(D) 7.4% of GDP
52. Benefit cost analysis should adopt which of the following in evaluating the benefits and costs of a public project ?
- (A) Private perspective
(B) Social perspective
(C) Any of the above two as both give the same estimate
(D) Neither private perspective nor social perspective
53. 'What is your opinion on the National Education Policy 2020 ?' Is an example of which type of question ?
- (A) Appreciative question
(B) Critical question
(C) Evaluative question
(D) Follow-up question
54. The Paretian condition for a Public Good is that
- (A) Its Marginal Social Benefit (MSB) should be greater than Marginal Social Cost (MSC)
(B) Its Marginal Social Benefit should be less than Marginal Social Cost
(C) Its Marginal Social Benefit should be equal to Marginal Social Cost
(D) Its Marginal Social Benefit should be divided by Marginal Social Cost



55. The Coase theorem will not hold when there are too many people exerting negative externality and too many people affected by that externality. The Phrase “too many people” suggest that
- (A) There are zero transaction costs
 - (B) There are positive transaction costs
 - (C) Property Rights can be easily defined
 - (D) There are negative transaction costs
56. Which one of the following is not true for random sampling?
- (A) It gives equi-probability of selection to every unit in that universe
 - (B) It requires both theoretical and concrete descriptions of the universe
 - (C) It involves some method of selection of sample units based on chance alone
 - (D) It requires the universe to be divided into homogeneous categories
57. In constructing index numbers, which of the following are reasons to shift the base year ?
- i. Dispersion of price relatives may become so great that no average is reliable.
 - ii. Due to currency depreciation, population growth, technological advancements etc.
 - iii. Major changes in consumption pattern.
 - iv. The quality of many commodities changes progressively with time.
- (A) i, ii, iii and iv (B) i, ii and iii
(C) i and ii (D) only i
58. In time series analysis, a method is said to be satisfactory if the deseasonalized data fulfil which of the following conditions ?
- Deseasonalized data :
- i. do not show similarity of intra-year pattern, other than cyclical in different years.
 - ii. are not extremely irregular in their movement.
 - iii. are of about the same size as the original data in 12 month periods.
- (A) i and ii
(B) i, ii and iii
(C) ii and iii
(D) i and iii
59. The power of a set X, is defined as
- (A) Collection of disjoint subsets
 - (B) Other elements of the universe
 - (C) Set of all subsets of X
 - (D) Set of elements in set Y
60. $y = a + bx$, $y = \log x$ and $y = ae^x$, where x is a real number are examples of which of the following ?
- (A) Real valued functions
 - (B) Quadratic functions
 - (C) Logarithmic functions
 - (D) Exponential functions



61. **Statement 1** : Just as taxes reduce the ability to save, public expenditure increase the ability to save.

Statement 2 : Ability to invest will be increased if public authority places investible funds in the hands of any agency, public or private.

In reference to the two statements given above choose the most appropriate answer from the following options :

- (A) Statement 1 is correct and Statement 2 is incorrect
- (B) Statement 1 is incorrect and Statement 2 is correct
- (C) Statement 1 is incorrect and Statement 2 is incorrect
- (D) Statement 1 is correct and Statement 2 is correct

62. The following statements are made here in the context of limits to government action to repair market failures.

Statement 1 : A lump sum tax must be either entirely unconditional or conditioned only on characteristics of a person rather than on his market behaviour.

Statement 2 : Governments will sometimes find that social welfare can be increased only by enacting laws that restrict individual behaviour.

In reference to the two statements given above choose the most appropriate answer from the following options :

- (A) Statement 1 is correct and Statement 2 is correct
- (B) Statement 1 is incorrect and Statement 2 is correct
- (C) Statement 1 is incorrect and Statement 2 is incorrect
- (D) Statement 1 is correct and Statement 2 is incorrect

63. **Statement 1** : The central bank controls M1, M2 and M3 in the long run while in the short run money multiplier is influenced by behavioural coefficients (income, wealth etc).

Statement 2 : By focussing on the behavioural coefficients, money supply theory regards money creation in a static rather than a dynamic economic setting.

Choose the correct answer from the options given :

- (A) Both Statement 1 and 2 are true
- (B) Both Statement 1 and 2 are false
- (C) Statement 1 is true and Statement 2 is false
- (D) Statement 1 is false and Statement 2 is true

64. **Statement 1** : Monetary policy affects GNP with a lag.

Statement 2 : The effects of a change in money supply are distributed over time rather than concentrated in one time period.

Choose the correct answer from the options given :

- (A) Statement 1 is true and Statement 2 is false
- (B) Statement 1 is false and Statement 2 is true
- (C) Both Statement 1 and 2 are false
- (D) Both Statement 1 and 2 are true



65. Statement 1 : The simplest way to understand development is to see it as a continuous outward shift of the production possibility curve.

Statement 2 : Economic development involves a change in the structure of the economy and some say that it also involves major changes in the social structure.

Choose the correct answer from the options given :

- (A) Both Statement 1 and 2 are true
 - (B) Statement 1 is true and Statement 2 is false
 - (C) Both Statement 1 and 2 are false
 - (D) Statement 1 is false and Statement 2 is true
- 66.** When one knows that he/she will benefit from the public good provided by everyone else and therefore he/she chooses to make a relatively small contribution. Which of the following explains this phenomenon ?
- (A) Free rider problem
 - (B) Best response function
 - (C) Voluntary contribution
 - (D) Rent seeking behaviour

67. A common characteristic of present-day money is that it is fiduciary money. Which of the following exactly describes fiduciary money ?

- (A) Money that circulates as money on the basis of trust commanded by its issuers
 - (B) Money that circulates as money on the basis of trust commanded by its borrower
 - (C) Money that circulates as money on the basis of trust commanded by central bank
 - (D) Money that circulates as money on the basis of trust commanded by a clearing house
- 68.** Both Rural Electrification Corporation and Housing and Urban Development Corporation are examples of which type of non-bank financial intermediaries ?
- (A) Development banks
 - (B) Big-term lending institutions
 - (C) Specialized finance corporations
 - (D) Insurance corporations
- 69.** The initial incidence of a tax is also known as
- (A) Shifting Incidence
 - (B) Economic Incidence
 - (C) Adjustment Incidence
 - (D) Statutory Incidence



70. Which of the following is not used by RBI to promote commercial banking ?
- (A) Non compulsory liquidation of weak banks
 - (B) Amalgamation of weak banks into stronger banks
 - (C) Extend banking facilities throughout the country
 - (D) Extend functional coverage of banks
71. Which of the following place limits on the extent to which contingent contracts are used to separate good item from bad items ?
- i. Monopoly
 - ii. Moral hazard and enforceability
 - iii. Guarantees
 - iv. Imperfect knowledge
- (A) i and iii
 - (B) i and iv
 - (C) only ii
 - (D) only iii
72. In order to recognize double counting, depreciation is deducted from GNP to arrive at the NNP. Which of the following is another name for depreciation ?
- (A) Capital consumption
 - (B) Business fixed investment
 - (C) Government interest
 - (D) Social insurance
73. An excess of demand over the full price level which, according to Keynes will generate an upward price and wage movement, is called which of the following ?
- (A) Deflationary gap
 - (B) Inflationary gap
 - (C) Wage gap
 - (D) Price differential
74. Which of the following causes a reduction in current demand for bonds and an increase in market supply of bonds ?
- (A) Investment
 - (B) Fiscal drag
 - (C) Liquidity hoarding
 - (D) Capacity constraints
75. Which of the following are sometimes also called consumption multipliers ?
- i. Tax cut multiplier
 - ii. Private investment multiplier
 - iii. Government purchase multiplier
 - iv. Balanced budget multiplier
- (A) i and iii
 - (B) ii and iv
 - (C) i and iv
 - (D) ii and iii



76. Assertion (A) : Equilibrium differences in wage rates exist because there is no tendency for adjustment to occur to wipe out wage differentials.

Reason (R) : E.g. wages for engineers may not be sufficiently high to compensate clerks for training costs they would have to bear to become engineers.

Choose the correct option from the following :

- (A) Both (A) and (R) are true, but (R) is not an example of (A)
- (B) Both (A) and (R) are true and (R) is an example of (A)
- (C) (A) is true and (R) is false
- (D) (A) is false and (R) is true

77. Assertion (A) : Shutting down will not avoid loss since the competitive firm is liable for its fixed costs whether or not it operates.

Reason (R) : When a competitive firm incurs a loss no matter what level it produces, the relevant question is whether it will lose more by shutting down or by continuing to operate.

Choose the correct option from the following :

- (A) (A) is true and (R) is false
- (B) (A) is false and (R) is true
- (C) Both (A) and (R) are true and (R) explains (A)
- (D) Both (A) and (R) are true, but (R) does not explain (A)

78. Statement 1 : The static Philips curve expresses an inverse relation between price and unemployment.

Statement 2 : A reduction in unemployment is associated with a rise in the price when workers supply labour on the basis of expected prices.

Choose the correct option from the following :

- (A) Both Statement 1 and Statement 2 are true
- (B) Both Statement 1 and Statement 2 are false
- (C) Statement 1 is true and Statement 2 is false
- (D) Statement 1 is false and Statement 2 is true

79. Assertion (A) : If expectations are rational an equilibrium can be reached almost at once.

Reason (R) : Economic agents observe events over time and make calculation about the future and act directly on that calculation.

In reference to the theory of rational expectation, choose the correct option regarding the Assertion and Reason given above.

- (A) Both (A) and (R) are true, but (R) does not explain (A)
- (B) Both (A) and (R) are true and (R) explains (A)
- (C) (A) is true and (R) is false
- (D) (A) is false and (R) is false



80. Statement 1 : Identification of a function depends on variables absent from it (paradox of identification).

Statement 2 : If a relationship is underidentified its parameters cannot be statistically estimated by any econometric technique.

Choose the correct answer from the options given below :

- (A) Statement 1 is true; Statement 2 is false
- (B) Statement 1 is false; Statement 2 is true
- (C) Statement 1 is true; Statement 2 is true
- (D) Statement 1 is false; Statement 2 is false

81. Keynes theory of consumption popularly known as “Absolute Income Theory” assumes

- (A) $MPC = APC$
- (B) $MPC > APC$
- (C) $MPC < APC$
- (D) Both MPC and APC are constant

82. Match the following and select the correct answer from the options given below :

List – 1

List – 2

- | | |
|--|--------------------|
| i. Pure public goods | 1. Deadweight loss |
| ii. Taxes that control externalities | 2. Walras’s law |
| iii. Excess demand for one good implies an excess supply of the other good | 3. Pigouvian taxes |
| iv. Welfare cost of a tax | 4. Samuelson |
- (A) i – 4; ii – 3; iii – 2; iv – 1
(B) i – 3; ii – 1; iii – 4; iv – 2
(C) i – 2; ii – 4; iii – 1; iv – 3
(D) i – 1; ii – 2; iii – 3; iv – 4

83. In reference to the monetary policy, match the following and choose the correct answer from the options given below :

List – 1

List – 2

- | | |
|---------------------------------------|---------------|
| i. Full employment | 1. Target |
| ii. High powered money | 2. Instrument |
| iii. Statutory liquidity requirements | 3. Goal |
| iv. Bank credit | 4. Indicator |
- (A) i – 4; ii – 3; iii – 1; iv – 2
(B) i – 3; ii – 4; iii – 2; iv – 1
(C) i – 2; ii – 1; iii – 3; iv – 4
(D) i – 1; ii – 2; iii – 4; iv – 3



84. Match the following and choose the correct answer from the options given below :

List – 1

- i. Market for long term loanable funds
- ii. Short term funds
- iii. Loan companies
- iv. NABARD

List – 2

- 1. Capital Market
- 2. Money Market
- 3. Non-banking Financial Intermediary
- 4. Agricultural Development Bank

(A) i – 4; ii – 3; iii – 2; iv – 1

(B) i – 1; ii – 2; iii – 3; iv – 4

(C) i – 3; ii – 1; iii – 4; iv – 2

(D) i – 2; ii – 4; iii – 1; iv – 3

85. Match the following and choose the correct answer from the options given below :

List – 1

- i. Reduce Inequalities
- ii. Quality Education
- iii. Gender Equality
- iv. Climate Action

List – 2

- 1. SDG 13
- 2. SDG 10
- 3. SDG 4
- 4. SDG 5

(A) i – 1; ii – 4; iii – 3; iv – 2

(B) i – 3; ii – 1; iii – 2; iv – 4

(C) i – 2; ii – 3; iii – 4; iv – 1

(D) i – 4; ii – 2; iii – 3; iv – 1

86. BoP deficit due to disturbance on the current account could result from which of the following ?

- i. A shift in home demand towards imports
- ii. When important natural resources are exhausted
- iii. A decline in domestic tariffs
- iv. Rise in income at home or a decline abroad

(A) i , ii , iii and iv

(B) i , ii and iii

(C) ii , iii and iv

(D) i , ii and iv

87. Which of the following refers to an agreement made for the avoidance or covering of foreign exchange risk ?

(A) Speculation

(B) Hedging

(C) Spot exchange rate

(D) Arbitrage

88. In which year was the direct convertibility of gold into US dollar suspended ?

(A) 1970

(B) 1971

(C) 1972

(D) 1973



89. When a deficit or surplus in a nation's BoP is automatically corrected by a depreciation or appreciation respectively in the nation's currency, this is a case of which type of exchange rate ?
- (A) Fixed exchange rate
 - (B) Freely flexible exchange rate
 - (C) Hybrid exchange rate
 - (D) Equilibrium exchange rate
90. In the equation $\delta Y = 1/(s + m) (\delta I + \delta X)$; $1/(s + m)$ is the foreign trade multiplier. Herein what do 's' and 'm' represent?
- (A) Marginal Propensity to Save and Marginal Propensity to Import
 - (B) Average Propensity to Save and Average Propensity to Import
 - (C) Marginal Propensity to Consume and Marginal Propensity to Export
 - (D) Average Propensity to Consume and Average Propensity to Export
91. Which of the following are the three concepts of growth in the Harrod-Domar model ?
- (A) Warranted growth; natural rate of growth and actual growth
 - (B) Warranted growth; natural rate of growth and perceived growth
 - (C) Uncertain growth; natural rate of growth and actual growth
 - (D) Uncertain growth; specific rate of growth and perceived growth
92. HDI, as a single index, records which three dimensions of human development ?
- (A) Literacy attainment; access to clean drinking water; peace
 - (B) Life expectancy; access to clean energy; gender equality
 - (C) Access to housing; long and healthy life; decent work and economic growth
 - (D) Access to knowledge; decent standard of living; long and healthy life
93. Index of poverty proposed by Sen in 1976, considers which of the following factors ?
- i. Head count ratio.
 - ii. Income gap ratio.
 - iii. Gini coefficient of income distribution among the poor.
 - iv. Multidimensional poverty index.
- (A) i, ii, iii and iv
 - (B) i, ii and iii
 - (C) i and ii
 - (D) only i
94. Fall in death rate can be discussed in terms of which of the following elements ?
- (A) Lengthening of the life of adults and economic growth
 - (B) Lengthening of the life of adults and fall in infant mortality
 - (C) Lengthening of the life of adults only
 - (D) Lengthening of the life of adults and fall in birth rate



95. The production function in the basic endogenous growth model exhibits
- (A) Constant Returns
 - (B) Increasing Returns
 - (C) Decreasing Returns
 - (D) All of the above
96. State the following whether true or false :
- i. Equilibrium in the product market is established when aggregate savings (private and public) equals investment.
 - ii. Increase in income increases disposable income and aggregate savings.
- (A) Only i is true
 - (B) Both i and ii are true
 - (C) Only ii is true
 - (D) Both i and ii are false
97. When the central bank sets the interest rate rather than control the money supply directly, the LM curve is flat (parallel to X-axis). This is because of which of the following ?
- (A) Money supply is varied by the central bank to maintain the target interest rate
 - (B) Money supply is fixed by the central bank to maintain the target interest rate
 - (C) Money supply is varied by the central bank to alter interest rate
 - (D) Money supply is fixed by the central bank to alter interest rate
98. The arithmetic mean is said to be the most representative measure of central tendency. This is because of which of the following ?
- (A) It is a positional average
 - (B) It is a calculated value based on the entire data set
 - (C) It is affected by extreme values
 - (D) It lends itself to further statistical manipulation
99. ' r^2 ' is also called the coefficient of determination because of which of the following ?
- (A) It determines the proportion of variation in dependent variable explained by independent variable
 - (B) It does not determine proportion of variation in dependent variable explained by independent variable
 - (C) It does not determine variation in dependent variable explained by error term
 - (D) It shows no scatter of points around the line of regression
100. The probability of making a Type – 1 error is usually denoted by α and is called which of the following ?
- (A) Level of confidence
 - (B) Acceptance region
 - (C) Level of significance
 - (D) Critical region



Space for Rough Work

