

## Competitive Exams: Economics MCQs (Practice-Test 20 of 122)

1. In India, federal financial assistance to states is given on the basis of
  - a. the tax effort of the states
  - b. there revenue collection of the states
  - c. population, tax effort and special problems of the states
  - d. the demands of the states
  
2. Which one of the following taxes belongs exclusively to the state government of India?
  - a. Income Tax
  - b. Agricultural Income Tax
  - c. Excise duties
  - d. Wealth Tax
  
3. Which one of the following sources of central revenue belongs to the category of indirect taxes?
  - a. corporation Tax
  - b. Customs
  - c. Wealth Tax
  - d. Interest Receipts
  
4. Exemption from the entertainment tax is granted if the entire proceeds are devoted to
  - a. postal saving
  - b. shares in new industrial undertakings
  - c. charitable purposes
  - d. redemption of debt

Select the correct answer using the codes given below:

- a. 1 and 2

- b. 1 and 3
  - c. 2 and 3
  - d. 3 and 4
5. The most expensive head under public revenue expenditure in the union budgets of the last decade has been
- a. defence
  - b. interest payments
  - c. subsidies
  - d. social services
6. Which of the following effects of deficit financing of the Central Government affects the common man most adversely?
- a. Forced savings
  - b. Credit creation by banks
  - c. Inflationary rise in prices
  - d. Changes in the pattern of social investment
7. The rapid increase of public debt of the Central Government since 1950 – 51 has been due to
- a. uncontrolled inflation
  - b. mounting shares of state governments from revenues raised by the Central Government.
  - c. mounting costs of financing public expenditure
  - d. rising population.
8. Which one of the following causes of Central Government fiscal deficits during the last few years can be said to be economically avoidable, though politically difficult?
- a. Rise in defence expenditure
  - b. Rise in agricultural subsidies.
  - c. Rise in salaries of Central Govt. Employees
  - d. Rise in interest payment

9. • **Assertion (A):** A firm is a price-taker in a competitive market.
- **Reason (R):** Price is determined by the intersection of the total demand curve with the supply curve of the industry.
- 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 the correct explanation of A
  - c. A is true but R is false
  - d. A is false but R is true
10. • **Assertion (A):** Marshall-Lerner condition should be fulfilled if devaluation is to be successful.
- **Reason (R):** Devaluation makes exports costly imports cheaper.
- 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 the correct explanation of A
  - c. A is true but R is false
  - d. A is false but R is true
11. • **Assertion (A):** Devaluation can correct the imbalance in the balance of payment.
- **Reason (R):** Devaluation raises the price of imported goods and reduces the foreign price of exports of the devaluating country.
- 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 the correct explanation of A
  - c. A is true but R is false
  - d. A is false but R is true
12. • **Assertion (A):** Free international trade necessarily lowers the real wage of the scarce factor of production in terms of any good.
- **Reason (R):** If the real wage declines in terms of every good, real income must suffer regardless of the tastes and expenditure patterns of the labourers as consumers.
- 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 the correct explanation of A

c. A is true but R is false

d. A is false but R is true

13. • **Assertion (A):** Regional disparities in development have been continuously decreasing in India under the regime of development planning.

• **Reason (R):** New technology in Indian agriculture is size-neutral but not resourceneutral.

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 the correct explanation of A

c. A is true but R is false

d. A is false but R is true

14. • **Assertion (A):** There is an inter-locking of product and factor markets in India agriculture.

• **Reason (R):** India's agricultural economy is over-whelmingly market-oriented.

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 the correct explanation of A

c. A is true but R is false

d. A is false but R is true

15. Which one of the following statements describes 'perfectly elastic demand' correctly?

a. the change in demand in proportion to the change in price

b. The change in demand is less than the proportional change in price

c. any amount of the good can be bought at a fixed price

d. There is no change in demand on account of a change in price