

Competitive Exams: Economics MCQs (Practice-Test 76 of 122)

1. On which one of the following is the benefits received principle of taxation to achieve optimality based?
 - a. Marginal benefit received
 - b. Total benefit received
 - c. Average benefit received
 - d. Ability to pay for the benefit
2. Match List-I (Relative elasticity) with List-II (Burden of tax) and select the correct answer using the codes given below the lists

List-I (Relative elasticity)

List-II (Burden of tax)

- | | |
|-----------------------|---|
| a. $e_s > e_d$ | a. The proportion of tax burden on buyer is less than upon the seller |
| b. $e_s < e_d$ | b. The proportion of tax burden on buyer is equal to seller |
| c. $e_s = e_d$ | c. The entire burden of tax will be on the seller |
| d. $e_s = 0, e_d = 0$ | d. The proportion of tax burden on buyer is higher than upon the seller |
| | e. The entire burden of tax will be upon the buyer |

A B C D

a. 4 5 2 1

b. 2 1 3 5

c. 2 5 3 1

d. 4 1 2 5

3. Which one of the following is the correct statement? In industries displaying increasing returns to scale and operated by the public sector to achieve optimality, there has to be
- a. a subsidy to the consumer only
 - b. a tax on the industry
 - c. a tax on the consumer and subsidy to the producer
 - d. a subsidy to the consumer and a tax on the producer
4. If the fiscal deficit of the Union Government is Rs. 75, 000 crores relending to States is Rs. 25, 000 crores, interest payments are Rs. 25, 000 crores, what is the amount of the primary deficit?
- a. Rs. 50, 000 crores
 - b. Rs. 25, 000 crores
 - c. Rs. 1, 00, 000 crores
 - d. Rs. 1, 25, 000 crores
5. Which one of the following phenomenon explains the free rider problem in public finance?
- a. Ticketless travel in the Indian Railways
 - b. Economics of horse racing and the breeding of horses
 - c. Economics of all types of pure public goods
 - d. Preference non-revelation in the case of goods where consumption is joint
6. Consider the following statements: The Heckscher-Ohlin theory of the trade is based on the assumption that

- a. Factors are mobile within the country.
- b. Factors are immobile within the country.
- c. Factors are mobile internationally.
- d. Factors are immobile internationally.

Which of the statements given above are correct?

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

7. Which one of the following is the correct statement? The factor price equalisation theorem is a corollary of
- a. the Ricardian trade theorem
 - b. the Heckscher-Ohlin theorem
 - c. imperfect competition model of trade
 - d. None of the above

8. Consider the following statements: The dynamic gains from trade include
- a. Gains based on the law of comparative advantage.
 - b. Widening of the total market for a country's producers.
 - c. Gains to take advantage of the relatively favorable price ratio.
 - d. Acquisition of new knowledge, arrival of new ideas and the dissemination of technical knowledge etc.

Which of the statements given above are correct?

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

9. Which one of the following pairs in not correctly matched?

- a. Tariff quota—Non-tariff barrier
- b. Export subsidy—Tariff barrier
- c. Ad valorem duty—Tariff barrier
- d. Multi-fibre arrangement—Non-tariff barrier

10. What is a countervailing duty?

- a. A lower import duty on raw material by the importing country to enhance the competitiveness of final product exports
- b. A duty to raise more revenue by the government for subsidising exports
- c. An import duty or tariff imposed by an importing country to raise the price of a subsidised export product to offset its lower price
- d. A lower tariff on imported commodity produced by a monopoly industry in the exporting country

11. Which one of the following is the effective rate of protection?

- a. The percentage increase in the value added of an industry per unit of output as a result of tariff relative to free trade situation but with the same exchange rate
- b. Official nominal rate of tariff on the value of import of final product
- c. When the effect of tariff in imposing country results in improvement of terms of trade
- d. Effect of tariff on the level of income and employment in the tariff imposing country

12. Which of the following would cause disequilibrium in the balance of payments?

- a. The level of domestic demand.
- b. Variations in the degree of inflation.
- c. International capital flows.

Select the correct answer using the codes given below:

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

13. Which one of the following can not be considered as the fundamental disequilibrium in the balance of payment of a country?
- Changes in consumer tastes within the country or abroad which reduce a country's exports
 - Decline in the competitive strength of the country in the world market which adversely affects exports of the country
 - Technological changes in the methods of production of domestic industries or in the industries of other countries
 - Decline in the agricultural production due to natural calamities
14. Which one of the following items is included in the capital account of the balance of payments of a country?
- Invisibles
 - Investment income
 - Commercial borrowings
 - Private transfers
15. Which of the following items constitute (s) international reserves?
- Gold.
 - Foreign Exchange.
 - SDRs
 - IFC loans.

Select the correct answer using the codes given below:

- 1, 2 and 4
- 1 and 2
- 1, 2 and 3
- 3 and 4