

CHAPTER 1

INTRODUCTION TO BUSINESS ECONOMICS

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1. **In which Economy, the material means of production i.e, Factories, capital mines etc are owned by whole community represented by state?**
 - a. Socialist Economy
 - b. Capitalist Economy
 - c. Mixed Economy
 - d. Communist Economy
2. **Which of the following is related with the total arrangements for the production and distribution of goods and services in a society?**
 - a. Economic Problem
 - b. Economic Choice
 - c. Economic System
 - d. Economic Institution
3. **Business Economics is basically concerned with:-**
 - a. Applied Economics
 - b. Managerial Economics
 - c. Micro Economics
 - d. Macro Economics
4. **Price In Capitalist Economy is Determined by**
 - a. Small Private Firms
 - b. Big Corporates
 - c. Market Forces of demand and Supply
 - d. Government

5. **Sarah, runs a lemonade stall, her decision making process involves assessing demand for her lemonade, pricing strategies, and maximizing her profit within the limited scope of her small business. which level of economy does Sarahs Lemonade stall represents?**
 - a. Macro Economy
 - b. Global Economy
 - c. Micro Economy
 - d. National Economy

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6. **Which of the following does not describe the nature of business economics?**
 - a It is normative in nature
 - b It is abstract and purely theory
 - c It is an Art
 - d It incorporates elements of Macro Economics
7. **"Buyers Ultimately determine which goods and services will be produced and in what quantities" the given statement is the meaning of**
 - a Planned Economy
 - b Consumer Sovereignty
 - c Freedom of economic Choice
 - d Freedom of Enterprise

8. Which of the following is not one of the four basic economic problems of an economy

- a What to produce?
- b Where to produce?
- c For whom to Produce?
- d What provision are to be made for economic growth

9. Finance Minister was discussing, Balance of trade and balance of payment. This area come under:

- a Micro Economics
- b Macro Economics
- c Capitalist Economy
- d Mixed Economy

10. Which of the following is an example of Normative Statement?

- a. The demand for goods increase if its price decreases.
- b. The government should increase its taxes on liquor to reduce its consumption.
- c. A decrease in interest rate will lead to an increase in investment.
- d. An increase in government spending will reduce the unemployment rate.

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11. Which of the following is not a merit of capitalist economy?

- a. Collective ownership
- b. Faster Economic growth
- c. High degree of operating efficiency
- d. Incentive for innovation and Technological Progress

12. An economy exists on which of the following two facts?

- a. Human wants are limited and the resources are scarce.
- b. Human wants are limited and the resources are unlimited.
- c. Human wants as well as the resources are unlimited.
- d Human wants are unlimited and the resources are relatively scarce

13. The Micro economic theory mainly does not deal with which of the following Issues?

- a. Demand Analysis and forecasting
- b. Stage of business cycle
- c. Production and Cost analysis
- d Inventory Management

14. Which of the following is not correct about business economics?

- a. Business Economics has a narrow scope in comparison to Economics.
- b. Business economics helps in proper decision making in particular business entity.
- c. Economics is an Applied branch of Business Economics.
- d Business Economics includes the analysis of micro level Issues like demand, Supply etc.

15. Command Economy is the another name for?

- a. Socialist Economy
- b. Capitalist Economy
- c. Mixed Economy
- d. Macro Economy

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16. Which of the following statement is true in relation to socialist economy?

Statement I - Relative inequality of income distribution in the society.

Statement II - Freedom from hunger is guaranteed, But consumer sovereignty is restricted.

Statement III - Market forces have major role in allocation of resources

Statement IV - Buyers ultimately determine which goods and services will be produced and in what quantity.

- a. Statement II
- b. Statement IV
- c. Statement I
- d. Statement III

17. The important feature of the mixed economy is

- a. Co- Existence of both Manufacturing and service sector.
- b. Co- Existence of both agriculture and Industry.
- c. Co- Existence of both Private and Public Sector.
- d. Co- Existence of both Small and Large Industries

18. Which of the following is not covered under Macro Economics?

- a. Balance Of Payment.
- b. The Overall level of Savings and investment.

- c. The Level of employment
- d. Behaviour of firms

19. An icecream company is planning to expand its business. Before making decisions, it studies various economic factor, such as consumer preferences, pricing strategies, employee wages and ideal location for its outlet. Which level of economy does the company analyze for expansion?

- a. Macro Economy
- b. Micro Economy
- c. International Economy
- d. National Economy

20. Which of the following is not the characteristics of Capitalist Economy?

- a. Profit Motive
- b. Competition
- c. Freedom of Enterprise
- d. Collective Ownership

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21. Which of the following is normative statement?

- a. Public healthcare increases the public Expenditure.
- b. Higher interest rate as set by the governments economic policy will reduce the house prices.
- c. If consumer income drops, Consumer will have less money to spend.
- d. The government should provide healthcare for all.

22. Which of the following is not covered under macro economics?

- a. Product Pricing
- b. Factor Pricing
- c. The General price level and interest rate.
- d. The economic conditions of section of people

23. Precedence of property right over a human right is a demerit of which type of economic system?

- a. Micro Economy
- b. Macro Economy
- c. Capitalist Economy
- d. Socialist Economy

24. Match the following

Column A	Column B
(i) Capitalist Economy	(a) Command Economy
(ii) Socialist Economy	(b) High Degree of Operating Efficiency
(iii) Mixed Economy	(c) Encourages Enterprises and risk taking

- a. (i)-a, (ii)-b, (iii)-c
- b. (i)-b, (ii)-c, (iii)-a
- c. (i)-b, (ii)-a, (iii)-c
- d. (i)-c, (ii)-a, (iii)-b

25. Laissez Fair approach advocated

- a. Minimum government interference in or regulation of economic activity.
- b. Increase in government spending to combat economic recession.
- c. Having more active fiscal policy
- d. Increasing taxes to curtail Aggregate Demand

26. Predominance of bureaucracy and resulting inefficiency and delays which may lead to corruption, red-tapisim is the demerit of

- a. Capitalist Economy
- b. Socialist Economy
- c. Consumer sovereignty
- d. Normative Economy

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27. Which of the following area is related to macro economics?

- a. Consumer Behaviour
- b. Factor Pricing
- c. External Value of currency
- d. Behaviour of firms

28. Consumer sovereignty is a feature related to which of the following economic system?

- a. Laissez Fair Economy
- b. Socialist Economy
- c. Mixed Economy
- d. Command Economy

29. Mixed Economy in the real world comprises of

- a. Only Market
- b. Both Market and Government
- c. Both Market and Private Individuals
- d. Only Government

30. "The right to work is guaranteed, but the choice of occupation gets restricted" select the correct set of options which is related with the above statement.

- a. Absence of consumer choice, Capitalist Economy
- b. Absence of Consumer Choice, Socialist Economy
- c. Right to private property, Capitalist Economy.
- d. Right to private property, Socialist Economy.

31. Which of the following factors does not relate to central economic problems?

- a. What to produce
- b. How to produce
- c. When to produce
- d. For whom to Produce.

- a.
- b.
- c.
- d.

CHAPTER 2

THEORY OF DEMAND AND SUPPLY

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1. The price of a commodity is Rs.10 per unit, at this price quantity supplied is 500 units. Price elasticity of supply of the commodity is 1.25. At what price the quantity to be supplied is 20% more.
 - a. 8.40
 - b. 11.60
 - c. 12.50
 - d. 7.50
2. Mr X and Mr Y are rich rivals and, in a party, Mr X was wearing an expensive dress and on seeing it Mr y who also has the same dress decided to reject the use of same dress further. Rather Mr Y will try to use an even more expensive one. Which effect affects Mr Y?
 - a. Bandwagon Effect
 - b. Demonstration Effect
 - c. Snob Effect
 - d. Veblen Effect
3. If the income elasticity of specific type of goods is greater than one, what does it suggests about the goods?
 - a. It is an inferior Goods
 - b. It is a normal Goods
 - c. It is a necessary goods
 - d. It is a luxury goods
4. The demand function of a product X is expressed as $Q=1000-50P$, where Q is quantity demanded and P is the price of the product. If the price of the product is Rs 10/kg then the price elasticity is
 - a. -1
 - b. 1
 - c. -2
 - d. 2
5. With respect to the properties of indifference curve which of the following statement is false?
 - a. Higher indifference curve represents higher level of satisfaction.
 - b. Indifference curve is negatively sloped line
 - c. Intersecting point of two indifference curve represent high level of satisfaction.
 - d. An Indifference curve is convex to the origin

6. The price of 1 kg. of tea is Rs 50. At this price, 10 kg. of tea is demanded. If the price of coffee rises from Rs 30 to Rs 40 per kg., the quantity demanded of tea rises from 10 kg. to 15 kg. What will be the cross price elasticity of tea?
- 1
 - 1.5
 - +1.5
 - 1
7. If change in quantity demanded is 60% and change in advertisement expenditure is 20% then what will be advertisement elasticity?
- 3
 - 0.33
 - 6
 - 20
8. Increase in consumer surplus is likely to occur when:
- There is rise in the price of goods
 - There is fall in the price of goods
 - Demand Decreases
 - Supply Increases
9. Which tool does the ordinal approach uses, to analyse consumer behaviour based on consumer preference.
- Indifference Curve Analysis
 - Law of diminishing Marginal utility
 - Elasticity of demand
 - Consumer Surplus
10. Suppose the price elasticity of demand for a firm for its product is -1.2. If the price of the product is increases by 5%, then it is most probable that:
- Both Revenue and profit increases
 - Both Revenue and profit decreases

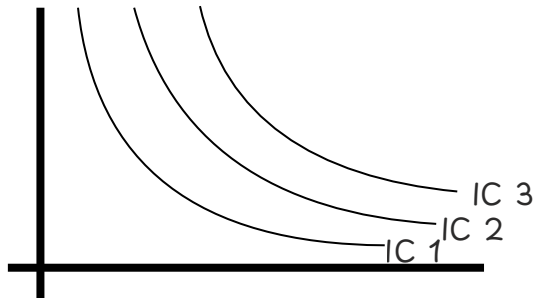
- Total revenue would decrease but profit may increase
- Total Revenue would increase but profit may decrease

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11. Some people start investing in share market then many people start following the same without considering its advantages and disadvantages is an example of:
- Veblen Effect
 - Bandwagon Effect
 - Snob Effect
 - Sheep Effect
12. "Ceteris Paribus" is a Latin phrase that generally means:
- All other things being equal
 - An Inverse Relationship
 - Income of the consumer
 - Taste and preference of the consumer
13. The slope of a demand curve is
- dQ/dP
 - dP/dQ
 - $-dQ/dP$
 - $-dP/dQ$
14. A shopkeeper sells two commodities A and B, which are close substitutes of each other. It is observed that when the price of A rises by 20% the demand of B increases by 30%. What is the cross price elasticity of commodity B against the price of commodity A?
- +1
 - 1
 - +1.5
 - 1.5
15. "Excess of the price which a consumer would be willing to pay rather than go without a thing over that which he actually does pay", is called:

- a. Consumer Equilibrium
- b. Consumer Surplus
- c. Change in Demand
- d. Change in Price

16. With reference to the following indifference map, which of the following represents highest satisfaction level?



- a. IC 3
 - b. IC 2
 - c. IC 1
 - d. All the following represent the same level of satisfaction.
17. Which of the following refers to want satisfying Power of the goods and services?
- a. Utility
 - b. Consumer Equilibrium
 - c. Need
 - d. Demand
18. If the price of wheat increases from Rs 1,800 per quintal to Rs 2,200 per quintal and consequently quantity supplied rises from 2,000 quintal to 3,200 Quintal. Calculate the elasticity of supply.
- a. 0.7
 - b. 1.7
 - c. 2.7
 - d. 3.7

19. In case of perfectly elastic supply:

- a. $E_s > 1$
- b. $E_s = 1$
- c. $E_s = 0$
- d. E_s is infinite

20. The supply function is given as: $q = 120 + 6p$. Find elasticity of supply when the price is Rs 10.

- a. $+1/3$
- b. $+2/3$
- c. $-2/3$
- d. $+3/4$

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21. A consumer buys 100 units of goods at price of Rs 6 per unit. Suppose the price elasticity of demand is -3. At what price will he buy 80 Units?

- a. Rs 6.2
- b. Rs 5.8
- c. Rs 6.4
- d. Rs 6.75

22. If the total revenue of the goods increases with increase in its price, demand for goods is said to be.

- a. Unit Elastic
- b. Elastic
- c. Inelastic
- d. Infinitely Elastic

23. Which of the following statement is not true while determining the elasticity of demand?

- a. The greater the proportion of income spent on a commodity, generally the lesser will be its elasticity of demand.
- b. Good which have close or perfect substitutes, have highly elastic demand curve.
- c. Necessities are generally price inelastic
- d. The more possible uses of a commodity, greater will be its price elasticity.

24. **Commodities for which the quantity demanded rises only up to a certain level of income and decreases with an increase in income beyond this level are called**
- Inferior Goods
 - Normal Goods
 - Essential Goods
 - Luxury Goods
25. **Highly priced goods are consumed by status seeking rich people to satisfy their needs for conspicuous consumption. This is called:**
- Bandwagon Effect
 - Demonstration Effect
 - Snob Effect
 - Veblen Effect
26. **An Expectation that the price will fall in the future leads to:**
- An upward movement along the same demand Curve
 - A downward movement along the same demand Curve
 - Rightward Shift of the demand Curve
 - Leftward Shift of the demand Curve
27. **The rate at which the consumer is prepared to exchange good X & Y, holding the level of Satisfaction constant is called as:**
- Marginal Rate of substitution.
 - Indifference Curve
 - Diminishing Marginal Utility
 - Consumer Surplus
28. **When Two goods are complementary, the cross elasticity between them is:**
- Positive & Large
 - Infinite
 - Zero
 - Negative
29. **When Total Utility is increasing at decreasing rate:**
- Marginal Utility is decreasing but remains positive.
 - Marginal Utility is equal to Total Utility
 - Marginal Utility becomes Negative
 - Marginal Utility is equal to Zero
30. **Due to an increase in the price of product X from Rs 100 to Rs 110, quantity supplied increases from 150 to 200. Calculate elasticity of supply using Arc Method.**
- 3
 - 2.3
 - 3.33
 - 3.5
- SEP 2025**
31. **Demand is said to elastic, If**
- Elasticity is One ($E_p=1$)
 - Elasticity is greater than One ($E_p>1$)
 - Elasticity is Less than One ($E_p<1$)
 - Elasticity is Zero ($E_p=0$)
32. **The consumer is in equilibrium position at a point where the price line is :**
- Cutting an indifference curve
 - Below an Indifference Curve
 - Tangent to an Indifference Curve
 - Above an Indifference Curve.
33. **The condition for consumer equilibrium is given by:**
- $MU_x P_x = MU_y P_y$
 - $MU_x = MU_y$
 - $MU_x / P_x = MU_y / P_y$
 - $MU_x / MU_y = P_y / P_x$

34. **What happens to demand when a larger proportion of people belong to older age groups relative to younger age group?**

- a. There will be increased demand for childrens books.
- b. There will be increased demand for Geriatric services, spectacles and walking sticks.
- c. There will be increased demand for normal goods and services
- d. There will be decreased demand for goods and services

35. **which of the following is true about Giffen Goods?**

- a. All Giffen Goods are inferior goods.
- b. All Inferior goods are Giffen Goods.
- c. Giffen Goods are inferior goods with close substitutes
- d. Giffen Goods follow the law of demand.

36. **The concept of consumer surplus is closely related to _____ Curve of a product?**

- a. Supply
- b. Demand
- c. Cost
- d. Profit

37. **The slope of budget line is determined by the relative prices of the two goods and is equal to**

- a. Total Expenditure of two goods
- b. The price ratio of two goods
- c. The income level of the consumer
- d. The marginal utility of the goods

38. **How does the increase in the income of the consumer generally effect the demand for normal goods?**

- a. Decreases the demand
- b. It has no effect on the demand
- c. It increases the demand
- d. It makes demand more elastic

39. **If a company increases its advertisement expenditure by 20% and quantity demanded increases by 40%, what is the advertisement elasticity of demand?**

- a. $E_a = 0$
- b. $E_a = 1$
- c. $E_a = 0.5$
- d. $E_a = 2$

40. **Assuming that the supply of cars will remain constant, and the prices of the cars are expected to increase in future, then what will be its effect on demand curve?**

- a. Demand curve will shift to the right
- b. Demand curve will shift to the left.
- c. Demand curve will remain unchanged.
- d. Insufficient information to predict the effect on demand curve.

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41. **Consumer surplus is**

- a. What a consumer is ready to pay over what he actually pays.
- b. Necessaries and comforts needed by a consumer
- c. Desire or a wish to buy a commodity backed by adequate ability and willingness to pay.
- d. Actual demand by a consumer

42. Which of the following are types of measurement of supply elasticity?

- I - Point Elasticity
- II - Inelasticity
- III - Arc Elasticity
- IV - Perfect Elasticity

- a. I Only
- b. II Only
- c. Both I and IV
- d. Both I and III

43. The price of a commodity is Rs 100 per unit. If price falls by 20% the quantity increases by 120 units. The price elasticity of demand is -1. The new quantity demanded due to fall in price is:

- a. 480 Units
- b. 600 Units
- c. 680 Units
- d. 720 Units

44. Other things being equal, the demand for a good and price of its complement has:

- a. Positive Relationship
- b. Direct Relationship
- c. Inverse Relationship
- d. Proportional relationship

45. When even after increase in price, total revenue remains the same, the demand is said to be:

- a. Perfectly elastic
- b. Elastic
- c. Inelastic
- d. Unitary Elastic

46. Which of the following is the correct expression of Arc Elasticity?

- a. $(P_2 - P_1) / (P_2 + P_1) \times (Q_2 + Q_1) / (Q_2 - Q_1)$
- b. $(P_2 - P_1) \times (P_2 + P_1) / (Q_2 + Q_1) \times (Q_2 - Q_1)$
- c. $(P_2 + P_1) / (P_2 - P_1) \times (Q_2 - Q_1) / (Q_2 + Q_1)$
- d. $(P_2 + P_1) \times (P_2 - P_1) / (Q_2 - Q_1) / (Q_2 + Q_1)$

47. Which of the following is the effect of non-price determinants on the leftward shift of the demand curve?

- a. Rise in the price of substitute goods
- b. Rise in the price of complements
- c. An increase in number of buyers
- d. An expectation that the price will rise in future.

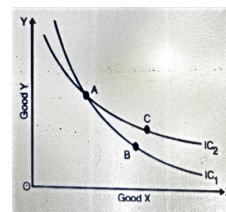
48. If the cross price elasticity between two products is zero, the goods are best described as:

- a. Close Substitutes
- b. Totally unrelated
- c. Perfect Substitutes
- d. Complements to each other

49. The product of price quantity ratio at a particular point on the demand curve and the reciprocal of the slope of the demand line is called

- a. Point Elasticity
- b. Arc Elasticity
- c. Total Outlay method of elasticity
- d. Total Revenue Method of elasticity

50. Consider the IC given below. What can you infer about the relationship between good X and Y?



- a. Good X & Y are perfect substitutes
- b. Good X & Y are perfect Complements
- c. Relation between X & Y is logically absurd.
- d. Good X and Y are same.

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51. Which of the following is not a set of complementary goods?

- a. Car and Petrol
- b. Electricity & Electrical Gadgets
- c. Bread and Jam
- d. Blazer and Jacket

52. For a household suppose the income elasticity of a commodity is arrived at 0.5, what can be assumed about the nature of the goods?

- a. It is a luxury goods
- b. It is an inferior goods
- c. It has a zero income elasticity
- d. It is normal goods and fulfils a necessity.

53. Article of prestige value used by rich people as status symbol for increasing their social prestige and/or for displaying wealth is known as:

- a. Speculative goods
- b. Conspicuous Goods
- c. Giffen Goods
- d. Inferior Goods

54. Find the co-efficient of price elasticity when the price of a product decreases from Rs 10 to Rs 6 and the quantity demanded rises from 10 units to 20 units.

- a. -1.5
- b. 3.5
- c. 0.5
- d. -2.5

55. When the price of sugar is Rs60 per Kg, its demand is 10Kgs. Subsequently if the price of coffee declines from Rs 500 per Kg to Rs 450 per Kg, the usage of sugar rises from 10Kgs to 15 Kgs. Calculate cross price elasticity.

- a. -5
- b. 10
- c. -2.5
- d. 2.5

56. Choose the correct option from the following that is not a true property of the IC.

- a. IC slopes upward to the right
- b. IC is always convex to the origin
- c. IC will not touch either of the axes
- d. IC can never intersect each other

57. In which of the following conditions the demand curve touches the vertical axes and horizontal at the price level

- a. Elasticity Being zero
- b. Elasticity > 1
- c. Elasticity < 1
- d. Elasticity is infinite

58. Calculate Arc Elasticity if $P_1 = \text{Rs } 15$, $P_2 = \text{Rs } 20$, $Q_1 = 50$ units, $Q_2 = 75$ Units.

- a. 1.4
- b. 1.2
- c. 2.1
- d. 1.5

59. If the price of the commodity reduces from Rs200 to Rs150, calculate the new quantity demanded assuming that price elasticity of demand is 2.5 and original quantity demanded is 25Kgs

- a. 40.625 Kgs
- b. 42.125 Kgs
- c. 40.250 Kgs
- d. 41.625 Kgs

60. The demand curve slopes upwards in case of which of the following scenarios?

- a. Conspicuous Necessaries
- b. Normal Goods
- c. Unitary Elasticity
- d. Elasticity greater than one

CHAPTER 3

THEORY O PRODUCTION AND COST

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1. At higher level of output average total cost curve and average variable cost curve come closer because.

- Average fixed cost remains constant
- Average variable cost remains constant
- Average fixed cost accounts for relatively smaller percentage of average total cost
- Average variable cost accounts for relatively smaller percentage of average total cost

2. A firm produces 5 units of output at average fixed cost of Rs 4 per unit. For production of 10 units of output average cost is Rs 7 per unit. Average variable cost of producing 10 units of output is:

- Rs 4
- Rs 5
- Rs 6
- Rs 10

3. How is production in economic sense is distinguished from non-market activities performed within a household?

- Involvement of Love and affection
- Exchange in the market
- Voluntary Nature of activity
- Intangible outputs

Use the following information to answer question 4 and 5

Hours of Labour	Total Product	Avg Product	Marginal Product
0	-	-	-
1	20	20	-
2	50	-	-
3	90	-	40
4	-	30	-

4. What is the marginal product of second hour of labour

- 10
- 20
- 30
- 40

5. What is the average product of third hour of labour

- 25
- 30
- 35
- 40

6. What term is used to describe the cost that remains fixed over certain range of output but suddenly jump to a new higher level when output goes beyond a given limit

- Variable cost
- Semi Variable cost
- Stair Step Variable cost
- Sunk Cost

7. Which of the following is included in cost of production and termed as accounting cost?

- Wages paid to the workers employed in the factory.
- Expenses incurred on Research and Development
- Expenses incurred on Advertising
- Common cost incurred for general operation of business

8. What will be the total amount of Sunk cost on the basis of following information?

Particulars	Amount (Crores)
Fuel and Power	1000
Research and Development	150
Rent	9
Wages	10
Advertisement	5

- 1,150 Crores
- 115 Crores
- 159 Crores
- 164 Crores

9. When does the Law Variable Proportion or Law Diminishing Returns become relevant?

- In the Long Run
- In the Short Run
- Both in the Longrun and Shortrun
- Only when all factors are variable

10. What is the primary Characteristics of decreasing returns to scale?

- Total output Increases at an increasing scale.
- Total output Increases at an decreasing scale.
- Total output remains Constant
- Total output decreases

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11. Which of the following is not a characteristic of land?

- Land is heterogeneous
- Land is an active factor
- Supply of land is fixed
- Land has multiple uses

12. Cobb-Douglas production function is stated as:

- $Q = K^a L^a C^{(1-a)}$
- $Q = K^{(1-a)} L^a C$
- $Q = K^a L^{(1-a)} C$
- $Q = K L^a C^{(1-a)}$

Based on the information given below answer the question 14 to 16

Qty of Labour	TP	AP	MP
1	10	-	-
2	-	-	11
3	-	11	-
4	-	-	11
5	52	-	-
6	-	-	8

13. What will be the average product when quantity of labour is 6?

- a. 9
- b. 10
- c. 11
- d. 12

14. What will be total product when quantity of labour is 4?

- a. 38
- b. 40
- c. 42
- d. 44

15. What will be the marginal product when the quantity of labour is 5?

- a. 8
- b. 9
- c. 10
- d. 11

16. Who describes production function as the relationship between the maximum amount of output that can be produced and the input required to make the output?

- a. Cobb-Douglas
- b. Paul Sweezy
- c. Samuelson
- d. Alfred Marshall

17. In Short run, when average cost falls as a result of an increase in output, marginal cost is _____

Average cost.

- a. Greater than
- b. Less than
- c. Equal to
- d. Independent of

18. Long Run Average cost curve is also called as:

- a. Kinked Curve
- b. Equal Quantity Curve
- c. Envelope Curve
- d. Sharp Curve

19. Initially a firm enjoys _____ of scale and beyond certain limit it suffers from _____ of scale

- a. Internal Economies, Internal Diseconomies.
- b. External Economies, External Diseconomies.
- c. Internal Diseconomies, Internal Economies.
- d. External Diseconomies, External Economies.

20. _____ are already incurred once and for all and cannot be recovered

- a. Sunk Cost
- b. Historical Cost
- c. Private Cost
- d. Social Cost

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21. The form of capital which performs its function in production in a single use and is not available for further use is termed as:

- a. Circulating Capital
- b. Fixed Capital
- c. Real Capital
- d. Intangible Capital

22. Survival, Growth and Expansion come under which of the following objective of an enterprise?

- a. Economic Objective
- b. Organic Objective
- c. Social Objective
- d. National Objective

23. Returns to Scale refers to

- a. Changes in output as a result of proportionate change in all factors of production.
- b. Changes in output as a result of proportionate change in one of the variable factors of production.
- c. Changes in output as a result of proportionate change in any two of the variable factors of production.
- d. Changes in output as a result of variation in factor proportion.

24. Linear Homogeneous production function is the another name for_____

- a. Constant Returns to Scale
- b. Law of Variable Proportion
- c. Increasing Returns to Scale
- d. Decreasing Returns to Scale

25. The minimum quantities of various inputs that are required to yield a given quantity of output is termed as

- a. Supply Function
- b. Demand Function
- c. Production Function
- d. Investment Function

26. Which of the following is not true about relation between average product and Marginal Product?

- a. When average product is maximum, marginal product is equal to average product.
- b. When average product rises as a result of an increase in the quantity of variable input marginal product is more than average product

c. When average product falls, Marginal product less than average product.

d. When average product is negative, Marginal Product becomes zero.

27. Total Product starts declining in which stage of production?

- a. Stage 2 : The stage of diminishing returns
- b. Stage 1: The stage of increasing returns
- c. Stage 3: The stage of Negative Returns
- d. It may decline in any stage of production.

28. Budget line or budget constraint line which shows the various alternative two factors which the firm can buy with given outlay is called:

- a. Indifference Curve
- b. Isoquant Curve
- c. Isocost Curve
- d. Iso-product curve

Use the following data to answer question 29 and 30

OUTPUT	TC
0	200
1	310
2	410
3	500
4	604
5	710

29. The average fixed cost of 2 units of output is

- a. Rs 100 b. Rs 85
c. Rs 110 d. Rs 205

30. Diminishing Marginal Returns starts to occur between

- a. 2 and 3 units b. 1 and 2 units
c. 3 and 4 units d. 4 and 5 units

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31. The average product rises as a result of an increase in the quantity of variable input, marginal product is:

- a. Less than the average product
b. equal to the average product
c. minimum
d. more than the average product

Based on the information given in the following table, answer the Questions Nos. 32 to 34:

Labour Qty	TP	AP	MP
0	0	-	-
1	-	-	20
2	-	-	26
3	66	-	-
4	-	19	-
5	-	-	4

32. What will be the average product when the quantity of labour is 3?

- a. 22 b. 24
c. 20 d. 18

33. What will be the total product when the quantity of labour is 5?

- a. 86 b. 84
c. 80 d. 92

34. What will be the marginal product when the quantity of labour is 4?

- a. 26 b. 20
c. 10 d. 19

35. Which of the following curve is known as 'plant curve'?

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

36. If a firm adds more number of workers but total output starts to increase at a decreasing rate, the firm is experiencing:

- a. Increasing Returns to Scale
b. Diminishing Marginal Returns
c. Constant Returns to Scale
d. Negative Marginal Returns

37. Which of the following factors or resources make it possible to produce goods and services?

- a. Land, Labour, Industrial policy and Capital
b. Land, Labour, Fiscal policy and Capital

- c. Land, Labour, Capital and Entrepreneurial ability
- d. Land, Labour, Technology and Capital

38. Which of the following statements are correct?

Statement-I: A period will be considered short-run period if the amount of at least one of the inputs used remains unchanged during that period.

Statement-II: The long run is a period of time in which all factors of production are variable.

Statement-III: In the short run all inputs are fixed.

Statement-IV: In the long run all inputs except one are fixed.

- a. Statement I and IV
- b. Statement II and III
- c. Statement I and II
- d. Statement III and IV

39. In Cobb-Douglas production function, output is manufactured production and inputs used are:

- a. Entrepreneur and land
- b. Labour and capital
- c. Land and Labour
- d. Entrepreneur and capital

40. After identifying the market, the enterprise has to make decision regarding 4 P's namely:

- a. Product, Promotion, Price and Purchase
- b. Product, Promotion, Profit and Place
- c. Product, Promotion, Price and Place
- d. Product, Purchase, Price and Placement

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41. Which of the following is NOT a correct statement regarding opportunity cost?

- a. Is always recorded in the books of account
- b. Relates to sacrificed alternatives
- c. Represents the value of foregone opportunity
- d. Is a useful concept in long-term cost calculations

42. What does the term entrepreneur in economics refers to:

- a. The person combining factors of production, bearing risk, and innovating
- b. The person who only owns land or property
- c. The head of the marketing department
- d. The investor in machinery and products

43. _____ capital performs its function in production in a single use and is not available for further use. Choose the correct option.

- a. Real
- b. Circulating
- c. Tangible
- d. Intangible

44. "Total Supply of land is perfectly inelastic from the point of view of the economy", it means:

- a. Its supply increases with increase in demand
- b. Its supply is unaffected with change in demand
- c. Its supply decreases with increase in demand
- d. Its supply decreases with decrease in demand

45. _____ capital performs its function in production in a single use and is not available for further use. Choose the correct option.

- a. Real b. circulating
- c. Tangible d. Intangible

46. A curve which shows all the different combinations of inputs that can produce same level of output is known as:

- a. Marginal Cost Curve
- b. Isocost
- c. Isoquant
- d. Total product curve

Use the table to answer question 47 & 48

OUTPUT	TOTAL COST
0	270
1	370
2	460
3	540
4	610
5	690
6	780

47. The average fixed cost of 3 units of output is:

- a. Rs 90 b. Rs 100
- c. Rs 150 d. Rs 180

48. Average variable cost for 4 units of output is:

- a. Rs 150 b. Rs 125
- c. Rs 100 d. Rs 85

49. Which of the following is not true with regard to stage of diminishing returns?

- a. Total product continues to decrease
- b. Both marginal product and average product of the variable factor are diminishing but are positive
- c. A rational producer will seek to produce within the range of this stage
- d. By the end of this stage, total product reaches its maximum

50. Which of the following factors does not lead to internal economies of scale:

- a. Specialisation of labour
- b. Use of superior techniques
- c. Use of by-products
- d. Supply of skilled labour

51. Relationship between inputs and outputs, when all inputs are changed in the same proportion are called:

- a. Law of variable proportion
- b. Returns to scale
- c. Isoquants
- d. Iso-cost lines

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52. According to the theory of production and cost in business economics, cost can be of the following types.

- a. Fixed and variable
- b. Fixed and semi variable
- c. Fixed, variable and semi variable
- d. Variable and semi variable

53. To make the job contents interesting and challenging is a _____ objective of an organization.

- a. Social b. Organic
c. National d. Human

54. Which factor of production is that part of the wealth of an individual or community, which may be used for further production of wealth?

- a. Land b. Labour
c. Capital d. Entrepreneur

55. The maximum amount of output that can be produced with given quantities of inputs, under a given state of technical knowledge, is termed as:

- a. Demand Function
b. Production Function
c. Supply Function
d. Investment Function

56. When a firm decides to change its product line, replace worn-out machinery, buy a new production facility, or acquire a new set of clients, it will have to incur-----

- a. Sunk costs
b. Incremental costs
c. Opportunity costs
d. Implicit costs

57. Which of the following represents variable cost in the short run?

- a. Factory rent
b. Wages for factory labour
c. Accountant's salary
d. Factory insurance premium

58. The three stages of the law of variable proportion can be referred to as the stages of

- a. Increasing returns, optimum returns & nil returns

- b. Positive returns, diminishing returns & nil returns
c. Increasing returns, diminishing returns & negative returns
d. Negative returns, nil returns & positive returns

Use the following information for Q 59, Q 60 and Q 61;

OUTPUT	TFC	TVC
0	100	0
1	100	50
2	100	80
3	100	100
4	100	110
5	100	118

59. Calculate the marginal cost of the 5th unit of production.

- a. Rs. 8 b. Rs. 23.60
c. Rs. 43.60 d. Rs. 118

60. Calculate the average variable cost when 3 units are produced.

- a. Rs 36 b. Rs 33.33
c. Rs 66.67 d. Rs 100

61. Calculate the average total cost when 4 units are produced.

- a. Rs 25 b. Rs 27.50
c. Rs 52.50 d. Rs 210

CHAPTER 4

PRICE AND OUTPUT DETERMINATION IN DIFFERENT MARKETS

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1. If MR for unit 1 is Rs 10, for unit 2 is Rs 5, and unit 3 is Rs 3. Then what will be the amount of TR
 - a. Rs 15
 - b. Rs 10
 - c. Rs 8
 - d. Rs 18
2. Which market covers a wider area such as few adjacent cities, parts of states or cluster of states?
 - a. Regional Market
 - b. National Market
 - c. International Market
 - d. Local Market
3. When should a competitive firm consider shutting down its operation?
 - a. When price is above TVC
 - b. When price is below AVC
 - c. When price is equal to TR
 - d. When price is constant
4. The supply curve of a perfectly competitive firm in the short run is
 - a. the portion of the marginal cost curve which lies below the minimum point of average variable cost curve
 - b. the portion of the marginal cost curve which lies above the minimum point of average variable cost curve.
 - c. the portion of the average cost curve which lies below the minimum point of average variable cost curve.
 - d. the part of the average cost curve which lies above the MC curve.
5. Three major smartphone manufacturers, Alpha tech, beta Mobiles and Gama Gadgets, dominate the smartphone markets. These companies are in constant competition for market share and innovation. Which type of the market structure has been explained in this scenario?
 - a. Monopoly
 - b. Oligopoly
 - c. Perfect Competition
 - d. Monopolistic Competition
6. In Ricardo's view, what does "Exchange value" represent?
 - a. The cost of production of a commodity.
 - b. The subjective preferences of individuals.
 - c. Power in exchange over purchasable commodities in general
 - d. The quantity of labour embodied in a commodity.
7. Talcum Powder market is an example of which of the following market?
 - a. Collusive Oligopoly
 - b. Imperfect oligopoly
 - c. Open Oligopoly
 - d. Closed Oligopoly

8. **A software company engages in price discrimination for its product. The company identifies different market segments and charges different prices based on perceived difference in willingness to pay. This is possible under which situation?**
- Monopolistic Competition
 - A Monopoly
 - Perfect Competition
 - Oligopoly Competition
9. **What happens to equilibrium price when there is a decrease in supply with no change in demand.**
- Equilibrium price go down
 - Equilibrium price remains Constant
 - Equilibrium price goes up
 - Equilibrium quantity Increases
10. **In the case of demand decreasing and supply increasing, what is the expected impact on equilibrium price?**
- Equilibrium price rises
 - Equilibrium price falls
 - Equilibrium price remains constant
 - Equilibrium price remains uncertain
11. **Monopolistic competition is characterized by**
- Many sellers selling identical products to many buyers
 - Many sellers selling differentiated products to many buyers.
 - Few sellers selling identical products to many buyers.
 - Few sellers selling competing products to selective buyers.
12. **Condition for equilibrium of a firm under perfect competition:**
- Where $MR = MC$
 - Where $AR = AC$
 - MC curve cuts MR curve from below
 - Where $MR=MC$ and MC cuts MR from below
13. **A market structure in which all firm individually are price takers is known as:**
- Monopolistic Competition
 - Monopoly
 - Perfect Competition
 - Oligopoly
14. **According to Kinked demand curve hypothesis, why does a demand curve facing an oligopolist have a 'Kink' at prevailing price level?**
- To create confusion among competitors.
 - To make the demand curve visually interesting.
 - The segment above the price is highly elastic, and below it is inelastic.
 - It is a graphical error in representation.
15. **A market structure in which there is only a single buyer and single seller is known as:**
- Monopsony
 - Bilateral Monopoly
 - Oligopoly
 - Duopoly

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16. **Price elasticity of demand of a firm under perfect competition will be**
 a. Very Large b. Infinite
 c. Small d. Very Small
17. **Many sellers offering differentiated products to many buyers is the characteristics of:**
 a. Perfect Competition
 b. Monopolistic Competition
 c. Oligopoly Competition
 d. Monopoly
18. **Identify the correct relation between AR, MR and e**
 a. $MR = AR \times e(e-1)$
 b. $AR = MR \times (e-1)/e$
 c. $MR = AR \times e/(e-1)$
 d. $MR = AR \times (e-1)/e$
19. **Total revenue will be maximum, where elasticity will be equal to**
 a. 1 b. Less than 1
 c. Greater than 1 d. Zero
20. **When both demand supply increases, equilibrium quantity _____ but the change in equilibrium price is_____**
 a. Decreases, uncertain
 b. Increases, Constant
 c. Increases, uncertain
 d. Decreases, Constant
21. **Identify the correct below mentioned condition/conditions for equilibrium of a firm under perfect competition.**
 (I) $MR = MC$
 (II) $MR > MC$
 (III) $MR < MC$
 (IV) MC Should have a positive slope
 (v) MC should have a negative slope
 a. II and V
 b. II and IV
 c. III and V
 d. I and IV
22. **When a perfect competitive firm earns_____, its Average revenue are more than its Average Total Cost.**
 a. Super Normal Profit
 b. Normal Profit
 c. Normal Profits and Super normal profits
 d. Losses
23. **Markets for soaps and detergents are the examples of :**
 a. Monopoly
 b. Oligopoly
 c. Monopolistic Competition
 d. Perfect Competition
24. **Downward sloping and highly inelastic demand curve is the feature of**
 a. Monopoly
 b. Oligopoly
 c. Monopolistic Competition
 d. Perfect Competition

25. Market characterized by a single buyer of a product or service and mostly applicable to factor markets in which a single firm is the only buyer of a factor is known as:

- a. Oligopsony
- b. Duopoly
- c. Bilateral Monopoly
- d. Monopsony

26. Assume that when the price is Rs 20, quantity demanded is 9 units, and when the price is Rs 19, the quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units?

- a. 20
- b. 19
- c. 10
- d. 1

27. Average Revenue curve is also known as

- a. Profit Curve
- b. Demand Curve
- c. AC Curve
- d. Indifference Curve

28. With a decrease in demand there is_____

- a. An overall decrease in price but an increase in equilibrium quantity.
- b. An overall increase in price but decrease in equilibrium quantity.
- c. A decrease in the equilibrium price and quantity demanded and supplied.
- d. No change in overall price but decrease in equilibrium quantity.

29. If supply increases in a greater proportion than demand then_____

- a. The new equilibrium price and quantity will be greater than the original equilibrium size and quantity.
- b. The new equilibrium price will be greater than the original equilibrium price but equilibrium quantity will be higher.
- c. The new equilibrium price and quantity will be lesser than the original equilibrium price and quantity.
- d. The new equilibrium price will be lesser than the original equilibrium price.

30. In oligopoly, when the industry is dominated by one large firm which is considered as the leader of the group, then it is called:

- a. Open oligopoly
- b. Collusive Oligopoly
- c. Partial Oligopoly
- d. Syndicated Oligopoly.

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31. Calculate Marginal Revenue(MR) when Average Revenue = Rs.45 and price elasticity of demand (e)=3

- a. Rs 25
- b. Rs 15
- c. Rs 30
- d. Rs 135

32. Which of the following is not a feature of perfect competition?
- Homogeneous Product
 - Very large number of sellers
 - Inelastic Demand
 - Firms are price takers
33. A firm should not produce at all if:
- AR is equal to ATC
 - AR is greater than Minimum ATC
 - If total Variable cost are not met
 - AR is greater than ATC
34. Suppose that a sole proprietor is earning total revenue of Rs. 1,20,000 and is incurring explicit cost of Rs.95,000. If the owner could work for another company for Rs. 30,000 a year, which of the following statement is false?
- A firm is having the accounting profit of Rs 25,000
 - The firm incurred an economic loss of Rs. 5000.
 - Total economic cost are Rs 30,000
 - The total Accounting cost are Rs.95,000.
35. Which type of market allocates productive resources to producers and helps to ensure that those resources are used efficiently?
- Factor Market
 - Product Market
 - Local Market
 - Retail Market
36. The firm will be making maximum profit by expanding the output level where:
- Marginal Revenue is equal to Marginal Cost
 - Marginal Revenue is greater than Marginal Cost
 - Marginal Revenue is less than Marginal Cost.
 - Marginal Revenue is equal to Average Cost.
37. What will happen to equilibrium price and Equilibrium Quantity when demand increases and supply decreases.
- Both equilibrium price and equilibrium quantity falls.
 - The equilibrium price rises but change in equilibrium quantity is uncertain.
 - Both equilibrium price and equilibrium quantity go up.
 - The equilibrium quantity increases but the change in equilibrium price is uncertain.
38. Which of the following is not a feature of monopoly market?
- Barriers to Entry
 - Single buyer of the product
 - No close Substitutes
 - Market Power

39. Which of the following is not the conditions for price discrimination?

- a. The seller should be able to divide his market into two or sub markets.
- b. The seller should have the price setting power.
- c. The price elasticity of the product should be different in different markets.
- d. It should be possible for the buyers of low priced market to sell in high priced market.

40. Under second degree price discrimination, different prices are charged for _____

- a. Location
- b. Each Individual Consumer
- c. Customer Segment
- d. Different quantities sold

41. Kinked demand curve model of oligopoly is also called:

- a. McKinsey's Model
- b. Sweezy's Model
- c. Oskar's Model
- d. Neumann's Model

42. Assume that when price is Rs.30 the quantity demanded is 19 units and when the price is Rs.28 the quantity demanded is 20 units. what is the marginal revenue resulting from an increase in output from 19 units to 20 units.

- a. Rs -10
- c. Rs 20

- b. Rs 10
- c. Rs -20

43. The oligopoly market in which few firms come to a common understanding with each other in fixing price or output or both is called:

- a. Collusive Oligopoly
- b. Pure Oligopoly
- c. Partial Oligopoly
- d. Syndicated Oligopoly

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44. Under ____ conditions, supply will be more than that under _____ conditions.

- a. Monopolized; Competitive
- b. Competitive; Monopolized
- c. Competitive, Oligopoly
- d. Oligopoly, Monopolized

45. Under which of the following forms of market structure a firm cannot influence the price of its product?

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

46. In an increase in supply with unchanged demand:

- a. The equilibrium price will go down and the quantity demanded will go up.
- b. The equilibrium price will go up and the quantity demanded will go down.

c. The equilibrium price will go up and the quantity demanded will remain constant.

d. The equilibrium price will go down and the quantity demanded will also go down.

47. A competitive firm should shut down if:

- a. Its total revenues are less than the total cost.
- b. Its total revenues are less than the marginal revenues.
- c. Its total revenues are less than the average variable cost.
- d. Its total revenues are less than the fixed cost.

48. Aluminium industry is the example of

- a. Competitive oligopoly
- b. Perfect oligopoly
- c. Collusive oligopoly
- d. Open oligopoly

49. Kinked Demand Curve is found under:

- a. Monopoly
- b. Monopsony
- c. Duopoly
- d. Oligopoly

50. Which one of the following is not the object of price discrimination?

- a. To earn maximum profit
- b. To enjoy economies of scale
- c. To hold excess stock
- d. To secure equity through pricing

51. Which of the following is a fundamental cause for the creation of a monopoly?

- a. Barriers to entry
- b. Low startup costs
- c. High competition
- d. Equal distribution of resources

52. A fast-food chain introduces a new burger with a unique sauce to differentiate itself from competitors. Although many similar burger options exist in the market, customers perceive this product as distinct. Which type of market structure has been represented in given scenario?

- a. Perfect Competition
- b. Monopoly
- c. Monopolistic Competition
- d. Oligopoly

53. Identify the correct formula for Marginal Revenue (MR) when there is a one-unit change in output.

- a. $MR_n = TR_n - TR_{n-1}$
- b. $MR_n = TR_n + TR_{n-1}$
- c. $MR_n = TR_n \times TR_{n-1}$
- d. $MR_n = TR_n / TR_{n-1}$

54. When both demand and supply decrease, the equilibrium quantity_____ but the change in equilibrium price is -----.

- a. decreases, uncertain
- b. increases, constant
- c. increases, uncertain
- d. decreases, constant

55. Which type of firm has the market power to charge a price above marginal cost and earn a positive profit?

- a. A perfectly competitive firm
- b. A monopolistic competitive firm
- c. A monopoly firm
- d. A firm in an oligopolistic market

56. When there is a decrease in demand due to a fall in income, while supply remains the same, what happens to the demand curve?

- a. It will shift to the right.
- b. It will remain unchanged.
- c. It will shift to the left.
- d. It will become vertical.

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57. Markets where firms buy the resources they need like land, labour etc. are called:

- a. Product Markets
- b. Factor Markets
- c. National Markets
- d. Spot Markets

58. Which of the following is a core characteristic of an oligopoly?

- a. Efficient allocation of resources
- b. Lease advertising
- c. Unique product
- d. Interdependence between firms

59. If output increases from 60 units to 70 units, leading to an increase in total revenue from 100 to 120. What is the marginal revenue?

- a. Rs10
- b. Rs 20
- c. Rs 100
- d. Rs 2

60. In a monopoly market if $ATC > AR$:

- a. Firm will earn normal profits
- b. Firm will earn super normal profits
- c. Firm will earn abnormal profit
- d. Firm will incur losses

61. The cross elasticity of demand for monopolist's product and any other product is:

- a. 1
- b. Less than 1
- c. Greater than 1
- d. Zero or very small

62. Which of the following is not true for long run equilibrium of a perfectly competitive industry?

- a. All firms in the industry are in equilibrium.
- b. All firms are earning super normal profits.
- c. The price of the product is such that quantity supplied by the industry is equal to the quantity demanded by consumers.
- d. Plants are used to full capacity in the long run.

63. A market characterized by a small number of large buyers and is mostly relevant to factor market is termed as:

- a. Duopoly
- b. Monopsony
- c. Oligopsony
- d. Bilateral monopoly

64. If the price elasticity of demand is 1, MR will be
- a. 0
 - b. 1
 - c. Positive
 - d. Negative
65. Consider a monopolist selling in two markets. At a price of 60, the elasticity of demand in market A is 5 and in market B is 6. Calculate the marginal revenue in both markets and determine which market should receive more output.
- a. Market A, MR 48; Market B, MR 50, output to market B should increase
 - b. Market A, MR 50; Market B, MR 48, output to market A should increase
 - c. Both markets have equal MR
 - d. Neither market should change output
66. Which characteristic is shared by monopoly and monopolistic competition, but NOT by perfect competition?
- a. Price equal to marginal cost
 - b. Supernormal profits in long run
 - c. Price higher than marginal cost
 - d. No selling costs
67. First degree price discrimination in a monopolist market is based on:
- a. Attributes such as location
 - b. Different quantities sold
 - c. Each individual customer
 - d. Different markets
68. In the kinked demand curve scenario for oligopoly, what happens when a firm raises its price above the prevailing level?
- a. Competitors follow and raise prices
 - b. The demand becomes perfectly inelastic
 - c. The firm loses market share as competitors do not follow
 - d. The demand curve becomes horizontal
69. The slope of MR curve for a monopoly firm is AR curve. Choose the correct answer. that of the
- a. Equal to
 - b. Twice
 - c. Three times
 - d. Half
70. What will be the impact on equilibrium price and equilibrium quantity when demand decreases and supply increases?
- a. Both equilibrium price and equilibrium quantity falls.
 - b. Both equilibrium price and equilibrium quantity will rise.
 - c. Equilibrium price falls but impact on equilibrium quantity is not certain
 - d. Equilibrium quantity decreases but impact on equilibrium price is not certain

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71. Which from the following forms essential elements of a market?

- (I) Buyers and sellers
- (II) Product or service
- (III) Knowledge of market conditions
- (IV) Multiple prices for a product or service at a given time

- a. (I), (II) and (III)
- b. Both (I) and (III)
- c. (I), (II) and (IV)
- d. Both (III) and (IV)

72. Complete the statement by selecting the correct option. A firm earns zero economic profit _____

- a. If price = Minimum ATC
- b. If price > Minimum ATC
- c. If price < Minimum ATC
- d. If price < Average Variable Cost

73. When goods are sold, based on product differentiation, it is known as _____.

- a. Collusive oligopoly
- b. Imperfect oligopoly
- c. Partial oligopoly
- d. Syndicated oligopoly

74. Choose the correct statement about Duopoly from the following statements.

- a. It is a special case for the Oligopoly market structure
- b. It is a special case for the Monopsony market structure
- c. It is a special case for the Monopoly market structure
- d. It is a special case for the Imperfect Competition

75. A group of firms which explicitly collude to coordinate their activities in industries where there are a few firms, all of which are similar in size, may be referred to as _____.

- a. Perfect competition
- b. Cartel
- c. Oligopsony
- d. Bilateral monopoly

76. The Theory of Games' which provided a different approach to the analysis of strategic behaviour of the oligopolists under uncertainty was developed by _____.

- a. Alfred Marshal
- b. Adam Smith
- c. Von Neumann & Oskar Morgentern
- d. Paul A Sweezy

77. Assume the cost of producing 500 units to be Rs 25,000. Investment of the entrepreneur in his business is Rs 1,50,000. Rate of normal market return is 10%. The selling price at which the firm will earn supernormal profit is:

- a. Rs 78
- b. Rs 80
- c. Rs 82
- d. Rs 76

78. The factors which determine the type of market are _____.

- a. Size of the commodity, size of the population and extent of demand
- b. Size of production, nature of commodity and extent of supply
- c. Extent of demand, nature of commodity and size of the population
- d. Size of production, extent of demand and nature of commodity

79. From the information below, calculate the marginal revenue of the 4th unit.

Units	TR	AR
1	100	100
2	180	90
3	240	80
4	300	75
5	330	66

- a. Rs 75 b. Rs 80
c. Rs 66 d. Rs 60

80. Calculate the AR, when $MR = 15$ and price elasticity of demand - 1.5

- a. 30 b. 60
c. 45 d. 22.5

81. Markets dealing with homogeneous products, which are perfect substitutes referred to as ___

- a. Monopoly
b. Oligopoly
c. Monopolistic Competition
d. Perfect competition

82. The industry and the firm are identical in _____ type of market situation.

- a. Monopoly
b. Perfect competition
c. Monopolistic competition
d. Oligopsony

83. Select the correct option from the following which represents market classification based on the volume of business.

- a. Spot market
b. Regulated market
c. Retail market
d. Local market

84. Government needs to take steps to regulate and prevent formation of certain market forms that are exploitative and create undesirable outcomes in the economy. The market form is:

- a. Perfect competition
b. Monopoly
c. Oligopolistic competition
d. Monopolistic competition

85. Which of the following is not a characteristic of the Oligopoly market?

- a. Strategic Interdependence
b. Group behaviour
c. No importance to advertising
d. Importance to selling costs

CHAPTER 5

BUSINESS CYCLE

SEP 2024

1. **Business whose fortune is closely linked to the rate of economic growth is known as:**
 - a. Cyclical Business
 - b. Seasonal Business
 - c. Static Business
 - d. Dynamic Business
2. **During what time, the production of weapons and arms, etc increases and most of the resources of the country are diverted for their production?**
 - a. Post War
 - b. Pre war
 - c. War
 - d. Peace
3. **In recovery phase of business cycle, the process of reversal is initially felt in:**
 - a. Capital Market
 - b. Labour Market
 - c. Agricultural Market
 - d. Financial Market
4. **When there is fall in the level of investment and employment, producers do not instantaneously recognise the pulse of the economy, what is indicated by this situation?**
 - a. Peak
 - b. Contaction
 - c. Expansion
 - d. Trough or depression

5. **What is the term for the lowest level of economic activity of a business cycle, where unemployment is high, and production is at its lowest.**

- a. Prosperity
- b. Trough and depression
- c. Peak
- d. Expansion

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6. **When entrepreneurs are pessimistic about the future market conditions:**
 - a. It does not impact the economy
 - b. Expansionary phase may begin
 - c. Economy phases contraction in economic activities
 - d. Investments tend to increase
7. **Which of the foloowing is not a characteristics of business cycle?**
 - a. They occur periodically
 - b. They are recurrent
 - c. They occur at regular intervals
 - d. They have distinct phase of Expansion, Peak, Contraction and trough.
8. **Which of the following is not the internal cause of business cycle?**
 - a. Fluctuations in effective demand
 - b. Fluctuation in investment
 - c. Variation in government spending
 - d. Technology Shock

9. **Change in Stock price, new order for capital and consumer goods are example of**

- a. Leading Indicator
- b. Lagging Indicator
- c. Co-incident Indicator
- d. Non - Economic Indicator

10. **Variables that change after real output change are called as**

- a. Leading Indicator
- b. Lagging Indicator
- c. Co-incident Indicator
- d. Non - Economic Indicator

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11. **During the upswing phase of the business cycle, the involuntary unemployment is**

- a. Almost Zero
- b. Highest
- c. Lowest
- d. Not affected

12. **The level of National income and expenditure decline rapidly during which phase of business cycle?**

- a. Downswing
- b. Upswing
- c. Recover
- d. Trough /depression

13. **In all kinds of businesses, the different phase of business cycle generally occurs as**

- a. No fixed time cycle but regular
- b. Having perfectly timed cycle
- c. Boom have longer period than depression
- d. Depression have longer period than boom

14. **An indicator which gives information about the rate of change the expansion or contraction of an economy is called_____**

- a. Lagging Indicator
- b. Leading Indicator
- c. Both Lagging and Leading Indicator
- d. Co-incident Indicator

15. **There is a war going on between Country A and Country B for last 2 years. Now in the current year both the countries have signed a peace agreement and war has come to an end. Now both the countries have started to rebuild the losses caused due to war out of their own funds. Which type of cause of change in business cycle is this for country A?**

- a. External Cause
- b. Internal cause
- c. Both Internal and External Cause
- d. This is not cause of change in business cycle

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16. **The advent of mobile phones, which led to a boom in telecom industry, exemplifies which external cause of business cycles?**

- a. Technology Disruptions
- b. Technology Shocks
- c. Technology Regulations
- d. Technology Limitations

17. **Which of the following best describes the economic conditions during bad trade in a business cycle?**

- a. Rising prices and low unemployment rate.
- b. Falling prices and high unemployment rate.
- c. High consumer confidence and rising wages.
- d. Increasing demand and production.

18. Business cycles typically consist of which of the following phases?

- a. Inflation, deflation, stagnation, growth
- b. Expansion, peak, contraction, trough
- c. Recession, depression, boom, stabilization
- d. Peak, decline, recovery, boom

19. Which of the following is true about the duration and intensity of business cycles?

- a. Business cycles have a fixed duration and intensity.
- b. Business cycles exhibit the same duration and intensity across all economies.
- c. Business cycles varies in duration and intensity, but they share common features.
- d. Business cycles do not vary in duration or intensity.

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20. Which of the following is not a lagging economic indicator?

- a. Unemployment
- b. Corporate Profits
- c. Labour cost per unit of output
- d. Changes in stock price

21. Which of the following is not the characteristics of contraction?

- a. Fall in the level of investment
- b. Fall in employment Level
- c. Decrease in input demand pulls input prices down
- d. Bank credit expands

22. In which phase of business cycle, actual demand stagnates?

- a. Expansion
- b. Peak
- c. Contraction
- d. Trough

23. Which phase of business cycle is also called downswing?

- a. Expansion
- b. Contraction
- c. Trough
- d. Depression

24. According to Pigou, modern business activities are based on:

- a. Innovations
- b. Purely monetary phenomena
- c. Anticipations /expectations of business community
- d. Fluctuations in output and employment

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25. A fall in the levels of investment and employment and supply exceeding demand to a great extent is predominant in ----- phase of business cycle.

- a. Upswing
- b. Boom
- c. Expansion
- d. Recession

26. Which of the following is not an example of coincident economic indicator?
- a. Changes in stock prices
 - b. Inflation
 - c. Personal income
 - d. Industrial production
27. Which of the following is not an internal cause of business cycle
- a. Natural factors
 - b. Psychological factors
 - c. Variation in Government spending
 - d. Macroeconomic policies
28. Which phase of business cycle is characterized by a rapid rise in output prices leading to increased cost of living and greater pressure on fixed income earners ?
- a. Contraction
 - b. Prosperity
 - c. Depression
 - d. Downswing
29. Unemployment, corporate profit and labour cost per unit of output are examples of which type of economic indicators?
- a. Coincident
 - b. Lagging
 - c. Concurrent
 - d. Leading

CHAPTER 6

DETERMINATION OF NATIONAL INCOME

SEP 2024

1. What will be the total income, if the value of average propensity to consume (APC) is 0.45 and total consumption is RS 900 Crores

- a. Rs 2,500 Crores
- b. Rs 2,000 Crores
- c. Rs 2,050 Crores
- d. Rs 2,100 Crores

2. What will be GDP at Market price based on the following information?

Particulars	Amount (Cr)
GNP MP	1,100
NFIA	200
Depreciation	50
NIT	100

- a. Rs 1,000 Crores
- b. Rs 1,050 Crores
- c. Rs 900 Crores
- d. Rs 1,300 Crores

3. Which of the following is not the correct formula for NNP_{MP}

- a. $NNP_{MP} = GNP_{MP} - \text{Depreciation}$
- b. $NNP_{MP} = NDP_{MP} + NFIA$
- c. $NNP_{MP} = GDP_{MP} + NFIA - \text{Depreciation}$
- d. $NNP_{MP} = NDP_{MP} - \text{Depreciation}$

4. The state Level Estimates are typically prepared by the state Income Units of the respective states. Which organization is primarily responsible for this task?

- a. Directorates of Economics and Statistics (DES)
- b. Central Statistical Organization (CSO)
- c. Ministry of Finance
- d. Reserve Bank of India

5. If GDP at Market price is Rs 6,700 Crores and depreciation is Rs 530 Crores. Then what will be NDP at market price?

- a. Rs 6,200 Crores
- b. Rs 6,170 Crores
- c. Rs 7,230 Crores
- d. Rs 6,690 Crores

6. Suppose the consumption of economy is given by $C = 30 + 0.5Y$ and Investment $I = 12 + 0.15Y$, what will be equilibrium level of national income?

- a. 120
- b. 115
- c. 105
- d. 112

7. Which of the following refers to Mixed income of self employed?

- a. Combined factor payments which are not distinguishable.
- b. Wages due to non-economic activity

- c. Net profit received by self employed.
- d. Outside wages received by self employed.

8. What does disposable personal income represent?

- a. The total income earned by individuals before taxes.
- b. The income individuals have for consumption or savings
- c. The total savings accumulated by individuals
- d. The total income of country's government

9. The ratio between Nominal GDP and Real GDP is known as:

- a. Inflation Rate
- b. Gross Domestic Product Deflator
- c. Gross National Product
- d. Net National Product

10. If the GDP deflator of a country in the year 2020 is 140.75 and in the year 2021 is 157.33, then what is the inflation rate in 2021?

- a. 9.09 %
- b. 10.97 %
- c. 11.78 %
- d. 12.34 %

11. Which method measures the contribution of each producing enterprises in the domestic territory of a country over an accounting year by consolidating production of each industry less intermediate purchases from all other industries.?

- a. Income Disposal Method
- b. Value Added Method
- c. Income Method
- d. Expenditure Method

12. In the three sector model of a closed Economy, what are three components of aggregate demand?

- a. Consumption, Savings and Investments
- b. Consumption, Exports and Government Spendings
- c. Consumption, Investments and Government Spendings
- d. Consumption, Imports and Exports

13. According to Kenesian theory of Income and Employment, national income depends upon:

- a. Aggregate Effective Supply
- b. Aggregate Effective Savings
- c. Aggregate Effective Demand
- d. Aggregate Effective Production

14. What are the phases included in the circular flow of income?

- a. Production, Savings and Expenditure
- b. Production, Income and Taxation
- c. Production, Distribution and Disposition
- d. Income, Saving and Investment

15. Which of the following is not the limitation in computation of National Income?

- a. Issue of Transfer Payments
- b. Services of durable goods
- c. Difficulty of Incorporating the distribution of national Income
- d. Quality improvements due to Technological Change.

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16. The consumption function is the functional relationship between aggregate consumption and

- a. Aggregate Disposable Income
- b. Aggregate Demand
- c. Aggregate Supply
- d. Savings

17. The value of all final goods and services produced in a country within a given period of time is called

- a. National Income
- b. Gross Domestic Product
- c. Net National Product
- d. Gross National Product

18. If GDP^{MP} is more than GNP^{MP} it means

- a. The aggregate income that country's citizens and companies earn abroad is greater than the aggregate amount that the foreign citizens and overseas companies earn in that country
- b. NFIA is negative
- c. The aggregate income that country's citizens and companies earn abroad is equal to the aggregate amount that the foreign citizens and overseas companies earn in that country
- d. NFIA is positive

19. Find Real GDP, If nominal GDP = 720 and price index is 120

- a. 864
- b. 500
- c. 600
- d. 700

20. Which of the following is not true for personal income?

- a. It is income received by household sector.

b. It includes Non-Profit institutions serving households.

c. It is a measure of actual current income receipts of persons only from productive activities.

d. It excludes retained earnings.

21. Calculate Average Propensity to Save when $C=300$ and $Y=1,200$.

- a. 0.25
- b. 0.50
- c. 0.75
- d. 0.80

22. Marginal Propensity to consume is

- a. Zero when income is zero
- b. Always less than unity but greater than zero
- c. Greater than one when income rises
- d. It does not depend on income

23. Product Methode or Value Added Method for calculation of national income is also called

- a. Industrial Origin Method
- b. Income Disposal Method
- c. Factor Payment Method
- d. Distributed Share Method

24. In a three sector model, suppose $C=8+0.6Y_d$, $G=T=10$, where C is consumption, I is Investment, Y_d is disposable income, G is government expenditure and T is tax.

Find the equilibrium level of national income

- a. 120
- b. 150
- c. 180
- d. 200

25. In an economy investment expenditure is increased by Rs 300 crores and marginal propensity to consume is 0.6. Calculate increase in income:

- a. Rs. 300 Crores
- b. Rs. 100 Crores
- c. Rs. 650 Crores
- d. Rs. 750 Crores

26. While using the income method, which of the following income is included while calculating national income

- a. Capital Gain
- b. Windfall profits
- c. Income from sale of second hand goods
- d. Commission and brokerages

27. Calculate gross value added at market price if sales = 750, opening stock = 300, closing stock = 200 and intermediate consumption is 250

- a. 400
- b. 450
- c. 600
- d. 650

28. Nominal GDP is

- a. Same as Real GDP
- b. Real GDP less depreciation
- c. GDP at current prices
- d. GDP at constant price

29. The investment multiplier is defined as the ratio of

- a. Change in investment due to change in savings.
- b. Change in demand due to change in investment.
- c. Change in consumption due to change in investment.
- d. Change in national income due to change in investment.

30. The ratio of total consumption to total income is known as

- a. Average Propensity to consume (APC)
- b. Marginal Propensity to Consume (MPC)
- c. Savings Function
- d. Income Function

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31. Which of the following is not a significance and usefulness of the national income estimates?

- a. To identify the sector wise composition of national income.
- b. Business uses it to forecast the future demand of their product
- c. To assist in making policies related to inflation.
- d. To assist in making policies related to population.

32. Which of the following organization is responsible for compilation of national accounts statistics?

- a. Directorates of Economics and Statistics (DES)
- b. Central Statistical Organization
- c. Ministry of Finance of Central Government
- d. Reserve Bank of India

33. Which of the following is not a sector to be included in three sector model of Keynesian theory of determination of national Income?

- a. Business
- b. Household
- c. Foreign
- d. Government

34. Consider the data given in the table below, calculate the inflation rate for year 3

Year	Nominal GDP	Real GDP	GDP Deflator
0	900	900	900
1	1200	1000	1000
2	1500	1200	1200
3	1800	1250	1250
4	2000	1600	1600

- a. 15.20% b. 13.19%
c. 19% d. -19%

35. Which of the following defines the Gross National Product (GNP) of a country under the concept of National Income?

- a. It is the market value of all final economic goods and services produced within the domestic territory of a country excluding the NFIA.
b. It is the market value of all final economic goods and services produced within the domestic territory of a country including the NFIA.
c. It is production cost of all final economic goods and services produced within the domestic territory including depreciation.
d. It is production cost of all final economic goods and services produced within the domestic territory excluding depreciation.

36. GDP_{FC} is calculated by which of the following formula?

- a. $GDP_{FC} = GDP_{MP} + \text{NFAI} - \text{Depreciation}$
b. $GDP_{FC} = GDP_{MP} + \text{NFIA}$
b. $GDP_{FC} = GDP_{MP} - \text{IT} + \text{Subsidy}$
d. $GDP_{FC} = GDP_{MP} + \text{IT} - \text{Subsidy}$

37. Which of the following is included in the calculation of personal income under the concept of National Income?

- a. Retained Earnings
b. Unemployment Compensation
c. Indirect Business Taxes
d. Contribution towards Social security

38. Which of the following is true in relation with Private Income under the concept of National Income?

- a. It is personal income less Personal income tax
b. It is personal income adjusted by inflation rate.
c. It is the income (Both factor and transfer income) accrued to private sector from all the sources within the country only
d. It is the income (Both factor and transfer income) accrued to private sector from all the sources within and outside the country.

39. Which of the following is true about the basic price in the determination of National income?

- a. Basic Price = Factor Cost - Depreciation.
b. Basic Price = Factor Cost - Manufacturing Taxes + Manufacturing Subsidies.
c. Basic Price = Factor Cost + NFAI
d. Basic Price = Factor Cost + Manufacturing Taxes + Production Subsidies.

40. Which of the following is an indicator of the standard of living of a country under the concept of national Income.

- Disposable Personal Income
- Personal Income
- Per capita Income
- GDP at Factor Cost

41. The amount of money in the hands of individual that is available for their consumption or savings is known as

- Per Capita Income
- Private Income
- Disposable Personal Income
- Personal Income

42. Under the Keynesian theory of determination of National Income, the assumption is that the consumption increases with the increase in disposable income but the increase in consumption will be _____ the increase in disposable income

- Opposite to
- Equal To
- Greater Than
- Less Than

43. Which of the following is true in respect of relation of Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) as per the Keynesian theory of determination of national income?

- $MPC + MPS = 1$
- $MPC = MPS$
- $MPC + MPS = 0$
- No relation between MPC and MPS

44. In the preparation of state income estimate, certain activities like railways, banking, insurance etc that

cut across the state boundary, thus their economic contributions are assigned to more than one state are known as

- Supra Regional Sectors of economy
- Central Sectors of Economy
- Tertiary Sectors of Economy
- Secondary Sectors of Economy

45. Under Keynesian theory of National Income determination, which of the following term given to demand for money?

- Liquidity Preference
- Investment multiplier
- Aggregate Demand
- Marginal Propensity

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Consider the following data and answer the Questions No. 46 to 48:

Year	GDP Deflator
2020-21	100
2021-22	154.25
2022-23	168.40
2023-24	148.25

46. What will be the inflation rate in FY 2022-23 as compared to FY 2021-22?

- 9.54%
- 8.76%
- 9.17%
- 7.44%

47. In which FY the nominal GDP and real GDP are the same?

- FY 2021-22
- FY 2022-23
- FY 2020-21
- FY 2023-24

48. In which FY the price level has fallen?

- a. FY 2020-21
- b. FY 2023-24
- c. FY 2022-23
- d. FY 2021-22

49. If the consumption function $C = 10 + 0.5Y$ and Investment is ` 200, then what will be the equilibrium level of Income?

- a. Rs. 510
- b. Rs. 325
- c. Rs. 420
- d. Rs. 350

50. The maximum value of investment multiplier will be the infinity when the value of:

- a. MPC is 1.
- b. MPC is -1.
- c. APC is 1.
- d. MPS is -1.

51. Calculate the consumption of fixed capital (depreciation) from the following data:

Particulars	Amount (in Crore)
GDP MP	8,000
NNP MP	5,600
Indirect Tax	400
Subsidy	300
NFIA	200

- a. Rs. 1,700 Crores
- b. Rs. 5,200 Crores
- c. Rs. 7,600 Crores
- d. Rs. 2,600 Crores

52. There are three different interlinked phases in a circular flow of income, namely:

- a. Production, consumption and disposition
- b. Production, consumption and investment
- c. Production, disposition and distribution
- d. Production, expenditure and disposition

53. Calculate the net factor income from abroad from the following data:

Particulars	Amount (Crores)
NDP MP	10,000
NNP MP	12,000
Net Indirect Taxes	400
Depreciation	200

- a. Rs. 2,400 Crores
- b. Rs. 2,000 Crores
- c. Rs. 3,600 Crores
- d. Rs. 1,800 Crores

54. If the GDP deflator is greater than 100, it indicates that:

- a. Real GDP is greater than nominal GDP.
- b. Nominal GDP is greater than real GDP.
- c. Price levels are lower as compared to the base year.
- d. Real GDP is equal to nominal GDP.

55. Gamma Ltd., a South Korean company, earns profits from its manufacturing operations in India. How these profits will be reflected in the economic measures of both countries?

- a. They will be included in India's GDP and South Korea's GDP.
b. They will be included in India's GDP but not in South Korea's GNP.
c. They will be included in India's GDP and South Korea's GNP.
d. They will be included only in India's GNP.
56. If national income increases from ` 500 crores to ` 2,500 crores due to an increase in investment of ` 200 crores, what will be the value of the Marginal Propensity to Consume (MPC)?
- a. 0.90
b. 0.85
c. 0.75
d. 0.95
57. The slope of the consumption function represents _____.
- a. Average Propensity to Save (APS).
b. Marginal Propensity to Consume (MPC).
c. Marginal Propensity to Save (MPS).
d. Average Propensity to Consume (APC).
58. Who are the economists credited with pioneering National Income Accounting?
- a. John Maynard Keynes and Milton Friedman
b. Simon Kuznets and Richard Stone
c. Adam Smith and David Ricardo
d. Paul Samuelson and Joseph Schumpeter
59. If a country has the following economic data: GDPMP ` 2,000 billion, indirect taxes = ` 250 billion and subsidies = ` 100 billion, what is its GDP at Factor Cost?
- a. Rs. 1,850 Billions
b. Rs. 2,100 Billions
c. Rs. 2,150 Billions
d. Rs. 2,000 Billions
60. If the Average Propensity to Save (APS) of a household is 0.4, and their total income is ` 25,000, what is the total saving?
- a. Rs. 15,000
b. Rs. 10,000
c. Rs. 6,250
d. Rs. 12,500
- JAN 2026**
61. Refer the following data:
Sales - Rs 1,000 Crores
Depreciation RS 70 Crores
Opening Stock - Rs 100 Crore
Closing Stock - Rs 90 Crores
GST - Rs 100 Crores
Intermediate Consumption Rs 440 Crores
- Based on above information Comput GVA mp
- a. Rs 380 Crores
b. Rs 620 Crores
c. Rs 480 Crores
d. Rs 550 Crores
62. Which item is not included when calculating national income using the income method?
- a. Compensation of employees
b. Mixed income of self employed
c. Interest paid on consumption loan
d. Rent

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**Based on above information Comput
GVA mp**

63. Calculate Real GDP if Nominal GDP is 450 and price index is 120.

- a. 540 b. 350
c. 375 d. 475

Use the following data to answer the question 64 and 65

Particulars	Crores
Operating Surplus	2500
Mixed Income of Self Employed	1,500
Rent	680
Profit	720
Interest	1,100
Net indirect Tax	400
Consumption of fixed Capital	300
Compensation of Employees	1000

64. Calculate GDP mp

- a. 5,700 Crores b. 8,200 Crores
c. 5,000 Crores d. 7,500 Crores

65 Calculate GDP fc

- a. 5,000 Crores b. 7,500 Crores
c. 7,100 Crores d. 5,300 Crores

66. Operating Surplus includes

- a. Rent, Interest and Compensation to employees
b. Rent, Interest and profits
c. Rent, Profits and Compensation to employees
d. Rent, Interest and Taxes

67. National income of the economy which is either consumed or saved is equal to

- a. Aggregate Supply
b. Marginal propensity to consume
c. Average Supply
d. Marginal Propensity to save

68. Given the savings function $S = -20 + 0.5Y$ and autonomous investment = 100 crores, what is the consumption?

- a. Rs 240 Crores b. Rs 140 Crores
c. Rs 340 Crores d. Rs 440 Crores

69. Which of the following factor is not included in calculating the national income

- a. Pensions of retired workers
b. Wages of labourers
c. Employers contribution to provident fund
d. Interest on loan availed for productive services.

70. if the marginal propensity to consume is 0.6 and marginal propensity to import is 0.04, what is the value of foreign trade multiplier?

- a. 3.33 b. 2.27
c. 3.66 d. 2.54

71. If NFIA is negative:

- a. GNP mp would be smaller than GDP mp
b. Gross income earned by country's citizen and companies abroad is negative.
c. NNP mp would be greater than GNP mp
d. Huge depreciation component in NNPmp

72. All of the following are included in government final consumption expenditure except

- a. Government expenditure on defence
- b. Government expenditure on education
- c. Government expenditure on healthcare
- d. Government expenditure on pensions

73. An autonomous increase in import has _____ effect on equilibrium income.

- a. Expansionary
- b. Contractionary
- c. Balanced
- d. No

74. Which of the following is not an example of leakage from income stream?

- a. Progressive rates of taxation
- b. High liquidity preference
- c. Distributed profits of corporation
- d. Demand for imported goods

75. In National Accounts, which of the following is considered an "Economic bad" excluded from GDP?

- a. Traffic Congestion
- b. Volunteer Service
- c. Rent from Self owned Houses
- d. Consumption of fixed capital

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76. From the given options, select the method that measures national income through a summation of factor incomes paid out by all production units within the domestic territory of a country such as wages, salaries, rent, interest and profit, with the exception of transfer income.

- a. Value added method
- b. Expenditure method
- c. Disposal method
- d. Income method

77. Calculate the amount of subsidies, when the national income is Rs 4,500 crore, Net National Product at Market Price is Rs 4,800 crore and indirect taxes is Rs 350 crore.

- a. Rs 400 Crore
- b. Rs 650 Crores
- c. Rs 50 Crores
- d. Rs 100 Crores

78. Considering the Real GDP to be Rs 4,500 crore and the Nominal GDP Rs 6,750 crore, calculate the GDP deflator.

- a. 150
- b. 66.67
- c. 120
- d. 80.33

79. Calculate the NNP at MP when NNP at FC is Rs 15,000 crore, indirect taxes Rs 450 crore, direct taxes Rs 175 crore and subsidies are Rs 250 crore.

- a. Rs 15,025 Crores
- b. Rs 15,200 crore
- c. Rs 15,275 crore
- d. Rs 15,525 crore

80. Calculate the equilibrium level of income, if the saving function is denoted by $S = -20 + 0.25 Y$ and autonomous investment $(I) = 100$ crores.

- a. 320 crores
- b. 160 crores
- c. 480 crores
- d. 240 crores

81. The difference between market price and factor cost for an aggregate like GDP is:

- a. Net exports (excluding subsidies)
- b. Net indirect taxes (indirect taxes minus subsidies)
- c. Depreciation
- d. Net factor income from abroad

82. The condition for national income equilibrium can be expressed through which of the following expressions?

- a. $C - I = C + S$
- b. $C + I = C + S$
- c. $C + I = C - S$
- d. $C + I = S$

83. In economics, what distinguishes between 'National' and 'Domestic with regards to determination of national income?

- a. Depreciation
- b. Indirect taxes
- c. Subsidies
- d. Net factor income from abroad

84. National income is calculated as the consolidation of the production of each industry after reducing the intermediate purchases from all other industries in which of the following method?

- a. Industrial origin method
- b. Income method
- c. Disposal approach
- d. Expenditure approach

85. Which of the following statements correctly explains the relationship between Marginal Propensity to Consume (MPC), Marginal Propensity to Save (MPS), and the value of the investment multiplier?

- a. Higher the MPC more will be the value of investment multiplier
- b. Higher the MPS more will be the value of investment multiplier
- c. Lower the MPC more will be the value of investment multiplier
- d. Lower the MPS less will be the value of investment multiplier

86. While determining national income, the income, which is not spent on, recently produced consumption goods and services may be referred to as out of the income stream.

- a. Inflation
- b. Depreciation
- c. Injection
- d. Leakage

87. There is an increase in the national income by Rs 2,000 crores when there is an increase in investments by Rs 1,600 crores. Calculate the marginal propensity to consume.

- a. 0.80
- b. 0.50
- c. 0.20
- d. 0.40

Use the following information for Q 88 and Q 89

Income (Y) in Cr	Consumption (C) in Cr
0	100
100	150
200	225
300	300
400	375
500	400

88. Calculate the marginal propensity to consume when the income changes from Rs 300 crores to Rs 400 crores.

- a. 1.00 b. 0.50
- c. 0.75 d. 0.25

89. Calculate the average propensity to save when the income is at ₹ 500 crores.

- a. 0.80 b. 1.00
- c. 0.25 d. 0.20

90. Which of the following pair of components is common to all sector models of the economy?

- a. Government and household
- b. Rest of the world and Government
- c. Household and firms (Business)
- d. Firms (Business) and Government

CA NAGENDRA BHAKTHA

CHAPTER 7

PUBLIC FINANCE

SEP 2024

1. Sarah is considering purchasing of a used car from a private seller named John. John claims that the car is in excellent condition and has never been in an accident. However John is aware that the car had significant damage in the past due to an accident, but he has repaired it without disclosing this information to Sarah based on the case described, what concept of economics does this scenario illustrates?
 - a. Moral Hazard
 - b. Lemons Problem
 - c. Market power
 - d. Government Intervention
2. Richard Musgrave introduced Three Branch Taxonomy describing the role of government in a market economy. What are these three branches?
 - a. Resource allocation, Income generation and Price stability.
 - b. Resource allocation, Income Redistribution and Macro economic stabilization.
 - c. Production efficiency, Income equality, and Fiscal Sustainability
 - d. Price Regulation, Employment Generation and Fiscal Responsibility.
3. Under which supreme court verdict do the union and state legislatures 'have equal, simultaneous and unique powers' To make law on goods and service tax?
 - a. June 2020 Verdict
 - b. July 2021 Verdict
 - c. Feb 2022 Verdict
 - d. May 2022 Verdict
4. Under institutional Responsibility for public debt management, external debt is the responsibility of
 - a. Reserve Bank of India
 - b. Ministry of finance
 - c. Department of Economic affairs
 - d. State Government
5. If the primary deficit is Rs 20,500 Crores and the net interest liabilities of a country are Rs 3,500 Crores then what will be the fiscal deficit?
 - a. Rs 17,000 Crores
 - b. Rs 21,500 Crores
 - c. Rs 19,500 Crores
 - d. Rs 24,000 Crores
6. Which article of the Indian Constitution contain specific provisions regarding the distribution of finances among the states?
 - a. Article 356 to 369
 - b. Article 248 to 257
 - c. Article 268 to 281
 - d. Article 292 to 304

7. The following figures relates to country A for a particular financial year:

Particulars	Amount (Crores)
Revenue Deficit	10,000
Fiscal Deficit	24,000
Net Interest Liability	2,000
Borrowing	6,000
Expenditure on Revenue Account	3,000

What will be the primary deficit of Country A?

- Rs 8,000 Crores
- Rs 22,000 Crores
- Rs 18,000 Crores
- Rs 21,000 Crores

8. All revenues received, Loans Raised and all money received by the government in repayment of loans are credited to the:

- Consolidated Fund of India
- Contingency Fund of India
- Public Provident Fund
- Public Account

9. What action can be taken during Inflation?

- Introduce Subsidies and reduce Tax rates
- Implement austerity measure and reduce government spending.
- Levy new taxes and raise rates of existing taxes.
- Increase the government borrowings and stimulate demand.

10. Which of the following is considered as the tool of fiscal policy?

- Taxes, Subsidies and Tariffs
- Taxes, Government Expenditure, Public Debt and Budget
- Monetary Policy, Interest rate and Inflation Targeting
- Exchange rate, Capital Control and quantitative easing

JAN 2025

11. Taxes on agricultural income is levied by:

- Central Government
- State Government
- Both Central and state government
- Local Self Governments

12. Governments direct production of economic goods such as electricity and public transportation system are example of

- Allocation function
- Distribution function
- Stabilization Function
- Protection Function

13. The progressive tax system ensures

- Economic growth with stability because it distributes the burden of taxes unequally.

- b. Those who have greater ability to pay contribute more and tax burden is distributed fairly among the the population
c. Uniform Taxes for all
d. Luxuries are taxed heavily
14. **Non Debt Capital receipts of the government includes**
a. Market loans for different purposes
b. State Provident Funds
c. Securities issued against small savings
d. Recoveries of loans and advances
15. **When the outcome of the policy are not visible for some time, it is called:**
a. Recognition Lag
b. Decision Lag
c. Implementation Lag
d. Impact Lag
16. **The excess of Governments total Expenditure over its receipts excluding borrowings is called as**
a. Revenue Deficit
b. Fiscal Deficit
c. Primary Deficit
d. Budgetary Deficit
17. **The receipts which neither creates any liabilities nor cause reduction in any the asset of the government are called:**
a. Non Debt Capital Receipts
b. Debt Capital Receipts
c. Revenue Receipts
d. Estimated Receipts
18. **Which of the following is applied on interstate movement of goods and services and on imports and exports**
a. CGST b. SGST
c. IGST d. Income Tax
19. **The cap-and-trade method used by the government to ensure that the pollution is minimized in the most cost effective is an example of:**
a. Government Intervention to correct Externalities
b. Government Intervention in case of merit goods
c. Government Intervention in case of demerit goods
d. Government Intervention for correcting market failure
20. **Which constitutional body maintains fiscal federalism in India?**
a. Central Government
b. Parliament
c. Reserve Bank of India
d. Finance Commission
21. **What would the term lemon means in the model of "Lemons problem" developed by "Gerorge Akerlof" in relation to used car market.**
a. Both poor and good quality used cars
b. Only good quality used cars
c. Average quality used cars
d. Scrapped used cars

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22. Which of the following is one of the key functions of fiscal policy and aims at eliminating the macroeconomic fluctuations arising from sub optimal allocation of resources?
- The Redistribution function
 - The allocation function
 - The stabilization function
 - The Utilization function
23. Which of the following statement is true in respect of Social Cost?
- Social Cost = Private Cost + External Cost - Total Negative externalities
 - Social Cost = Private Cost + External Cost
 - Social Cost = Private Cost + External Cost - Government Tax
 - Social Cost = Private Cost + Total Negative externalities - Government Taxes
24. Which of the following is not the characteristics of Public Goods?
- Indivisibility
 - Non-Rival in consumption
 - More vulnerable to externalities
 - Excludable
25. Which of the following is the nodal department for overseeing the public financial management system in the central government.
- Department Revenue under Finance ministry
 - NITI Ayog
 - Department of Expenditure under Finance Ministry
 - Reserve Bank of India
26. The statutory disclaimer that "Mutual Funds investments are subject to market risk, please read the offer document carefully before investing" is which of the following type of government intervention?
- Government Intervention for equitable distribution.
 - Government Intervention to correct externalities
 - Government Intervention to correct market failure
 - Government Intervention in case of public goods.
27. Article 112 of the Indian constitution provides that in respect of every financial year the president shall caused to be laid before both the houses of the parliament a statement of estimated receipts and expenditure of the government of India for that year. The statement is referred to as
- Annual Financial Statement
 - Budget
 - Statement of Income & Expenditure
 - Interim Budget
28. Which of the following information regarding the receipts expenditure of the government is not presented in the budget document?
- Budget Estimate of the ensuing Financial Year.
 - budget Estimate of the Current Financial Year.
 - Revised Estimate of the Ensuing Financial Year.
 - Annual Expenditure and Income of the Current Financial Year.

29. **During the budget proceedings, the speaker of Loka Sabha, once the prescribed time is over, puts all the demand for grants, whether discussed or not, to vote of the house, this process is known as?**

- a. Presenting the appropriation Bill
- b. Cut Motions
- c. Outcome Budget
- d. Guillotine

30. **Which of the following is not true regarding the fiscal policy of the government?**

- a. An economy producing full employment does not require Government action in the form of fiscal policy.
- b. It is deliberate policy of government.
- c. Taxation policy is part of Fiscal Policy
- d. Fiscal policy is Supply side Policy

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31. **What does article 275 of the Indian constitution deal with?**

- a. Surcharge on certain duties and taxes for purposes of the union
- b. Statutory grants in aid from the union to certain states
- c. Grants for any public purpose
- d. Loans for any public purpose

32. **Contractionary fiscal policy typically involves**

- a. Increasing government spending and reducing taxes.
- b. Reducing government spending and increasing taxes.
- c. Increasing government spending and increasing taxes.
- d. Reducing both government spending and taxes.

33. **The government's use of proceeds from progressive taxes to supply essential food grains at highly subsidized prices to BPL households is an example of:**

- a. Allocation Function
- b. Stabilization Function
- c. Redistribution Function
- d. Production Function

34. **The Right of Children to Free and Compulsory Education Act, 2009, which mandates free and compulsory education for every child between the ages of six to fourteen years, is an example of:**

- a. Government Intervention in the case of Merit Goods.
- b. Government Intervention in the case of Demerit Goods.
- c. Government Intervention in the case of Public Goods.
- d. Government Intervention to correct Externalities.

35. **Under Article 266(1) of the Constitution of India, which of the following is used in relation to all fund flows where the government acts as a banker?**

- a. Public Account
- b. Consolidated Fund
- c. Contingency Fund
- d. State Development Fund

36. Who introduced the concept of 'collective consumption goods, which later came to be known as public goods?

- a. Milton Friedman
- b. John Maynard Keynes
- c. Paul A. Samuelson
- d. Adam Smith

37. If a government's revenue receipts for a year are Rs 10,000 crore, capital receipts excluding borrowing are Rs 2,000 crore, revenue expenditure is Rs 12,000 crore and capital expenditure is Rs 5,000 crore. What is the fiscal deficit?

- a. Rs 5,000 crore b. Rs 7,000 crore
- c. Rs 10,000 crore d. Rs 9,000 crore

38. _____ is defined as the excess of total estimated expenditure over total estimated revenue and is the difference between all receipts and expenditures, both revenue and capital.

- a. Fiscal Deficit
- b. Budgetary Deficit
- c. Revenue Deficit
- d. Primary Deficit

39. The situation when the market does not supply products at all despite the fact that such products and services are wanted by the people is known as:

- a. Temporary market failure
- b. Complete market failure
- c. Partial market failure
- d. Relative market failure

40. Alex has comprehensive car insurance, which covers the cost of repairs if his car is damaged in an accident. As a result, he drives more recklessly, knowing that his insurance will cover any damages. Over time, he gets into more accidents and files more insurance claims due to his careless driving. This scenario illustrates which of the following concepts?

- a. Moral Hazard
- b. Market Power
- c. Lemon's Problem
- d. Government Interventions

JAN 2026

41. Governments redistribution function leads to dead weight losses because:

- a. It leads to lower taxes on the rich for the government
- b. It emphasizes on production of merit goods only
- c. It acts as a disincentive to entrepreneurship and work
- d. It decreases social security costs

42. Statement 1: During recession, the government increases its expenditure or cuts down taxes.

Statement 2: Deficit budgets are expected to stimulate economic activity while surplus budget tends to slowdown economic growth.

- a. Both statements (1) and (2) are correct
- b. Statement (1) is correct while statement (2) is incorrect
- c. Statement (1) is incorrect while statement (2) is correct
- d. Both statements (1) and (2) are incorrect

43. Which of the following is not one of the three main macroeconomic goals for any nation:

- a. Universal education to all
- b. High level of employment
- c. Economic growth
- d. Price stability

44. Stagflation is:

- a. Increased taxes leading to reduced disposable income
- b. Economic situation where inflation and unemployment exist side by side
- c. Easy transmission of economic instability from one country to other countries
- d. Improved economic stability

45. GST is a

- a. Production based taxation system
- b. Income based taxation system
- c. Turnover based taxation system
- d. Consumption based taxation system

46. Which of the following is not listed as a common objective of fiscal policy?

- a. Equitable distribution of income and wealth
- b. Maintenance of price stability
- c. Promotion of exports and imports

- d. Achievement and maintenance of full employment

47. What is Net Divisible Pool (NDP)?

- a. Total funds from which loans can be taken by various states
- b. Total loans recovered from IMF to be divided among center and states
- c. Distribution of total revenue of a nation among various sectors of the economy
- d. Portion of gross tax revenue which is distributed between the center and the states

Using below mentioned data, answer Question No. 48 and 49:

Revenue receipts	25,000 Cr
Expenses on revenue account	30,000 cr
Expenses on capital account	30,000 cr
Estimated total expenditure	60,000 cr
Estimated total revenue	54,000 cr

48. Calculate the revenue deficit

- a. Rs 5,000 Cr
- b. Rs 12,000 Cr
- c. Rs 2,000 Cr
- d. Rs 8,000 Cr

49. Calculate the budgetary deficit.

- a. Rs 25,000 Cr
- b. Rs 5,000 Cr
- c. Rs 6,000 Cr
- d. Rs 12,000 Cr

50. Laissez faire approach advocated:

- a. Minimum government interference in or regulation of economic activity
- b. Increase in government spending to combat the recessionary forces
- c. Having a more active fiscal policy
- d. Increasing taxes to curtail aggregate demand

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51. Which of the following taxes does the State Government levy?

- a. Taxes on Income
- b. Taxes on vehicles
- c. Customs duty
- d. Security transaction tax

52. Which of the following is not the responsibility of the Central Government but is associated with the State Government?

- a. Foreign affairs
- b. Foreign trade and exchange management
- c. Police protection
- d. Money and banking

53. Surcharge on certain duties and taxes for the purpose of the Union, are based on which of the following Articles of the Constitution?

- a. 271
- b. 269
- c. 293
- d. 268

54. Which of the following is not a criteria for distribution of central taxes amongst states for the period 2021 to 2026?

- a. Area
- b. Population (2011)
- c. Forest & ecology
- d. Adult literacy

55. Government spending that does not contribute to GDP because income is only redistributed from one group of people to another, without any direct contribution by the recipients is known as:

- a. Revenue expenditure
- b. Capital expenditure
- c. Transfer payments
- d. Public expenditure

56. Which of the following institutions is not responsible for public debt management in India?

- a. SEBI
- b. RBI
- c. Department of Economic Affairs
- d. Ministry of Finance

57. Which of the following is not a non-tax revenue under public finance?

- a. Interest receipts
- b. Receipts of union territories
- c. Dividend and profits from PSUs
- d. GST compensation cess

58. The act of undisciplined students shouting and making nuisance during a lecture session in a class and disrupting teachers from delivering their lectures is an example of

- a. Negative production externality
- b. Positive consumption externality
- c. Negative consumption externality
- d. Positive production externality

59. Calculate the fiscal deficit from the following data.

Revenue deficit - Rs 5,000 crores
Capital expenditure - Rs 45,000 crores
Capital receipts excluding borrowings - Rs 42,000 crores

- a. Rs 2,500 crores
- b. Rs 12,500 crores
- c. Rs 10,000 crores
- d. Rs 7,500 crores

CHAPTER 8

MONEY MARKET

SEP 2024

1. If reserve ratio (R) is 0.10 and there is increase in the reserve by Rs 1,000, what will be the change in money supply?
 - a. Rs 10,000 b. Rs 1,000
 - c. Rs 100 d. Rs 10
2. Which of the following is NOT a function of money?
 - a. Providing a common measure of value
 - b. Acting as a medium of exchange
 - c. Serving as a unit of account
 - d. Easily reproducible by people
3. The concept of Risk aversion is propounded by
 - a. James Tobin b. Milton Friedman
 - c. J.M Keynes d. Alfred Marshall
4. What type of currency is issued by the central Bank?
 - a. Commodity Money
 - b. Digital Money
 - c. Fiat Money
 - d. Representative Money
5. In an Economy, Money supply (M) = 500 Crores, Velocity of money (V) = 5 and the total number of transaction T = 10,000. Calculate average price level (P) in the economy.
 - a. Rs 25 Thousand b. Rs 25 Lakhs
 - c. Rs 50 Lakhs d. Rs 50 Thousand
6. If the monetary base in the economy is Rs250 Crores through an open market operation by the central bank, and the money supply is Rs1,000 Crores, Calculate the money multiplier
 - a. 0.25 b. 1
 - c. 4 d. 0.40
7. Reverse Repo Rate is linked the Repo Rate in the following way:
 - a. Reverse Repo Rate = Repo Rate + 1
 - b. Reverse Repo Rate = Repo Rate - 1
 - c. Reverse Repo Rate = Repo Rate $\times 0.1\%$
 - d. Reverse Repo Rate = Repo Rate $\times 0.01\%$
8. Real Money refers to
 - a. Real National Income
 - b. Money Demanded at given rate of interest
 - c. Nominal GNP divided by price level
 - d. Nominal oney adjusted to price level
9. Which of the following is the correct formula to calculate the Excess Reserve?
 - a. Excess Reserve = Total Reserve - Required Reserve
 - b. Excess Reserve = Total Reserve + Required Reserve
 - c. Excess Reseve = Total Reserve / Required Reseve
 - d. Excess Reseve = Total Reserve $\times$ Required Reseve

10. What does RBI publish every six months, providing explanation for the source of inflation and forecast for the upcoming period of six to eighteen months?

- a. Economic Outlook Report
- b. Financial Stability Report
- c. Monetary Policy Report
- d. Inflation Targeting Framework

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11. Which of the following is not the characteristics of money?

- a. Generally acceptable
- b. effortlessly recognizable
- c. Easily transportable
- d. Easily reproducible by the people

12. The currency issued by the central bank is known as _____ and is backed by the supporting reserves and its value is sovereign guarantee.

- a. Real Money
- b. Credit Money
- c. Fiat Money
- d. Sovereign Bonds

13. Considering that with a money multiplier of 1.5 there has been an increment of Rs.600 crore of money supply. Find out monetary base

- a. Rs 800 cr
- b. Rs 200 cr
- c. Rs 400 cr
- d. Rs 900 cr

14. Calculate Narrow money (M1) from the following data.

- Currency with the public Rs 88,000cr
- DD with banking system Rs 2,20,000cr
- TD with banking system Rs 2,40,000cr
- Other Deposits with RBI Rs 2,60,000cr
- Savings deposits with post office savings bank Rs 50,000cr
 - a. Rs 5,68,000 Cr
 - b. Rs 6,18,000 Cr
 - c. Rs 5,98,000 Cr
 - d. Rs 6,38,000 Cr

15. Calculate currency with the public from the following data

- Note in circulation Rs 45,000cr
- Circulation of rupee coin Rs 1,500cr
- Circulation of small coin Rs 750cr
- Cash on hand with banks Rs 27,500cr
 - a. Rs 74,750 cr
 - b. Rs 19,750 cr
 - c. Rs 73,250 cr
 - d. Rs 29,750 cr

16. _____ is penal rate at which RBI lends money to bank, above the rate available under rep policy.

- a. Marginal standing facility rate
- b. Bank rate
- c. Repo rate
- d. Reverse repo rate

17. Liquidity adjustment facility was introduced by RBI on the basis of recommendation of the _____ committee on reforms in banking sector

- a. Tandon b. Narasimham
c. Chore d. Basel

18. **Money created by commercial bank is called**

- a. Real Money b. High powered money
c. Fiat Money d. Credit Money

19. **Under the concept of money, the term 'public' do not include**

- a. Households
b. Institutions
c. Government and banking system
d. Firms

20. **Compute the total credit money created by the banking system if the required reserve ratio is 15% for every 12,00,000 deposited in the banking system**

- a. Rs 1,00,00,000
b. Rs 80,00,000
c. Rs 1,25,00,000
d. Rs 1,50,00,000

MAY 2025

21. **Which of the following is not one of the four determinants of Freidmans demand for money?**

- a. It is positively related to price level P, if price level rises the demand for money also rises
b. Nominal demand for money is a function of wealth
c. Nominal demand for money falls, if opportunity cost of holding money declines
d. Nominal demand for money is influenced by inflation

22. **Which of the following is not a quantitative tool of monetary policy?**

- a. Statutory Liquidity Ratio
b. Cash Reserve Ratio
c. Open Market Operation
d. Liquidity Adjustment Facility

23. **Which of the following expression is true?**

- a. Reverse Repo Rate = Repo Rate + 1
b. Reverse Repo Rate = Repo Rate - 1
c. Repo Rate = Reverse Repo Rate - 1
d. Repo Rate = 1 - Reverse Repo Rate

24. **Banks availing Marginal Standing Facility rate can use a maximum of how much percentage of Statutory Liquidity Ratio Securities?**

- a. 2% b. 1%
c. 3% d. 4%

25. **Calculate Currency with public from the following data**

- Notes in circulation - 2,59,121 Lacs
- Coins in Circulation - 23,345 Lacs
- Cash on hand with Banks - 19,009 Lacs
- Coin on hands with banks - 909 Lacs

- a. Rs 2,62,548 b. Rs 3,02,384
c. Rs 2,53,876 d. Rs 2,15,818

26. **What is the term Y represent in expression $MD = K PY$**

- a. Price Level
b. Real National Income
c. Money Supply
d. Interest Rate

27. **Which of the following is not included in M1**

- a. Demand Deposit with bank
- b. Currency with Public
- c. Time Deposit with the bank
- d. Other Deposit with RBI

28. Liquidity Trap Occurs when

- a. Interest rate are near Zero, and people prefer cash over holding bonds
- b. Interest rates are high, and people prefer bonds over cash balances
- c. Inflation rates are high, reducing purchasing power of money balances
- d. Central Bank increases CRR drastically

29. What is the likely impact of increasing the Time Deposit to Demand Deposit Ratio (TD/DD) on the banking system and monetary expansion

- a. It reduces the availability of free reserves, thereby restricting the monetary expansion
- b. It leads to higher availability of reserves and consequent enlargement of volume of multiple deposit expansion and monetary expansion
- c. It has no impact on the banking system as time deposit and demand deposits are interchangeable.
- d. It directly reduces the money supply as time deposits are not considered as part of money supply.

30. Broad money includes currency, deposits with an agreed maturity of up to _____ years, deposits redeemable at notice up to _____ months and repurchasable agreements, money market fund share/units and debt security upto _____ years

- a. 2 Years, 6 Months, 2 Years
- b. 3 Years, 6 Months, 3 Years
- c. 3 Years, 3 Months, 3 Years
- d. 2 Years, 3 Months, 2 Years

SEP 2025

31. For initial deposit of Rs 6,00,000, the credit creation is calculated at Rs 50,00,000. What is Required Reserved Ratio (RRR)?

- a. 12%
- b. 10%
- c. 12.5%
- d. 8%

32. If the money supply is Rs 1,000 billion and the monetary base is Rs 200 billion, what is the money multiplier (m)?

- a. 5
- b. 2
- c. 10
- d. 0.2

33. What is the primary objective of monetary policy in most countries, including India?

- a. To ensure a high level of government spending.
- b. To maintain a balance between price stability and economic growth.
- c. To promote export-led growth.
- d. To control exchange rates at all costs.

34. Which of the following is not a quantitative tool as used by RBI to control the money supply in the entire economy?

- a. Open Market Operations
- b. Statutory Liquidity Ratio
- c. Selective Credit Control
- d. Cash Reserve Ratio

35. Which of the following statements are true in relation to the Crypto currency?

Statement-I: These have achieved significant legislative recognition.

Statement-II: These are not legally recognized in India as currency.

Statement-III: These are not categorized as money.

Statement-IV: In India, it serves as a legitimate form of payment for goods and services in the same way as traditional money does.

- a. Statement I and IV
- b. Statement I and II
- c. Statement I and III
- d. Statement II and III

36. When the speculative demand for money becomes perfectly elastic with respect to the interest rate, making the speculative money demand curve parallel to the X-axis, this situation is called a/an -----

- a. Inflationary gap
- b. Liquidity trap
- c. Monetary expansion
- d. Deflationary spiral

37. **Marginal Standing Facility (MSF) Rate** is the penal rate at which the Central Banks lend money to Banks, over the rate available under the Repo Policy. Which of the following are the correct options to calculate MSF Rate ?

Option (1): MSF Rate Repo Rate + 1 MSF Rate

Option (2): MSF Rate-Repo Rate-1 MSF Rate

Option (3): MSF Rate = Repo Rate + 1

Option (4): MSF Rate Repo Rate - 1

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

38. According to Friedman, how does the price level, as a determinant, affect the nominal demand for money?

- a. It has no effect.
- b. It is negatively related to the demand for money.
- c. A rise in the price level increases the demand for money and vice versa.
- d. A rise in the price level decreases the demand for money.

39. Calculate Broad Money (M3) from the following data:

Particulars	Corre
Currency with the public	2250
Demand deposit with banking system	630
Total Post office deposits	478
Time deposits with the bank	535
Savings deposits with post office savings bank	312

- a. Rs 3,415 Crores
- b. Rs 3,225 Crores
- c. Rs 3,260 Crores
- d. Rs 3,420 Crores

40. Which monetary tool is used to check temporary liquidity mismatches in the market due to foreign capital flow?

- a. Cash Reserve Ration (CRR)
- b. Statutory Liquidit Ratio (SLR)
- c. Open Market Operation (OMO)
- d. Marginal Standing Facility (MSF)

JAN 2026

41. Which equation accurately represents the expanded version of the equation of exchange?
- $P = MV$
 - $P = M'V'$
 - $PT = MV + M'V'$
 - $PT = MV - M'V'$
42. Speculative demand for money can be closely linked to which of the following situation?
- Unforeseen and unpredictable contingencies
 - Current transaction for business exchange
 - Mismatch between receipt of salary and household expenses
 - Attractive investment opportunity
43. Which of the following is not a channel of monetary policy transmission?
- Saving and Investment channel
 - Exchange Rate channel
 - Cash-flow channel
 - Open Market channel
44. Tobin, in his theory of liquidity preference function, framed the relationship between which of the following?
- Demand for money and supply of money
 - Rate of inflation and demand for money
 - Rate of interest and demand for money
 - Rate of interest and disposable income
45. Given the required reserve ratio (RRR) is 8% and 12.5% for every 1,00,000 deposited in the banking system, compute the credit multipliers.
- 12.5; 8
 - 8; 12.5
 - 12.5; 10
 - 8; 10
46. When the RBI uses persuasion to convince banks to hold government securities instead of lending to certain sectors, it is called:
- Margin requirements
 - Statutory Liquidity Ratio
 - Market Stabilization Ratio
 - Moral Suasion
47. The optimal average money holding is a negative function of which of the following?
- Income
 - Nominal interest rate
 - Transaction cost
 - Price level
48. Who is responsible for determining the inflation target for the RBI under the Monetary Policy Framework?
- RBI independently
 - The Central Government in collaboration with the RBI
 - The Finance Ministry
 - The Monetary Policy Committee
49. Which action does the central bank perform during Open Market Operations (OMO) to introduce high-powered money into the economy?

- a. Purchase of government securities
- b. Sale of corporate bonds
- c. Printing additional currency
- d. Raising interest rates

50. The money multiplier would be larger in which of the following scenarios?

- a. Smaller expenditure-deposit ratio
- b. Higher currency-deposit ratio
- c. Smaller currency-expenditure ratio
- d. Smaller currency-deposit ratio

MAY 2026

51. Which of the following is the rate set by the Monetary Policy Framework Agreement (MPFA) and is the maximum tolerable rate that RBI should target to achieve price stability in India?

- a. Repo rate
- b. Inflation rate
- c. MSF rate
- d. Reverse repo rate

52. If the credit multiplier is 4, calculate the required reserve ratio.

- a. 40%
- b. 25%
- c. 20%
- d. 60%

53. Controlling credit by not lending to selective industries or speculative business is referred to as ____.

- a. Moral suasion
- b. Margin requirements
- c. Selective credit control
- d. Open market operations

54. If the money supply increases by Rs750 crores, when there is an injection of Rs250 crores, through the open market operations by the central bank of the country. Calculate the money multiplier.

- a. 2.00
- b. 0.33
- c. 3.00
- d. 0.50

55. Calculate the currency with the public from the under-mentioned data.

Circulation of rupee coins	Rs 25,550
Circulation of small coins	Rs 750
Notes in circulation	Rs 35,50,000
Cash on hands with banks	Rs 66,500

- a. Rs 36,42,800
- b. Rs 36,41,300
- c. Rs 35,91,700
- d. 35,09,800

56. Which of the following is not a general characteristic of money?

- a. Perishable
- b. Effortlessly recognizable
- c. Possessing uniformity
- d. Easily transportable

57. According to Keynes, the transactions demand for money is a direct proportional and positive function of the level of income. Which of the following equations correctly represents this relationship?

- a. $L_r = Y - k$
- b. $L_r = k Y$
- c. $L_r = k + Y$
- d. $L_r = Y / k$

58. The degree of adoption of banking habits by the public is measured by the:

- a. Credit-Deposit Ratio
- b. Reserve-Deposit ratio
- c. Investment-Deposit Ratio
- d. Currency-Deposit Ratio

59. What is the notified consumer price index inflation set by the Central Government as the target for the period August 5, 2016 to March 31, 2021?

- a. 3%
- b. 4%
- c. 8%
- d. 5%

60. The assumption that there are two media for storing value-money and an interest-bearing alternative financial asset is a central feature of which approach to the demand for money?

- a. Liquidity Preference Theory
- b. Restatement of Quantity Theory
- c. Inventory Theoretic Approach
- d. Classical Approach

CHAPTER 9

INTERNATIONAL TRADE

SEP 2024

1. **The north American Free Trade Agreement (NFTA) is a trade agreement signed between:**
 - a. United states of America and Canada
 - b. United states of America, Canada and Mexico
 - c. United states of America and Mexico
 - d. Canada and Mexico
2. **What does TRIPS stands for**
 - a. Trade related Agreements on Investment Policies
 - b. Trade Related Aspects of Intellectual Property Rights
 - c. Transnational Regulations for International Product Standard
 - d. Trade Regulation for International Patents System
3. **Suppose the exchange rate between INR and EUR changes from 1 EUR = 80 INR to 1 EUR = 85 INR. What can be said about the change in the value of the INR relative terms to the EUR?**
 - a. INR has appreciated against EUR
 - b. INR has depreciated against EUR
 - c. EUR has no effect against INR.
 - d. EUR has depreciated against INR
4. **What does the principle of Absolute advantage refer to?**
 - a. The ability to produce the greater quantity of goods using fewer resources
 - b. The ability to produce the greater quantity of goods using same amount of resources as competitors
 - c. The ability to produce the lesser quantity of goods using same amount of resources as competitors.
 - d. The ability to produce the greater variety of goods than competitors
5. **Foreign Corporations invest in India to benefit from the country's particular investment privileges such as tax breaks and comparatively lower salaries. This type of Investment is an example of**
 - a. Foreign Portfolio Investment
 - b. Joint Venture
 - c. Foreign Direct Investment
 - d. Strategic Alliance
6. **A Tariff which a WTO members binds itself with a legal commitment not to raise tariff rate above a certain level is known as**
 - a. Applied Tariff
 - b. Bound Tariff
 - c. Specific Tariff
 - d. Most favoured Nation Tariff
7. **Which of the following is covered under Technical Barriers to Trade?**
 - a. Only food Products
 - b. Only non-food traded products
 - c. Only Technical standard products
 - d. both food and non-food traded products

8. What term is used for the rate between currencies Y and Z, which is derived from the given rates of another set of two pairs of currency (say, X and Y, and, X and Z)?

- a. Bid Rate b. Ask Rate
- c. Spot Rate d. Cross Rate

9. Which is the main difference between Foreign Direct investment (FDI) and Foreign Portfolio Investment (FPI)?

- a. FDI creates Physical assets, while FPI involves only financial assets
- b. FDI involves financial assets, while FPI creates Physical assets.
- c. Both FDI and FPI create physical assets
- d. Both FDI and FPI create only financial assets

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10. Factor Endowment theory of trade is also known as _____

- a. Baumol and Tobin theory
- b. Adam Smith's Absolute cost advantage theory
- c. Heckscher-Ohlin Theory
- d. Factor price equalization theory

11. Which tariff is calculated on the basis of specific contents of imported goods (duties are payable by its components or related items)?

- a. Compound Tariff
- b. Mixed Tariff
- c. Ad valorem tariff
- d. Technical Tariff

12. Which tariff is expressed either on the basis of the value of imported goods or on the basis of a unit of measure of the imported goods depending on which generates the most income (or least income at times) for the country

- a. Ad valorem Tariff
- b. Specific Tariff
- c. Mixed Tariff
- d. Compound tariff

13. The system wherein the nominal tariff rate on imports of manufactured goods are higher than the nominal tariff rates on intermediate inputs and raw materials is known as _____

- a. Applied Tariff
- b. Escalated Tariff
- c. Bound Tariff
- d. Preferential Tariff

14. Which of the following is a measure to protect human, animal or plant life from the risk arising out of additives, pests, toxins etc. and to protect the biodiversity?

- a. Prohibited Tariff
- b. Sanitary and phyto sanitary measures
- c. Technical barriers to trade
- d. Anti Dumping duty

15. With regard to international trade the European Union can be categorised as a

- a. Trading Block
- b. Free trade area
- c. Bilateral Agreement
- d. Customs Union

16. Which of the following is not a member of the G20 economies

- a. Argentina b. India
- c. Tunisia d. Mexico

17. Investments which are reciprocal investments between countries are referred to as

- a. Horizontal direct investments
- b. Vertical Direct investment
- c. Two way direct foreign Investment
- d. Conglomerate foreign Investment

19. A total ban imposed by the government on import or export of some or all commodities to a particular country or regions for a specified or indefinite period is known as _____

- a. Prohibitive Tariff
- b. Anti Dumping Duty
- c. Embargo
- d. Rules of Origin

20. The theory of comparative advantage in international trade was presented by _____

- a. Adam Smith
- b. David Ricardo
- c. John Maynard Keynes
- d. Milton Friedman

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21. In the theory of Comparative cost, which of the following statements are true?

- i. It based on money cost which is more realistic
- ii. It is positive in nature
- iii. It is normative in nature
- iv. Do not take into account the factor price differences

- a. III and IV are correct
- b. I and II are correct
- c. II and IV are correct
- d. I and IV are correct

22. Which of these countries is the part of USMCA agreement?

- a. Malta b. Mexico
- c. Malaysia d. Mongolia

23. Which of these is the main reason why GATT lost its relevance by 1980?

- a. International Investment did not expand substantially
- b. Efforts at liberalising agriculture trade were successful
- c. GATT was a treaty
- d. There were inadequacies in institutional structure and dispute settlement system

24. The value of the product or service is enhanced as the number of individuals using it increases. what effect is this?

- a. Bandwagon effect
- b. Veblen Effect
- c. Income Effect
- d. Snob Effect

25. What is Advalorem Tariff?

- a. A fixed time period for a tariff application per calendar year.
- b. The fixed amount of money per physical unit or weight of the commodity imported or exported
- c. The duty levied as a fixed percentage of value of the traded commodity.
- d. A flat rate is imposed regardless of the products value.

26. A tariff that is set so high that no import can enter is known as _____

- a. Bound Tariff b. Prohibitive Tariff
c. Escalated Tariff d. Variable Tariff

27. The most controversial topic of Doha Development Agenda was _____

- a. World Peace b. The Labour Welfare
c. Globalization d. Agriculture Trade

28. Match the following

TABLE A	TABLE B
(a) Has a long term interest and invested for long	(i) Foreign Portfolio Investment
(b) Speculative in nature	(ii) Foreign Direct Investment
(c) Help Developing Countries benefit Fully from Global Trading System	(iii) Free Floating Exchange Rate System
(d) Government and Central bank do not participate in the market for foreign Exchange	(iv) World Trade Organization

- a. (a)-(i), (b)-(ii), (c)-(iv), (d)-(iii)
b. (a)-(ii), (b)-(i), (c)-(iv), (d)-(iii)
c. (a)-(ii), (b)-(i), (c)-(iii), (d)-(iv)
d. (a)-(i), (b)-(ii), (c)-(iii), (d)-(iv)

29. An investment in which one investor establishes a business activity in a foreign country which is different from investors main business activity but in some way supplements its major activity is called

- a. Vertical Investments
b. Horizontal Direct Investment
c. Conglomerate type of FDI
d. Two Direct Foreign Investment

30. An Appreciation of currency or strong currency makes the domestic currency more _____ therefore it can be exchanged for a _____ amount of foreign currency

- a. Valuable, Larger
b. Weaker, Smaller
c. Weaker, Larger
d. Valuable, Smaller

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31. ABC Ltd., a company based in Country 'A', imports machinery from Country 'B'. Recently, Country 'A' introduced a measure that requires all importers to pay 25% of the total value of goods three months in advance before the goods arrive. Which measure has been adopted by Country 'A' ?

- a. Financial Measures
b. Price Control Measures
c. Measures affecting Competition
d. Government Procurement Policies

32. In which of the following forms of FDI, 100% investment is allowed under the automatic route for airport projects in India

- a. Greenfield investment
b. Brownfield investment
c. Joint venture
d. Subsidiary establishment

33. Who proposed that a country should export goods in which it has the greatest absolute advantage and import goods in which its absolute advantage is comparatively less ?
- Adam Smith
 - David Ricardo
 - Eli Heckscher and Bertil Ohlin
 - John Maynard Keynes
34. Which of the following consists of a group of countries that have a free trade agreement among themselves and may apply a common external tariff to other countries ?
- Free-trade area
 - Regional Preferential Trade Agreements
 - Economic and Monetary Union
 - Trading Bloc
35. Country 'X' has seen an increase in its Real Effective Exchange Rate (REER). As a result, Country 'X's goods are becoming more expensive for foreign buyers, and imports from other countries are becoming cheaper. What is the likely impact on Country 'X's economy ?
- Exports from Country 'X' will increase.
 - Imports to Country 'X' will become more expensive.
 - Exports from Country 'X' will become less competitive.
 - Imports to Country 'X' will decrease.
36. A U.S. based cell phone service provider expands its operations in India by offering the same telecommunication services as it does in the U.S. This type of investment is an example of :
- Horizontal direct investment
 - Vertical investment
 - Conglomerate Investment.
 - Two-way direct foreign investment
37. The government of India has imposed tariff on steel product as under : 5% ad valorem or 800 per tonne, whichever is higher. It is an example of :
- Mixed Tariff
 - Compound Tariff
 - Ad valorem Tariff
 - Bound Tariff
38. Which of the following is not the advantage of a fixed exchange rate regime ?
- An increase in speculation on exchange rate movements.
 - Enhances international trade and investment.
 - Avoids currency fluctuations and eliminates exchange rate risks.
 - Enhances the credibility of the Country's monetary policy.
39. An anti-dumping duty is a protectionist tariff that a domestic government imposes on imports that it believes are priced below
- Production cost
 - Export price
 - Fair market value
 - Import duty

40. Which of the following is NOT an example of Technical Barriers to Trade (TBT) ?

- a. Eco-labelling b. Quality standards
c. Import quotas d. Organic certification

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41. State policy aimed to protect domestic producers against foreign competition through the use of tariff, quotes and non-tariff policy instruments is called:

- a. Protectionism
b. Distortions
c. Safeguard
d. Blanket cover

42. Which of the following is not an objective of WTO?

- a. To set and enforce rules for international trade.
b. To maintain secrecy of decision making.
c. To resolve trade disputes.
d. To provide a forum for negotiating and monitoring further trade liberalization

43. When a foreign investor having no previous experience initiates a FDI in a business which is not related to its existing business in its home country and is usually in the form of a joint venture with a foreign firm operating in the industry, it is known as a _____.

- a. Two way FDI
b. Vertical FDI
c. Horizontal FDI
d. Conglomerate FDI _____.

44. What is the primary purpose of countervailing duties charged in an importing country?

- a. To counteract low quality of goods in importing countries
b. To neutralize artificially low prices charged by exporter resulting from export subsidies in their home country
c. To prevent tariff evasion by importers
d. To address variations in the quality of goods in importing country

45. Which of the following currency is often referred to as the vehicle currency, in the foreign exchange market?

- a. US Dollar b. Euro
c. Russian Ruble d. INR

46. Calculate the Nominal exchange rate considering the following data:

Real exchange rate	25
Domestic price index	14070
Foreign price index	70

Choose the correct answer from the following options:

- a. 50.0 b. 12.5
c. 40.0 d. 35.0

47. Which of the following represents a technical measure within Non-Tariff Measures (NTMs)?

- a. Custom formalities
b. Shipping requirements
c. Production Processes
d. Trade-related finance and Investment measures
48. Which of the following is a combination of two policy instruments quotas and tariffs?
a. Tariff rate quotas
b. Compound tariffs
c. Mixed tariffs
d. Applied tariffs
49. Which of the following is not a benefit of International Trade?
a. Provides greater stimulus to innovative services
b. Trade provides access to new markets and new materials
c. Underprivileged countries will be less vulnerable to exploitation by corporations operating globally
d. Improvement in the quality of output of goods and services for emerging economies
50. Purchase of foreign currency contract at future rate from bank is a transaction involving:
a. Forward Market
b. Regulated Market
c. Spot Market
d. Retail Market
- a. Two way FDI
b. Vertical FDI
c. Horizontal FDI
d. Conglomerate FDI _____.
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CHAPTER 10

INDIAN ECONOMY

SEP 2024

1. On which date was the "New Industrial Policy" announced by Government of India?
 - a. 15th August 1947
 - b. 24th July 1991
 - c. 26th January 1950
 - d. 5th September 1992
2. On which date was the apex policy making body, the planning commission, replaced by the National Institution for Transforming India (NITI) Ayog.
 - a. 1st April 2015
 - b. 1st July 2015
 - c. 1st January 2015
 - d. 1st July 2016
3. Which Government Scheme supports and promotes organic farming, as well as improvement of soil health?
 - a. National Rural Employment Guarantee Act (NREGA)
 - b. Rashtriya Krishi Vikas Yojana (RKVY)
 - c. Pradhan Mantri Fasal Bima Yojana (PMFBY)
 - d. Paramparagat Krishi Vikas Yojana (PKVY)
4. Which initiatives aims at the empowerment of Micro Small and Medium Enterprises (MSMEs)
 - a. Udyami Bharath
 - b. Start-up India
 - c. Make in India
 - d. Digital India
5. Transportation and storage, real estate service, public administration and education are the activities in India which are covered by
 - a. Primary Sector
 - b. Secondary Sector
 - c. Tertiary Sector
 - d. Private Sector
6. Which of the following is a feature of green revolution?
 - a. Grow more crop by redistributing land to landless people
 - b. Use of soil friendly green manure to preserve fertility of soil
 - c. Diversification to horticulture
 - d. Use of highly yielding varieties of seeds and scientific cultivation
7. Which of the following is not the aim of "Methanol Economy" programme
 - a. Converting Coal reserve and municipal solid waste into methanol.
 - b. Reducing Greenhouse Gas (GHG) emissions
 - c. Reducing Indias Oil import Bill
 - d. Converting industrial waste into metanol.

8. Which of the following statement is true in relation to the object of The National Data and Analytics Platform (NDAP)

- a. To ensure data security
- b. To facilitate and improve access to Indian Government data
- c. To convert all government data into electronic form
- d. To formulate National cyber security Law

9. The India Development update report published in 2022 is published by

- a. United Nations Development programme (UNDP)
- b. International Monetary Fund (IMF)
- c. World Bank
- d. Asian Development Bank

10. What is the full form of DPIIT

- a. Department for Promotion of Industry and International Trade
- b. Department for Promotion of Industrial and Internal Trade
- c. Directorate for Promotion of Industry and Internal Trade
- d. Department for Promotion of Industry and Internal Trade

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11. _____ Facilitates and improves access to Indian Government data

- a. E-Amrith
- b. E-Nam
- c. NDAP
- d. MIDH

12. Which scheme is aimed at promoting manufacture of electric and hybrid vehicle technology and to ensure sustainable growth for the same?

- a. FAME India
- b. E-Amrith
- c. FIPB
- d. PDMC

13. Which act was initially aimed for regulation of large firms which had relatively large market power?

- a. RBI Act
- b. FEMA
- c. RERA
- d. MRTP Act 1969

14. From which year onwards, India followed the managed float exchange rate system

- a. 1990
- b. 1991
- c. 1995
- d. 1993

15. Minimum support price (MSP) is fixed by the government of India at _____ of the cost of production.

- a. Two and half a times
- b. Half
- c. One and half a time
- d. Twice

16. Which policy was adopted to ensure world class industrial structure which would attract cutting edge technology and boost FDI and local investment in the textile sector?

- a. PM-MITRA
- b. PM GatiShakthi National Master Plan
- c. National Logistics Policy
- d. Production Linked Incentive Scheme

17. During the British Period Modern Industrial Sector Saw Loopsided growth with the dominance of _____ Industry

- a. Wool and Cotton
 - b. Nylon and Silk
 - c. Cotton and Jute
 - d. Silk and Cotton
18. **Statutory recognition was granted to _____ to facilitate mobilization of adequate resources and their efficient allocation in the capital market**
- a. RBI
 - b. BSE
 - c. SEBI
 - d. NSE
19. **In which of the following sector FDI is not permissible?**
- a. Telecom
 - b. Aviation
 - c. Atomic Energy
 - d. Defence
20. **Production of milk is included in which sector?**
- a. Tertiary
 - b. Service
 - c. Primary
 - d. Secondary

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21. **The trade policy reforms include___**
- a. Removal of licensing procedure for imports
 - b. Inclusion of licensing instructions for imports
 - c. Complication of tariff
 - d. Inclusion of quantitative restrictions on imports and exports
22. **Which initiative by NITI Ayog aims to promote electric vehicle?**
- a. Shoonya Campaign
 - b. E-Amrith
 - c. Methanol Economy
 - d. India Policy Insights

23. **Which of the following are Fiscal reforms?**
- Ensuring better tax compliance
 - Reinvestment of funds in more profitable options
 - Encouraging private sector participation
 - Thrust on curbing Government Expenditure

- a. Only (i),(ii),(iii)
- b. Only (i) and (iii)
- c. Only (i), (iii) and (iv)
- d. Only (i), (ii) and (iv)

24. **Which of the following best describes the pre-British Indian economy ?**

- a. Self-sufficient villages and cities which were centers of commerce.
- b. Dependent on imports for goods
- c. Focus on industrial production
- d. Dominated by foreign trade

25. **Which regime replaced the Foreign Investment Promotion Board (FIPB) ?**

- a. FIF Portal
- b. SEBI
- c. NITI Aayog
- d. DPIIT

26. **What was India's rank in 2022 as per Global Innovation Index ?**

- a. 40th
- b. 81st
- c. 63rd
- d. 25th

27. **Which policy replaced the Merchandise Exports from India Scheme (MEIS) in 2021 ?**

- a. GST
- b. NDAP
- c. PLI Scheme
- d. RoDTEP

28. **The early liberalization and reforms started in India in _____**

- a. 1970s b. 1980s
c. 1960s d. 1990s

29. **What percentage of India's population depends on agriculture for livelihood as per latest estimates ?**

- a. 25% b. 18%
c. 47% d. 60%

30. **Which government scheme focuses on providing financial support to farmers suffering crop loss or damage ?**

- a. Pradhan Mantri Fasal Bima Yojana (PMFBY)
b. PMKISAN
c. Soil Health Card Scheme
d. Paramparagat Krishi Vikas Yojana (PKVY)

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31. **Foreign Investment Promotion Board (FIPB) was abolished in May 2017 and which of the following replaced it ?**

- a. Foreign Investor Promotion Portal (FIPP).
b. Foreign Investment Facilitation portal (FIFP)
c. Foreign Direct Investment Portal (FDIP)
d. Foreign Direct Investment Promotion Portal (FDIPP)

32. **The _____ includes a stable and transparent tax structure, better tax compliance, reduction of subsidies and encouragement of private sector participation.**

- a. Fiscal Reforms
b. Capital Market Reforms
c. Trade Policy Reforms
d. Monetary and Financial Sector Reforms

33. **Which of the following sectors has recently been included under the PLI Scheme ?**

- a. Automobiles
b. Textiles
c. White goods (Air conditioners and LED lights)
d. Pharmaceuticals

34. **Which of the following was NOT the focus of the monetary and financial sector reforms ?**

- a. Reducing the burden of non-performing assets on government banks.
b. Restricting foreign investment in banks.
c. Introducing and sustaining competition.
d. Deregulating interest rates.

35. **What type of economy is described as prevalent in ancient and medieval India ?**

- a. A predominantly agricultural economy
b. A self-reliant and prosperous economy
c. A heavily trade-dependent economy
d. A barter-based economy

36. **What is the full form of PMI ?**

- a. Prime Management Index
b. Purchase Management Index
c. Purchasing Managers' Index
d. Property Managers' Index

37. Which of the following is the aim of the National Manufacturing Policy ?

- a. To increase the share of manufacturing in GVA to 27% by 2027.
- b. To increase the share of manufacturing in NDP to 27% by 2027.
- c. To increase the share of manufacturing in NNP to 25% by 2025.
- d. TO increase the share of manufacturing in GDP to 25% by 2025.

38. The reason for introduction of 'Kisan Rail' is :

- a. For taking initiative towards transportation of perishable goods to market.
- b. For improvement in farm produce logistics.
- c. For creation of start-up eco system in agriculture and allied sectors.
- d. For taking initiative to formulate a comprehensive policy framework for logistics sector.

39. Which facility was provided to industry groups to allow flexibility and rapid changes in their product mix without requiring fresh license ?

- a. Open General License (OGL)
- b. Broad-Banding
- c. Special Economic Zones (SEZs)
- d. Export promotion policy

40. Which scheme aims to increase water use efficiency at the farm level ?

- a. Agricultural Mechanization
- b. Paramparagat Krishi Vikas Yojana (PKVY)
- c. Per Drop More Crop (PDMC)
- d. Agri Infrastructure Fund

41. Which of the following is a unique feature in the growth trajectory of the Indian economy?

- a. Shift from services to the agricultural sector
- b. Shift from manufacturing to the services sector
- c. Shift from agricultural to the manufacturing sector
- d. Shift from agriculture to the services sector

42. Introduction of prudential norms of accounting in respect of classification of assets, disclosure of income and provisions for bad debts in case of commercial banks is related to which of the following reform measures?

- a. Fiscal reforms
- b. Monetary and financial sector reforms
- c. Capital market reforms
- d. Trade policy reforms

43. In India, public sector is limited to which of the following sectors?

- a. Railway transport and arms and ammunition
- b. Railway transport and atomic energy
- c. Atomic energy and arms and ammunition
- d. Hazardous chemicals and narcotic drugs

- 44. How many crops are mandated to receive price support through "Minimum Support Price" (MSP)?**

a. 22 b. 21
c. 23 d. 24

45. Which of following taxes has not been replaced by the Goods and Service Tax?

a. VAT b. Income Tax
c. Excise duty d. Service Tax

46. Which of the following was not a major reform introduced during the 1980s in India?

a. Industrial delicensing
b. Formation of SEBI
c. Currency demonetization
d. Implementation of MODVAT

47. Which sector accounts for the largest recipient of FDI inflows in India?

a. Service b. Manufacturing
c. Primary d. Secondary

48. What does a Brownfield investment in Foreign Direct Investment (FDI) imply:

a. Developing entirely new infrastructure
b. Utilizing existing infrastructure by means of mergers, acquisitions or leasing
c. Forming partnerships with foreign companies
d. Establishing a new subsidiary in another country

49. Which of the following industries is included in the eight core sectors assessed by the Index of Industrial Production (IIP)?

a. Pharmaceuticals b. Textiles
c. Coal d. Tourism

50. Make in India 2.0 focuses on

a. 15 manufacturing and 12 service sectors
b. 12 manufacturing and 15 service sectors
c. 22 manufacturing and 18 service sectors
d. 18 manufacturing and 22 service sectors

51. Which initiative of the NITI Aayog is a one-stop destination for all information on electric vehicles?

a. Shoonya Campaign
b. E-Amrit
c. Methanol economy
d. Life