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Competitive Exams: Economics MCQs (Practice_Test 113 of 122)

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1. The share of direct taxes, as a percentage of GDP in the post-independence period has.
 - a. remained stagnant around 2.5 percent
 - b. grown from 2.5
 - c. declined from about 8 percent in the early 50's to about 2.5 percent now.
 - d. shown no clear trend
2. The Central Government has to resort to substantial borrowing since the early 80's, mainly; because
 - a. It had expanded its expenditures on the social sector significantly
 - b. it had embarked on an ambitious space programme
 - c. the revenue expenditure had systematically out stepped current revenues.
 - d. the revenue expenditure had systematically out stepped capital receipts.
3. In the Union Budget for 1993 – 94, there was an introduction of a tax of ₹ 1400 for shopkeepers and retail traders with an annual turnover of ₹ 5 lakh and below. This is an example of
 - a. sales tax
 - b. excise duty
 - c. presumptive income tax
 - d. turnover tax
4. The government has recently stressed the importance of limiting the quantum of fiscal deficit to 5 percent of GDP. This context fiscal deficit has been defined as the
 - a. difference between all receipts and expenditure both revenue and capital

- b. increase in net RBI credit to the Central government
 - c. excess of total expenditure including loans net of lending over revenue receipts, grants and non-debt capital receipts
 - d. Excess of revenue expenditure over revenue and capital receipts.
5. Consider the following statements: The objective of personal income tax reform in the recent past has been to
- a. bring the 'hard-to-tax' groups into the tax net
 - b. adopt a highly progressive a rate schedule
 - c. choose moderate rates.
 - d. allow as few deductions and exemptions as is possible.

Of the above statements

- a. 1 2 and 3 are correct
- b. 2,3 and 4 are correct
- c. 1,2 and 4 are correct
- d. 1,3 and 4 are correct.

Codes:

- a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are true but R is NOT a correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
6. ◦ **Assertion (A)** : Banking sector's contribution to national income is zeros.
- **Reason (R)** : By the usual methods of calculation, the net factor payment in the banking sector amounts to zero.
 - a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are true but R is NOT a correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
7. ◦ **Assertion (A)** : Consumer's surplus is the difference between the potential price and the actual price.

- **Reason (R)** : There exists an inverse relationship between the price and the consumer's surplus.
 - a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are true but R is NOT a correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
- 8. ◦ **Assertion (A)** : The long run cost curve is L-shaped rather than U-shaped.
 - **Reason (R)** : The new techniques of production of large plants reduce the total costs per unit of output.
 - a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are true but R is NOT a correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
- 9. ◦ **Assertion (A)** : The imposition of a per unit tax because the monopolist's average cost and marginal cost curves to shift up:
 - **Reason (R)** : The per unit tax is like a variable cost.
 - a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are true but R is NOT a correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
- 10. ◦ **Assertion (A)** : Money is a link between the present and the future.
 - **Reason (R)** : Money is a store of value
 - a. Both A and R are true and R is the correct explanation of A
 - b. Both A and R are true but R is NOT a correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
- 11. **Assertion (A)** According to Baumol, the transactions demand for cash varies with respect to the square-root of the volume of transactions. **Reason (R)** : Transaction demand for money is a function of income.
 - a. Both A and R are true and R is the correct explanation of A

- b. Both A and R are true but R is NOT a correct explanation of A
- c. A is true but R is false
- d. A is false but R is true
12. ◦ **Assertion (A)** : There would be no trade-off between inflation and unemployment even in the short run if people's expectations are rational.
- **Reason (R)** : Rational expectations imply forecasting the future correctly
- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are true but R is NOT a correct explanation of A
- c. A is true but R is false
- d. A is false but R is true
13. ◦ **Assertion (A)** : The major distinguishing feature of a commercial bank is its ability to create money.
- **Reason (R)** : It has a legal power to do so.
- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are true but R is NOT a correct explanation of A
- c. A is true but R is false
- d. A is false but R is true
14. ◦ **Assertion (A)** : Factor price equalization theorem deals with the effect of trade on factor prices.
- **Reason (R)** : Trade in goods has no effect on factor prices.
- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are true but R is NOT a correct explanation of A
- c. A is true but R is false
- d. A is false but R is true
15. ◦ **Assertion (A)** : Heckscher-Ohlin theory invalidated the classical theory of comparative costs.
- **Reason (R)** : Heckscher-Ohlin theory goes behind the comparative cost theory.
- a. Both A and R are true and R is the correct explanation of A
- b. Both A and R are true but R is NOT a correct explanation of A
- c. A is true but R is false

d. A is false but R is true

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