

## Competitive Exams: Subjective Theory and Model Questions (Practice-Test 1 of 9)

1. What is the difference between price elasticity, cross elasticity and income elasticity of demand? If the market for Big Mac Meals had the following elasticities what would it mean and what would your advice to MacDonald's management be? Price elasticity =  $-0.2$   
Income elasticity =  $-0.8$  Cross elasticity with respect to Pizza Hut Meals =  $1.0$
2. Recently the market for coffee has seen both increasing production and declining demand. Use supply and demand analysis to show how these factors will affect the price of coffee. What steps might be taken by coffee producers to improve their situation?
3. With the aid of examples explain what is meant by an externality? With reference to the introduction of congestion charging in Central London explain how the market mechanism can be used to address externalities. Apart from the market mechanism how else could environmental problems generated by externalities be addressed?
4. What defines a perfectly competitive industry? How does a firm operating in a perfectly competitive industry determine what level of output to produce? If there is a sudden increase in demand for the industry's output how will this effect the firm's output, price and profitability?
5. Why are monopolies regulated? How are they regulated in the UK? Are there any economic arguments in favour of tolerating low levels of competition in certain UK industries?
6. In what sort of circumstances do free markets not provide the best way of allocating scarce resources? Illustrate your answer with some relevant examples.
7. Using a Keynesian macroeconomic model in which prices are fixed explain what will happen to the level of national output if:
  - a. There is a collapse in investment
  - b. There is a boom in exports
  - c. There is an increase in government spending
  - d. The government cuts the tax rate

What are the limitations of this model?

8. How is a Joint Stock Company formed? In what four respects does a Joint Stock Company differ from a Partnership?
9. Discuss two objectives of land reform and give a brief account of tenancy reforms in India.
10. What is meant by subdivision and fragmentation of holdings? Describe any four causes for the subdivision and fragmentation of land holdings.
11. Examine any four reasons for the importance of good transport in a growing in economy like that of India.
12. What is Economic Planning? Explain the reasons for the three Annual Plans of 1966-'8, 1968-'9.
13. Discuss any four functions of the Government in economic development.
14. Discuss any four reasons to show that rapid industrialisation of our country is essential
15. What is fiscal policy? How can fiscal policy be used for economic development.