

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 an 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 scare 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