

Competitive Exams: Economics MCQs (Practice-Test 67 of 122)

1. If sales tax on a commodity is raised, but the revenue earned through its sale decreases sharply, which one of the following statements about the nature of this commodity would be correct?
 - a. price elasticity of demand for its is high
 - b. it must be an essential good
 - c. Price elasticity of demand for it is low
 - d. Price elasticity of demand for it is unity.

2. In the liquidity trap, the interest elasticity of the demand for money is
 - a. zero
 - b. unity
 - c. infinity
 - d. between zero and unity

3. Marginal revenue will be zero if elasticity of demand is
 - a. less than one
 - b. equal to one
 - c. greater than one
 - d. zero

4. Which one of the following significant changes was introduced in India in March, 1993?
 - a. Dual exchange rate was introduced
 - b. Dual exchange rate system came to an end and a uniform market came into being, with exchange rate being determined by the forces of demand and supply
 - c. Bank rate was raised from 11% to 12%
 - d. Rupee was devalued.

5. The discrepancy between the values of marginal product and marginal revenue product of a factor of production cannot arise if
- AR = MR
 - AC-MC
 - TC = TR
 - AC = AR
6. Shadow prices are particularly useful in
- Consumer's purchase decisions
 - Firm's sale decision
 - Project evaluation and cost-benefit analysis
 - Black market operations
7. Consider the following measure:
- changing the bank rate
 - Open-market operations
 - Increasing the cash-reserve ratio

Which of the measures given above are taken by the Reserve Bank of India to control inflation in India?

- 1 and 2
 - 2 and 3
 - 1 and 3
 - 1, 2 and 3
8. Consider the following statements about deadweight loss:
- it is the loss in producer and consumer surplus due to an inefficient level of production
 - it is used by economists to measure the size of the waste to society of deviations from the competitive equilibrium.
 - by calculating deadweight loss, economists can estimate the benefits and costs of many government programmes

Which of the statements given above are correct?

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

9. Union budget 2002 – 03 had extended service tax to ten new services, subsequently which of these was/were exempted from service tax?

- a. cable operation and dry cleaning
- b. Light agricultural products and cold storage
- c. Inland cargo handling
- d. Life insurance.

10. Qualitative credit control by a Central Bank exercised by which of the following measure

- a. Credit rationing
- b. consumers credit regulation
- c. changes in margin requirement on security loans
- d. Variable reserve ratio.

Select the correct answer using the codes given below:

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

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

List-I

- a. Money illusion
- b. Liquidity trap
- c. life cycle hypothesis

List-II

- a. Modigliani
- b. Pigou
- c. Keynes

d. Ratchet effect

d. Duesenberry

A B C D

a. 2 3 1 4

b. 4 1 3 2

c. 2 1 3 4

d. 4 3 1 2

12. For a commodity with a unitary elastic demand curve, if the price of the commodity rises, then the consumer's total expenditure on this commodity would

- a. Increase
- b. decrease
- c. remain constant
- d. either increase or decrease

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

List-I

List-II

- a. Stationary state
- b. Unlimited supplies of labour
- c. Knife-edge equilibrium
- d. Theory of cumulative causation.

- a. W A Lewis
- b. G Myrdal
- c. Harrod-Domar
- d. A Smith

A B C D

a. 2 1 3 4

b. 4 3 1 2

c. 2 3 1 4

d. 4 1 3 2

14. Capital account in the balance of payments of a country does not include which one of the following?

a. Foreign investment

b. External assistance

c. Investment income

d. NRI deposits

15. The Reserve Bank of India acts as the 'bankers'bank' in the sense that

a. the scheduled banks can borrow from the RBI in time of need

b. the RBI fixes the conditions of cash reserve requirement which the scheduled banks have to follow.

c. the RBI controls the credit operations of the scheduled banks.

d. the RBI controls the banking system through the system of licensing.