

ECONOMY

MOCK TEST-1



Q1. Which of the following are called economic agents

1. Consumers 2. Producers 3. Corporations and Banks 4. Government
(a) 1 and 2 (b) 3 and 4 (c) 2,3 and 4 (d) 1,2,3 and 4

Q2. Which of the following statements is/are correct?

1. Net investment is equal to Gross Investment minus depreciation.
2. Gross Investment is equal to Net Investment minus depreciation.
(a) Only 1 (b) Only 2 (c) Both 1 and 2 (d) Neither 1 nor 2

Q3. Which of the following statements is/are correct?

1. GVA at basic prices = GVA at factor cost + Net Product Taxes
2. GVA at Market prices = GVA at factor cost + Product Taxes
(a) Only 1 (b) Only 2 (c) Both 1 and 2 (d) Neither 1 nor 2

Q4. Personal Disposable Income is

- (a) Personal Income - Personal Tax Payments only.
(b) Personal Income - Tax and Non tax Payments.
(c) Personal Income - Net interest payments made by the household.
(d) Personal Income - Corporate Tax.

Q5. What is high powered money?

- (a) Currency issued by the central bank held by the public.
(b) Currency issued by the commercial banks held by the public.
(c) Currency issued by the central bank held by the public or the commercial banks.
(d) Currency issued by the commercial banks.

Q6. Consider the following statements

1. Value of money multiplier varies inversely with the value of CRR.
2. Value of money multiplier varies directly with the value of CRR.
3. As the value of multiplier increases, CRR decreases.
Which of the following is/are correct?
(a) Only 1 (b) Only 2 (c) 2 and 3 (d) 1,2 and 3

Q7. Which of the following measure/measures is adopted by RBI to correct Inflation?

1. Increase the CRR.
2. Decrease the SLR.
3. Sell the government securities in the market.
4. Decrease the repo rate.
(a) 1,2 (b) 1,3 (c) 2,3,4 (d) 1 & 4

Q.8 Consider the following about outright open market operations?

- 1) These are permanent in nature.
2) When the central bank buys these securities, it is with a promise to sell them later.
Which of the above is/are not correct?
(a) Only 1 (b) only 2 (c) both 1&2 (d) Neither 1 nor 2

Q.9 Consider the following incorrect sentences /statements/ which one is incorrect

- a) The autonomous consumption is independent of income.
b) The autonomous consumption takes place even when income is zero
c) Induced consumption is independent of income.
d) Marginal propensity to consume represents the change in consumption when income changes.

Q.10 Match the following.

1. Average propensity to consume - (A) Change in consumption per unit change in income.
2. Average propensity to save - (B) changes in savings per unit change in income.
3. Marginal propensity to save - (C) consumption per unit of income
4. Marginal propensity to consume - (D) savings per unit of income
(a) 1 2 3 4 (b) 1 2 3 4
C D B A A D B C
(c) 1 2 3 4 (d) 1 2 3 4
A B C D D B C A

Q.11 The concept of Paradox of thrift as given by Keynes states that as the marginal propensity to save (MPS) of the economy increases, the total value of savings in the economy will -

- a) remain unchanged
b) decline
c) Increase
d) remain constant or decline.

Q.12 What are the characteristics of a public good ?

- 1) They are rival in nature
2) They are non-excludable in nature
3) Problem of free riders emerges in public goods.
4) They are provided only by the govt.
(a) 1,2,3 (b) 2,3,4 (c) 2&3 (d) 2&4 .

Q.13 Which of the following policy statements is/ are not mandated by F R B M A (2003) with the budget.

- a) Medium term fiscal policy statement
b) Fiscal policy strategy statement
c) Macroeconomic framework statement
d) Monetary policy review.

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Q.14 If the demand for foreign goods & services increases then the value of rupee in terms of other currency

- (a) Depreciates
- (b) Appreciates
- (c) Remains constant
- (d) Cannot comment

Q.15 Indifference curve is convex to the origin due to

- a) Constant Marginal rate of substitution
- b) Diminishing Marginal rate of substitution
- c) Increasing Marginal rate of substitution
- d) Zero Marginal rate of substitution

Q.16 For which of the following is demand for the good positively related to its price -

- (a) Inferior goods
- (b) Giffen goods
- (c) Normal goods
- (d) Substitute goods

Q.17 At price Rs.4, the demand for the good is 25 units, suppose price of the good increases to Rs.5 and as a result, the demand for the good falls to 20 units calculate the price elasticity

- (a) -0.8
- (b) 0.8
- (c) 0.5
- (d) 1.25

Q.18 Price Discrimination can be exercised in which of the following markets-

- (a) Perfect competition
- (b) Monopoly
- (c) Monopolistic Competition
- (d) None of the above

Q.19 Consider the following statements -

- 1) isoquants represents combinations of two inputs that yield the same maximum level of output to the producer
- 2) Indifference curves represents combination of two goods that yield the same maximum level of satisfaction to the consumer.

Which is/are correct.

- (a) Only 1
- (b) only 2
- (c) both 1&2
- (d) neither 1nor2.

Q.20 Which one of the following is incorrect?

- a) As long as marginal product is higher than Average product, Average product continues to rise.
- b) When average product falls, Marginal product has to be less than average product.
- c) When Average product falls, marginal product has to more than average product.

d) When Marginal product (MP) increases, total product also increases.

Q.21 If the elasticity of demand for a good is more than one, which of the following is true-

- a) Burden of a direct tax on the consumer will be low.
- b) Burden of a direct tax on the producer will be low.
- c) Burden of a indirect tax on the consumer will be higher than burden on producer.
- d) Burden of a indirect tax on the producer will be higher than on the consumer.

Q.22 Which of the following is not a variable cost.

- a) Insurance
- b) Sales commission
- c) Labor costs
- d) Cost of raw materials

Q.23 Which of the following is not included in the core sectors-

- a) Steel
- b) cement
- c) Mining
- d) coal

Q.24 The printing of which currency notes have been stopped by RBI recently?

- a) 2000
- b) 500
- c) 10
- d) 100

Q.25 Which of the following statements is correct, about the chairperson of monetary policy committee (MPC)?

- a) The chairperson of MPC is appointed by RBI governor.
- b) RBI governor is the ex officio chairperson of the MPC.
- c) Finance minister is the ex-officio chairperson of the committee.
- d) Chairperson of the committee is appointed by the finance minister.

Q.26 Which of the following currencies is not included in special drawing rights (SDR) currency basket?

- a) Indian rupee
- b) British pound
- c) Japanese yen
- d) Chinese renminbi