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## COMBINED COMPETITIVE (PRELIMINARY) EXAMINATION, 2012

Serial No.

**ECONOMICS**

**Code No. 07**



*Time Allowed : Two Hours*

*Maximum Marks : 300*

### INSTRUCTIONS

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS TEST BOOKLET DOES NOT HAVE ANY UNPRINTED OR TORN OR MISSING PAGES OR ITEMS, ETC. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.
2. ENCODE CLEARLY THE TEST BOOKLET SERIES ~~A, B, C OR D~~ AS THE CASE MAY BE IN THE APPROPRIATE PLACE IN THE RESPONSE SHEET.
3. You have to enter your Roll Number on this Your Roll No.  
Test Booklet in the Box provided alongside.  
*DO NOT* write *anything else* on the Test Booklet.
4. This Booklet contains 120 items (questions). Each item comprises *four* responses (answers). You will select *one* response which you want to mark on the Response Sheet. In case you feel that there is more than one correct response, mark the response which you consider the best. In any case, choose ONLY ONE response for each item.
5. In case you find any discrepancy in this test booklet in any question(s) or the Responses, a written representation explaining the details of such alleged discrepancy, be submitted within three days, indicating the Question No(s) and the Test Booklet Series, in which the discrepancy is alleged. Representation not received within time shall not be entertained at all.
6. You have to mark all your responses ONLY on the separate Response Sheet provided. *See directions in the Response Sheet.*
7. All items carry equal marks. Attempt ALL items. Your total marks will depend only on the number of correct responses marked by you in the Response Sheet.
8. Before you proceed to mark in the Response Sheet the response to various items in the Test Booklet, you have to fill in some particulars in the Response Sheet as per instructions sent to you with your Admit Card and Instructions.
9. While writing Centre, Subject and Roll No. on the top of the Response Sheet in appropriate boxes use



**“ONLY BALL POINT PEN”.**

10. After you have completed filling in all your responses on the Response Sheet and the examination has concluded, you should hand over to the Invigilator only the Response Sheet. You are permitted to take away with you the Test Booklet.

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**ROUGH WORK**

1. The National Income is equal to :
  - (A) Net National Product + Taxes
  - (B) Net National Product – Indirect Taxes + Subsidies
  - (C) Net National Product – Direct Taxes + Subsidies
  - (D) Gross National Product — Subsidies + Taxes
  
2.  $Y = C + I$  is :
  - (A) An equation
  - (B) An identity
  - (C) A formula
  - (D) A function
  
3. Per Capita Income rises when :
  - (A) GNP and Population increase at same rate
  - (B) GNP and Population decrease
  - (C) GNP increases faster than population
  - (D) GNP increases slower than population
  
4. Income elasticity of demand is expressed as :
  - (A) % Change in quantity demanded / % Change in income
  - (B) Change in income / % Change in quantity demand
  - (C) Change in income / 100 X change in quantity demanded
  - (D) % Change in price / % Change in quantity supplied
  
5. Elasticity (E) expressed by the formula,  $1 > E > 0$  is :
  - (A) Perfectly elastic
  - (B) Relatively elastic
  - (C) Unitary elastic
  - (D) Relatively inelastic
  
6. Which aggregates is the main concern of Macroeconomics ?
  - (A) Supply of money
  - (B) Supply of cloth
  - (C) Supply of work
  - (D) Supply of petroleum products
  
7. The difference between gross domestic product and net domestic product equals :
  - (A) Transfer payments
  - (B) Indirect taxes
  - (C) Subsidies
  - (D) Depreciation cost
  
8. Which one of the following is a transfer income ?
  - (A) Rents from house property
  - (B) Dividends to company shareholders
  - (C) Unemployment allowances
  - (D) The salary of a Member of Parliament



17. 13<sup>th</sup> Finance Commission was constituted under the Chairmanship of :  
(A) Y.S.P. Thorat (B) Vijay L. Kelkar  
(C) T.S. Vijayan (D) Laxmi Narayan
18. ICOR is defined as the ratio of the increment in :  
(A) capital and output (B) output and capital  
(C) income and consumption (D) saving and consumption
19. What does an increase in ratio of revenue deficit to gross fiscal deficit indicate ?  
(A) An increase in investment  
(B) An increase in utilization of borrowed funds for revenue purposes  
(C) An increase in utilization of borrowed funds for imports  
(D) An increase in utilization of borrowed funds for lending
20. Aam Admi Bima Yojana provides social security to :  
(A) All labors in rural areas  
(B) All landless labors living below poverty line in rural areas  
(C) All labors in urban areas  
(D) All labors in both rural as well as urban areas
21. Demographic dividend refers to a rise in population :  
(A) between age group of 1 to 14 years  
(B) between age group of 15 to 64 years  
(C) between age group of 65 to 74 years  
(D) above 74 years
22. In union budget 2011-12, income tax surcharge on domestic companies has been :  
(A) Reduced to 10% from 12.5 % (B) Reduced to 5% from 7.5%  
(C) Raised to 5% from 2.5% (D) Raised to 10% from 7.5%
23. The rate at which banks lend to RBI is known as :  
(A) Bank Rate (B) Repo Rate  
(C) Reverse Rapo Rate (D) Interest Rate
24. 'Pure Banking, Nothing Else' is a slogan raised by :  
(A) ICICI Bank (B) HDFC Bank  
(C) SBI (D) UTI Bank

25. The largest source of National Income in India is :  
(A) Service Sector (B) Agriculture  
(C) Industry Sector (D) All are of equal importance
26. Which of the following is a better measure of economic development ?  
(A) Employment (B) Size of exports  
(C) Rural consumption (D) National Income
27. 'Smart Money' is a term used for :  
(A) Internet Banking (B) Credit Card  
(C) Cash with Bank (D) Cash with Public
28. Interest Rate Policy is a part of :  
(A) Fiscal Policy (B) Industrial Policy  
(C) Monetary Policy (D) Wage Policy
29. MRPT is related to :  
(A) Monopoly and trade restrictions (B) Inflation control  
(C) Transport control (D) Foreign Exchange Regulations
30. What is stagflation ?  
(A) Inflation with growth (B) Deflation with growth  
(C) Inflation after deflation (D) Inflation with depression
31. Which plan was suspended one year before the time schedule ?  
(A) First Plan (1951—56) (B) Third Plan (1966—71)  
(C) Sixth Plan (1980—85) (D) Fifth Plan (1974—79)
32. The process of budget making after re-evaluating every item of expenditure in every financial year is known as :  
(A) Performance Budgeting (B) Deficit Budgeting  
(C) Zero Based Budgeting (D) Fresh Budgeting
33. 'Focus Product' and 'Focus Market' are the two schemes introduced by India related to :  
(A) Industrial Diversification (B) Technology Upgradation  
(C) Export Promotion (D) Control of Inflation

34. Multidimensional Poverty Index (MPI) is a new index being to be included in :
- (A) World Human Report                      (B) Human Development Report  
(C) World Development Report              (D) India's Human Development Report
35. Which one of the following rates is not determined by Reserve Bank of India ?
- (A) Bank Rate                                      (B) CRR  
(C) SLR    (D) PLR
36. National Income Estimates in India are prepared by :
- (A) Planning Commission                      (B) RBI  
(C) Financial Ministry                            (D) Central Statistical Organization
37. P/MC is same for all products at equilibrium level, then level of output may be known as :
- (A) ideal level                                      (B) optimum level  
(C) equilibrium level                              (D) profit maximization
38. Quasi-rent is :
- (A) Price—AVC                                      (B) Price—AFC  
(C) Price—(AVC+AFC)                          (D) Price—MC
39. Which of the following is not a necessary characteristic of money ?
- (A) It is a unit of account                      (B) It is a store of value  
(C) It is of intrinsic value                      (D) It is generally acceptable
40. Money is :
- (A) Neutral for production                      (B) Helpful for production  
(C) Harmful for production                      (D) Distorts production
41. The Laffer Curve explains the relationship between which of the following ?
- (A) Tax rates and employment  
(B) Tax rates and tax revenue  
(C) Tax rates and income  
(D) Tax rates and government expenditure
42. A change from \$3 = £ 1 to \$2 = £ 1 means :
- (A) Depreciation of the dollar                      (B) Appreciation of the dollar  
(C) Appreciation of the pound                      (D) Value of the pound unchanged

43. The difference between average total cost and average fixed cost shows :  
(A) Normal profits (B) Implicit costs  
(C) Average Variable costs (D) Opportunity costs
44. Production function relates :  
(A) Cost to input (B) Wages to profits  
(C) Cost to output (D) Inputs to output
45. The minimum reserves kept by the R.B.I. for issue of currency is :  
(A) 100 percent gold  
(B) 40 percent gold  
(C) Rs. 115 crores worth of gold  
(D) Rs. 115 crores worth of gold and Rs. 85 crores worth of foreign securities
46. Which of the following is not a non-tariff barrier ?  
(A) Voluntary export restraint  
(B) Health and product standards  
(C) Environment protection laws  
(D) Ad-valorem duties
47. Which of the following measures is not likely to help in improving India's balance of payments position ?  
(A) Encouragement of import substitution  
(B) Imposition of higher duty on exports  
(C) Imposition of higher duty on imports  
(D) Devaluation of the rupee
48. In which of the following years was the trade balance favourable to India ?  
(A) 1970-71 and 1974-75 (B) 1972-73 and 1976-77  
(C) 1972-73 and 1975-76 (D) 1971-72 and 1976-77
49. 'Interest is price paid for use of capital in any market.' This definition of interest was given by :  
(A) S.E. Harris (B) I. Fisher  
(C) R.G. Lipsey (D) A. Marshall

50. Fiscal deficit in the Union Budget means :
- (A) The sum of budgetary deficit and net increase in internal and external borrowings
  - (B) The difference between current expenditure and current revenue
  - (C) The sum of monetized deficit and budgetary deficit
  - (D) Net increase in Union Government borrowings from the Reserve Bank of India
51. To know whether the rich are getting richer and the poor getting poorer, it is necessary to compare :
- (A) The wholesale price index over different periods of time for different regions
  - (B) The distribution of increase of an identical set of income recipients, in different periods of time
  - (C) The distribution of income of different sets of income recipients at a point of time
  - (D) The availability of food-grains among two sets of people, one rich and the other, over different periods of time
52. Who was the Chairman of the Tenth Finance Commission ?
- (A) Pranab Mukherjee
  - (B) Manmohan Singh
  - (C) Krishan Chandra Pant
  - (D) Montek Singh Ahluwalia
53. Change in which of the following is the best indicator of the change in the standard of living of the people of a country ?
- (A) Cost of living index
  - (B) Index of industrial productivity
  - (C) Per capita income
  - (D) Wholesale price index
54. The growth rate of the population is dependent upon :
- (A) Birth rate
  - (B) Death rate
  - (C) Both birth rate and death rate
  - (D) Neither birth rate nor death rate
55. Inflation can be controlled temporarily by :
- (A) Increase in subsidies
  - (B) Decreasing taxes
  - (C) Increasing prices
  - (D) Restraint on the growth of money supply
56. Which of the following taxes is a progressive tax ?
- (A) Sales Tax
  - (B) Income Tax
  - (C) Excise Tax
  - (D) Customs Duty

57. Credit creation increases :
- (A) Real national income                      (B) Supply of money  
(C) Real wealth of the community        (D) Purchasing power of the currency
58. The multiplier is the factor by which :
- (A) A change in income changes saving  
(B) A change in income changes investment  
(C) An increase in investment lowers income  
(D) A change in autonomous expenditure changes income
59. Which of the following cannot be regarded as capital ?
- (A) Straw in a barn  
(B) Straw in a hat factory  
(C) Straw in a hat shop  
(D) Straw in your room
60. Which of the following would be “fixed cost” to a manufacturing firm ?
- (A) Plant and machinery                      (B) Raw materials  
(C) Replacement of load                      (D) Wages
61. Each short-run average cost curve :
- (A) Has to touch the long-run cost curve  
(B) Has to cross the long-run cost curve  
(C) Has to lie above all points on the long-run cost curve  
(D) Coincides with the long-run cost curve at a lower point
62. The difference between the average total cost and average variable cost as output increases :
- (A) Increases                                      (B) Remains the same  
(C) Diminishes                                    (D) Any of above
63. The marginal cost curve intersects the average cost curve when average cost curve is :
- (A) Maximum                                      (B) Minimum  
(C) Rising    (D) Falling

64. OPEC is an example of the type of producers' organization known as :
- (A) Marketing Board (B) Producers' Co-operative  
(C) Trust (D) Cartel
65. Equilibrium is found between :
- (A) Buyers and sellers (B) Supply and demand  
(C) Price and quantity (D) Quantity and quality
66. As a general rule, the marginal revenue productivity of a factor diminishes with the :
- (A) Decrease in the units of the factor  
(B) Increase in the units of the factor  
(C) Dividing the units of the factor  
(D) Multiplying the units of the factor
67. Which of the following statements is correct or more nearly correct ?
- (A) A commodity will have value only if it is wanted by somebody  
(B) A commodity will have value only if it is scarce relative to demand  
(C) The value of a commodity depends upon its price  
(D) The value of a commodity is entirely dependent upon the demand for it
68. To maximize its profits during the short-run, a firm should produce the output that will :
- (A) Yield maximum total revenue  
(B) Minimize marginal cost  
(C) Maximize marginal revenue  
(D) Equate marginal revenue with marginal cost
69. Given inelastic demand, an upward shift of supply curve will result in :
- (A) Lower price (B) Higher price  
(C) No change in price (D) More being sold
70. When  $AR = Rs. 8$  and  $AC = Rs. 10$ , the firm makes :
- (A) Normal profit (B) Net profit  
(C) Gross profit (D) Loss

71. The slope of an indifference curve at any point denotes :
- (A) The marginal substitution of one good in terms of other
  - (B) The combination of the goods
  - (C) The maximum satisfaction
  - (D) The minimum satisfaction
72. Draw the price line or budget line of consumer. The budget line will be :
- (A) Parallel to X-axis
  - (B) Parallel to Y-axis
  - (C) Downward sloping straight line joining the two axis
  - (D) Originating at zero point
73. The consumer is in equilibrium :
- (A) Where the price line cuts the indifference curve
  - (B) Where the price line is parallel to the indifference curve
  - (C) Where the price line is a tangent to the indifference curve
  - (D) Where two indifference curves cut each other
74. The income effect of a rise in the price of a good is the :
- (A) Extent to which the incomes of suppliers increase
  - (B) Decrease in the purchasing power of a consumer income
  - (C) Increase in the money incomes of consumers
  - (D) Extent to which consumers of substitutes are better off
75. The price effect is :
- (A) a resultant of the income and substitution effects
  - (B) a resultant of the income effect
  - (C) not a resultant of the income effect
  - (D) a resultant of market conditions and subjective evaluation
76. In the case of Hicksian substitution effect in indifference analysis the consumer moves :
- (A) On different indifference curves
  - (B) Up and down along the different indifference curve
  - (C) Along the same indifference curve
  - (D) From a point on an indifference curve to a point on a price line

77. Giffen goods are those goods :
- (A) for which demand increases as price increases
  - (B) which are in very short supply
  - (C) which have a high income elasticity of demand
  - (D) which give rise to a cobweb situation
78. When real income rather than money income is kept constant in drawing a consumer's demand curve for a commodity the demand curve is negatively sloped :
- (A) Always
  - (B) Never
  - (C) Sometimes
  - (D) Often
79. Elasticity of supply like elasticity of demand is :
- (A) The responsiveness of quantity supplied to a change in price
  - (B) The change in supply resulting from a change in techniques of production
  - (C) Not measurable
  - (D) Measurable only qualitatively
80. The Engel's curve for a Giffen good is :
- (A) Positively sloped
  - (B) Negatively sloped
  - (C) Horizontal
  - (D) Vertical
81. The market period supply curve for perishable commodities is :
- (A) Relatively inelastic
  - (B) Perfectly inelastic
  - (C) Relatively elastic
  - (D) Perfectly elastic
82. When the total supply of food grains increases, the total income of farmers falls. This shows that the demand curve for food grains is :
- (A) Elastic
  - (B) Inelastic
  - (C) Of unitary elasticity
  - (D) Perfectly elastic
83. In general most of the production functions measure :
- (A) The productivity of factors of production
  - (B) The relations between the factors of production
  - (C) The economies of scale
  - (D) The relations between changes in physical inputs and physical outputs

84. Normally the Isoquants slope :
- (A) upwards from left to right                      (B) upwards from right of left  
(C) downwards from left to right                      (D) backwards from left to right
85. An indifference curve cannot :
- (A) Slope downwards                                      (B) Slope upwards  
(C) Cut any other indifference curve                      (D) Be concave
86. Indifference curve is downward sloping from left to right since more X and less Y gives :
- (A) Less satisfaction                                      (B) More satisfaction  
(C) Maximum satisfaction                                      (D) Same level of satisfaction
87. The incidence of tax refers to :
- (A) The level and rate of taxation  
(B) Who ultimately pays the tax  
(C) The growth of taxation  
(D) The way in which a tax is collected
88. Which of the following is an instance of quasi-money ?
- (A) Demand deposits                                      (B) Coins  
(C) Bills of exchange                                      (D) Currency
89. The burden of a tax will tend, in general, to be greater for the consumer, than the producer in the case of a commodity for which :
- (A) Demand is elastic and supply is inelastic  
(B) Demand is inelastic and supply is elastic  
(C) Demand and supply are inelastic  
(D) Demand and supply are elastic
90. Which of the following does not have a uniform elasticity of demand at all points ?
- (A) A downward sloping demand curve  
(B) A vertical demand curve  
(C) A rectangular hyperbola  
(D) A horizontal demand curve

91. Among the original canons of taxation propounded by Adam Smith was :
- (A) No tax should be levied on food
  - (B) A tax should be convenient to pay
  - (C) A tax should be impossible to evade
  - (D) No tax should fall on any imports
92. High powered money consists of :
- (A) Currency, reserves and other obligations of the Central Bank
  - (B) All loans of banks
  - (C) All loans and security of banks
  - (D) Rupees held as legal bank reserves
93. If a bank decides to “play it safe” it is :
- (A) Maximizing liquidity while sacrificing potential income
  - (B) Minimizing safety while maximizing liquidity
  - (C) Maximizing safety while minimizing liquidity
  - (D) Minimizing solvency while maximizing risk
94. Bank credit is a liability of
- (A) Banking System
  - (B) Borrowing public
  - (C) Borrowing government
  - (D) Borrowing public as well as borrowing government
95. If you offered some securities as “security” for loan you made, you would be :
- (A) Buying on margins
  - (B) Selling short
  - (C) Providing collateral
  - (D) Carrying securities
96. Marginal utility is the utility derived from :
- (A) First unit of the commodity
  - (B) Last unit of the commodity
  - (C) All units of the commodity
  - (D) Second unit of the commodity
97. Which concept is acceptable ?
- (A) A more equal distribution of national income increases economic welfare
  - (B) A more equal distribution of national income diminishes economic welfare
  - (C) A more equal distribution of national income leaves economic welfare un-effected
  - (D) National income can never be distributed

98. The idea of rational expectations was first put forth by :
- (A) Friedman (B) Keynes  
(C) John Muth (D) Patinkin
99. Which one of the following statements correctly defines the term Natural Rate of Growth ?
- (A) It is the minimum rate at which output can be increased with full employment of labour  
(B) It is the natural rate at which output can be increased with full employment of labour  
(C) It is the maximum rate at which output can be increased with full employment of labour  
(D) It is the actual rate at which output can be increased with full employment of labour
100. The Reserve Bank of India issues notes under which of the following methods of note issues ?
- (A) Fixed fiduciary system (B) Maximum fiduciary system  
(C) Proportional reserve system (D) Minimum reserve system
101. Flat money is that which is :
- (A) Accepted by Overseas Banks only  
(B) Decreed as money by the Government  
(C) Accepted temporarily in lieu of gold  
(D) Backed by gold and silver
102. Which of the following is not a liability of commercial banks ?
- (A) Time deposits (B)  $\frac{\text{Actual deposits} \times 100}{\text{Ratio of Cash Reserve} + \text{Borrowing from the Central Bank}}$   
(C) Security holding (D) Demand deposits
103. A banking system where all operations are confined to a single office is called :
- (A) Chain Banking (B) Group Banking  
(C) Unit Banking (D) Branch Banking
104. Credit created is equal to
- (A)  $\frac{\text{Actual deposit} \times 100}{\text{Ratio of Cash Reserve}}$   
(B)  
(C)  
(D)

105. A Five Year Plan is a :
- (A) Medium Term Plan (B) Perspective Plan  
(C) Short Term Plan (D) Long Term Plan
106. The sex ratio is the highest in :
- (A) Punjab (B) Haryana  
(C) Kerala (D) Karnataka
107. The Statutory Liquidity Ratio (SLR) is :
- (A) Amount of cash kept by a bank with the RBI  
(B) Amount of gold and securities that it keeps with itself  
(C) Amount of deposits with the other banks minus deposits of the other banks with the bank  
(D) Amount of cash, gold, unencumbered approved
108. The Ex-officio Chairman of the Planning Commission of India is the :
- (A) Planning Minister  
(B) Finance Minister  
(C) Prime Minister  
(D) Government of Reserve Bank of India
109. What is the approximate density of population in India ?
- (A) 516 (B) 416  
(C) 382 (D) 316
110. The supply of money consists of
- (A) Notes and coins  
(B) Notes, coins and demand deposits  
(C) Notes, coins and time deposits  
(D) Notes, coins, demand deposits and time deposits
111. Inequalities in income distribution in the rural sector are :
- (A) Increasing (B) Decreasing  
(C) Constant (D) Nothing can be said

112. Among all the States and Union Territories in India, per capita income is highest in :
- (A) Punjab (B) Delhi  
(C) Maharashtra (D) Goa
113. Which one of the following pairs is correct ?
- (A) IDBI Short term lending  
(B) NABARD Industrial financing  
(C) RBI Long term financing  
(D) RRB Dispensing Rural Credit
114. Since 1950-51, the percent contribution of the tertiary sector to India's national income has been :
- (A) Stagnant (B) Increasing  
(C) Declining (D) None of the above
115. Investment wise the biggest public sector enterprise in India is :
- (A) National Thermal Power Corporation of India  
(B) Coal India Ltd.  
(C) Steel Authority of India Ltd.  
(D) Oil and Natural Gas Commission
116. Which of the following is not covered under the minimum needs programme ?
- (A) Rural water supply (B) Social forestry  
(C) Elementary education (D) Improvement of urban slum
117. Open unemployment refers to people :
- (A) Who are not willing to work  
(B) Who are willing but do not get work  
(C) Who leave their jobs in search of better ones  
(D) Who have been dismissed because of incorrect practices
118. The One Rupee currency note bears the signature of the :
- (A) Governor of Reserve Bank of India  
(B) The Minister for Finance  
(C) Chairman, State Bank of India  
(D) None of the above

119. The one rupee currency notes are issued by the :

- (A) State Bank of India
- (B) Reserve Bank of India
- (C) Ministry of Finance
- (D) Ministry of Home

120. All currency notes except \_\_\_\_\_ have the signature of the Governor of the Reserve Bank of India.

- (A) 1 Rupee note
- (B) 50 Rupee note
- (C) 20 Rupee note
- (D) 2 Rupee note

## ROUGH WORK