

## Examrace

# Competitive Exams: Economics MCQs (Practice\_Test 26 of 122)

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1. Keynesian Liquidity Preference theory explains the.
  - a. operation of the money market in an economy
  - b. interaction between the real and monetary sectors
  - c. motivation of a speculator
  - d. process of adjustment in money and capital markets for bringing about changes in the interest rate
2. Which one of the following conditions is assumed by Euler in his adding up theorem? elasticity of substitution is
  - a. equal to zero
  - b. greater than zero but less than one
  - c. equal to one
  - d. greater than one
3. The locus of general equilibrium of points of exchange in a two-individual twocommodity economy is called the
  - a. consumption contract curve
  - b. production contract curve
  - c. social welfare function
  - d. transformation curve
4. The Hicks-Kaldor-Scitovsky welfare criterion states that.
  - a. if gainers could potentially bribe the losers, then the change is desirable.
  - b. if the gainers could not bribe the losers but the state could, then the change is desirable.
  - c. if the gainers could potentially bribe the loser and the prospective losers could not profitably bribe the gainers, then the change is desirable.
  - d. bribery is an evil and therefore any change based on bribery is socially undesirable.

5. Which of the following are characteristic of social goods?

- a. Non-exclusion
- b. Non-equal consumption
- c. Non-rival
- d. All that is provided by the market

Select the correct answer using the codes given below:

Codes:

- a. Non-exclusion
- b. non-equal consumption
- c. Non-rival
- d. All that is provided by the market

Select the correct answer using the codes given below:

Codes:

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

6. The cars used by the police department of the government for patrolling should be treated as

- a. final goods because these are sold by business sector to the government.
- b. consumer's goods, because these are not resold by the government
- c. capital goods because these add to the capital formation in the country.
- d. Intermediate goods because police service are consumed through the use of these cars.

7. Match List I with List II and select the correct answer using the codes given below the list:

List-I	List-II
A. Product Method	1. The sum of factor payments earned in a year on the production of output
B. Expenditure method	2. Sum of the value of all final output in a year

C. Income method	3. Sum of the value of intermediate and final products
D. Double counting	4. Sum of all private and public spending on consumption and investment goods.

**A B C D**

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

8. Given that GNP at market price = Rs. 192866 crores Consumption of fixed capital = Rs. 13371 crores New factor income from abroad = Rs. 975 crores. The NDP at market prices will be

- a. Rs. 178520 crores
- b. Rs. 207212 crores
- c. Rs. 18470 crores
- d. Rs. 205262 crores

9. In the theory of investment decision, the most appropriate internal rate of return (IRR) is the one which makes the

- a. net present value, the maximum
- b. gross present value, the maximum
- c. net present value, zero
- d. gross present value, zero

o. Match List I with List II and select the correct answer using the codes given below the list:

List-I	List-II
A. Rybezynski theorem	1. The effect of tariffs on factor prices
B. Metzler effect	2. The effect of factor growth on production and trade.
C. Stopler Samuelson theorem	3. The effect to tariffs on domestic prices

D. Immiserising growth

4. The effect of growth on terms of trade.

**A B C D**

a. 2 3 1 4

b. 4 3 1 2

c. 4 1 3 2

d. 2 1 3 4

11. An increase in government expenditure will lead to a net increase in aggregate demand if the crowding-out effect is
- a. 100%
  - b. 1%
  - c. more than 1 % but less than 100%
  - d. zero
12. The hypothesis that the degree of inequality of income increases at the initial stages and declines at the later stages in the development history of nations has been advanced by
- a. RFR Harrod
  - b. Simon Kuznets
  - c. J R Hicks
  - d. TW Schultz
13. In Keynes' General theory, investment and saving are brought to equality primarily through changes in the
- a. rate of interest
  - b. income velocity of money
  - c. national income
  - d. level of prices
14. Which of the following are true of disguised unemployment?
- a. It represents potential savings.

- b. The marginal productivity of labour is zero or extremely low.
- c. It is due to the existence of joint family system
- d. It is confined to the rural areas.

Select the correct answer using the codes given below:

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

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