Time Allowed: Two Hours   *Maximum Marks: 300*

1. **Which of the following index numbers satisfies both time-reversal test and factor-reversal test?**

   (a) laspeyre's index number

   (b) Paasche's index number

   (c) Fisher's index number

   (d Drobish and Browley index number

2. **Match list 1 (r value) with List II (Interpretation) and select the correct answer using the code give below the lists**

List 1	List II
A. 0.26	I. High negative relation
B. -0.35	2. Low positive relation
C. 0.89	3. High positive relation
D. 0.98	4. Low negative relation
5.	No relation

	A	B	C	D			A	B	C	D
(a)	3	I	5	2		(b)	2	4	I	3
(c)	2	I	5	3		(d)	3	4	I	2

3. **Consider the following statements abou range**

   1. It is a measure of variability.

   2. It is very easy to calculate.

   3. It is not influenced by the extr me values.

   4. It is not based on all th ob ervations.

   Which of the statements given above is/are correct?

   (a) J only   (b) I and 2

   (c) 2 and 3   (d) I, 2 and 4

4. **The average consumption expenditure of 100 families is Rs. 1500 and the variance in consumption expenditure is 90.What is the coefficient of variation in consumption expenditure?.**

   (a) 0.6   (b) 2

   (c) 6   (d) 9

5. **When is the average deviation minimum?**

   (a) When deviations are taken from the moving averages

   (b) When deviations are taken from the arithmetic mean

   (c) When deviations are taken from the mode

   (d) When deviations are taken from the median

6.

What is the correct sequence of variability in descending order of magnitude in the Lorenz curve of income distribution of three groups (A, B and C) of persons given above?

(a) A - B - C
(b) B - C - A
(c) C-A-B
(d) C-B-A

7. Match List I (Measures of Dispersion) with List II (Characteristics) and select the correct answer using the code. given below the lists:

List I	List II
A. Range	1. Relative measure of dispersion
B. Variance	2. Uses limited information
C. Coefficient of variation	3. Standard deviation
D. Inter-quartile range	4. Lower than range
	5. Greater than range

	A	B	C	D			A	B	C	D
(a)	2	3	I	4		(b)	1	4	5	3
(c)	2	4	1	3'		(d)	I	3	5	4

8. In Arthur Lewis's model, the surplus of output over wages paid is reinvested. Which of the following does this lead to ?

1. Increase in output.

2. Increase in labour productivity.   3. Increase in employment..

Select the correct answer using the code given below:

(a) 1 and 2
(b) 1 and 3
(c) 2 and 3
(d) 1, 2 and 3

9. Let EERx and EERm denote the effective exchange rates, respectively, for exports and imports. A country is said to be following an import-substituting strategy of development if

(a) EERx> EERm
(b) EERx < EERm
(c) EERx> 1
(d) EERm> I

10. In the initial stages of planned development starting from its Second Five Year Plan, the strategy of development adopted by India was based on which of the following?

1. Heavy industries   2. Export promotion

3. Light industries   4. Import substitution

Select the correct answer using the code given below':

(a) 1 and 2   (b) 3 and 4

(c) I and 4   (d) 2 and 3

11. **The targeted growth rate of income for an economy is 8% per annum. The capital-output ratio is assumed to be 3.5 : 1. The domestic savings generated are 25% of income in the economy. What is the current account deficit consistent with the targeted growth rate?**

(a) 2% of income   (b) 3% of income

(c) 3.5% of income   (d) 4% of income

12. **The static argument for free trade ignores certain factors with dynamic implication to welfare. Which are such factors?**

1. Learning by doing.

2. Spillover to other industries. 3. Increasing returns.

Select the correct answer using the code given below:

(a) 1 and 2   (b) I and 3

(c) 2 and 3   (d) I, 2 and 3

13. **which one of the following sequences correctly depicts '' the vicious circle of poverty?**

(a) Low income - low investment - low demand – capital deficiency

(b) Low investment - low income - low demand – capital deficiency

(c) Low investment - low income - low savings – apit l deficiency.

(d) Low income - low demand - low investment – capital deficiency' ,

14. **In the Harrod's model of growth, if GA = 10% and Gw = 8%; what will this lead to ?**

(a) Boom   (b) Deflation,

(c) Recession   (d) Unemployment

15. **The World Bank's Environmentally Sustainable Development Division has developed Green Index. Which one of the following is *not* a constituent of this index?**

(a) Produced assets   (b) Natural resources

(c) Social assets'   (d) Human assets

16. **According to population experts, the possible demographic bonus may accrue to India by 2016 A.D. Which phenomenon are they referring to ?**

(a) A harp drop in the total population

(b) A well-balanced sex ratio

(c) A decline in both birth and death 'rates

(d) A surge in the population in the productive age group

17. **What is the long-term objective of National Population Policy (NPP), 2000 ?**

(a) To bring the Total Fertility Rate (TFR) to replacement levels

(b) To achieve a stable population at a level consistent with the requirement of sustainable economic growth

(c) To address the unmet needs for contraception;

(d) To cover the entire population in the reproductive age I with contraceptive and health care   '

18. **According to the 2001 Census, what is the total work participation rate in India?**

    (a) 37,.64%   (b) 39.3%

    (c) 43.1%   (d) 46.9%

19. **Which variable is *not* included in the calculation of composite RDI by UNDP?**

    (a) Adjusted real GDP per capita (PPP$ Index)

    (b) A deprivation index

    (c) Life expectancy index'

    (d) Educational attainment index

20. **Which one of the following exhibits the feature of occupational distribution of population in India according to the 2001 Census?**

    (a) Rapidly increasing importance of secondary and tertiary sectors and relative stability of the primary sector

    (b) Rapidly increasing importance of primary sector

    (c) Rapidly declining importance of primary sector and increasing importance of tertiary sector

    (d) Relative stability of all three sectors – primary, secondary and tertiary

21. **Why is social and economic dualism so pronounced in India?**

    (a) Poor adoption of technology in certain productive sectors of the economy

    (b) Sectoral disparity in investment

    (c) Lacunae in policy framework in social and economic sectors

    (d) Inadequate financial supply to the core sectors of the economy

22. **Consider the following statements:**

    New strategy adopted by the Government of India in Tenth Plan for alleviating poverty relates to

    1. income generation orientation, by way of mobilizing savings and developing the self-help groups
    2. distribution of assets and providing cheap loan.
    3. employment orientation by way of food for work.
    4. enhancing public investment in agriculture sector.

    Which of the statements given above are correct?

    (a) 1, 2 and 4   (b) 2, 3 and 4

    (c) 1 and 3   (d) 1,.2, 3 and 4

23. **Which sector in India has got maximum amount (US $ million) of external commercial borrowings approvals as for 2003-04 ?**   .

    (a) Financial Institutions   (b) Power

    (c) Telecom   (d) Others including exports

24. **Which one of the following is the share of India's exports in world trade in 2003 (%)?**

    (a) 0.5   (b) 0.8

    (c) 1.0   (d) 1.5

25.

<table>
<tr><td colspan="4">Table: Balance of Payments of India</td></tr>
<tr><td colspan="4" align="right">(Rs. Crores)</td></tr>
<tr><td>No.</td><td>Item</td><td align="right">1990-91</td><td align="right">2000-01</td></tr>
<tr><td>1.</td><td>Imports</td><td align="right">50,086</td><td align="right">270,663</td></tr>
<tr><td>2.</td><td>Exports</td><td align="right">33,153</td><td align="right">205,287</td></tr>
<tr><td>3.</td><td>Trade Balance</td><td align="right">-16,933</td><td align="right">- 65,376</td></tr>
<tr><td>4.</td><td>Invisible (Net)</td><td align="right">-433</td><td align="right">53,945</td></tr>
<tr><td>5.</td><td>Current Account (NET)</td><td align="right">- 17,366</td><td align="right">-11,431</td></tr>
</table>

From the Table, can it be concluded that there is a decline in the current account deficit of the country during the period 1990-91 to 2000-01 ?

(a) No, since imports are greater than exports

(b) Yes, since exports of goods increased more than the imports of goods

(c) No, since imports of goods increased more than the exports of goods

(d) Yes, since there is an increase in net invisible earnings

26. Which one of the following items has the highest growth rate in U.S. $ of exports from India during 2003-04 ?

(a) Gems and jewelry

(b) Textiles including Ready Made Garments (RMG)

(c) Engineering goods

(d) Chemicals and related products

27. Consider the following statements:

What does the current account of payments of India consist of ?

1. Visible balance of trade (merchandise).

2. Services: tourism, transport, software service.

3. Portfolio investment: loans, banking capital, NRI deposits.

Which of the statements given above are correct?

(a) 1, 2 and 3   (b) 1 and 2

(c) 2 and 3   (d) 1 and 3

28. Match List I (Types of Investments) with List II (Nature of Investment) and select the correct answer using the code given below the lists:

List I

A. Direct foreign investment

B. Foreign portfolio investment

C. Commercial Loans

D. Foreign Institutional assistance

List II

1. Purchase of the country's stocks, bonds and currencies by foreigners

2. Investments in productive assets of the country by foreigners

3. Raising loans from foreign financial institutions

4. Provision of financial by assistance a foreign government /institution

	A	B	C	D		A	B	C	D
(a)	4	1	3	2	(b)	2	3	I	4
(c)	2	1	3	4	(d)	4	3	1	2

29. **Match List I (Year of launching) with List II (Scheme) and select the correct answer using the code given below the lists:**

List I

A. 1999
B. 1994
C. 2001
D. 2000

List II

1. Sampoorna Grameen Rozgar Yojana
2. District Rural Industrial Project
3. Swarna Jayanti Gram Swarojgar Yojana
4. Pradhan Mantri Gram Sadak Yojana
5. Swarna Jayanti Shahari Rozgar Yojana

|	A	B	C	D		A	B	C	D
(a)	3	2	1	4	(b)	4	1	5	2
(b)	3	1	2	4	(d)	4	5	1	2

30. **Which one of the following is *not* the reason for generation and perpetration of inequalities of income and wealth?**

    (a) Skewed distribution of means of production

    (b) Rural-urban disparities

    (c) Ineffective government control

    (d) Support base of the government

31. **In a closed economy model, consider a situation where MPC rises from 0.8 to 0.9, and the rate of proportional income tax rises from 0.I to 0.2. How does the investment multiplier change?**

    (a) It rises from 25/7 to 5   (b) It falls from 5 to *2517*

    (c) It does not change   (d) It falls from 25/7 to 3

32.
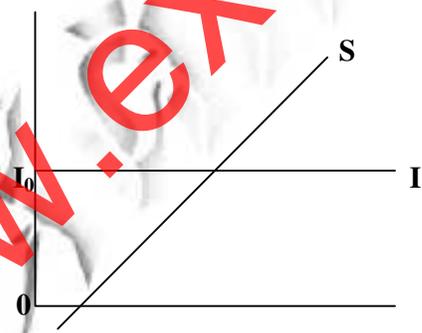
Which of the .following statements are correct in respect of the figure given above?

1. Investment is autonomous.
2. Saving does not depend on income.
3. Saving-income relationship is linear.
4. Investment depends on income.

Select the correct answer using the code given below:

(a) I and 2   (b) 2 and 4

(c) I and 3   (d) 3 and 4

33. In a Keynesian two-sector model with consumption dependent on income and a given autonomous investment, what will an increase in propensity to save lead to?

(a) Decrease in income and decrease in savings

(b) Decrease in income with unchanged savings

(c) Increase in income with increase in savings

(d) Increase in income with unchanged savings

34. Consumption and saving functions are given as :

$C = 100 + 0.2Y$

$S = -100 + 0.8Y$

What is the value of the investment multiplier?

(a) 80   (b) 50

(c) 5.   (d) 1.25

35. Consider the following statements:

According to the Neo-classical theory of investment, higher the rental cost of capital,

1. lower is the real interest rate.

2. lower is the depreciation rate of capital

3. higher is the real interest rate.

4. higher is the depreciation rate of capit 1

Which of the statements given above a e correct?

(a) 1 and 2   (b) 3 and 4

(c) 1 and 4   (d) 2 and 3

36. Consumption function is gi en as :

$C = 20 + 0.54Y$

What is the cor esponding saving function?

(a) $S = 20 + 0.4\ Y$

(b) $S = -20 + 0.46Y$

(c) $S = 20 - 0.46Y$

(d) $S = 20 + 0.54Y$

37 Consider the following statements:

According to the life-cycle hypothesis, assuming a linear consumption function, ther things remaining the same, an increase in life expectancy will

I. increase the marginal propensity to consume.

2. decrease the marginal propensity to consume.

3. leave the marginal propensity to consume unchanged

4. decrease the average propensity to consume.

Which of the statements given above is/are correct?

(a) 1 and 4   (b) 2 and 4

(c) 3 and 4   (d) 3 only

38.
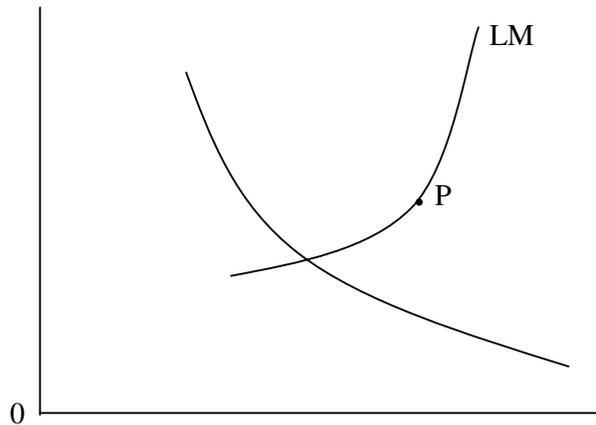
In the diagram given above, what does the point P indicate? '

(a) Excess demand in the goods market

(b) Excess supply in the goods market

(c) Excess demand in the money market

(d) Equilibrium rate of interest and income

39. According to Milton Friedman, an increase in the growth rate of money stock will

(a) Only lower the nominal interest rate

(b) Only raise the nominal interest rate

(c) At first lower the nominal rate of interest, but eventually raise the rate of inflation and the nominal rate of interest, never affecting the growth rate of output

(d) At first lower the nominal rate of interest and raise the rate of inflation and the rate of growth of output, but eventually only raise the rate of inflation and the nominal rate of interest

40. Liquidity preference function has different regions.

What is its interest elasticity in the region of liquidity trap?

(a) Infinity   (b) Between 0 and I

(c) Unity   (d) Zero

41. What is the correct logical sequence of the following?

1. Households and business find that they have excess money balances.

2. Interest rates on securities drop, and/or prices of goods and services increase.

3. Demand for securities and/or goods and service Increases.

4. Net inflow of remittances from abroad increases the domestic money supply.

Select the correct answer using the code given below:

(a) 4 - 3 - I - 2   (b) 2 - 1 - 3 - 4

(c) 4- 1 - 3 - 2   (d) 2 - 3 - 1 - 4

42. **Which of the following does *not* give rise to transaction demand for money?**

(a) Households to purchase food

(b) Firms to pay wages

(c) Firms to pay purchase raw materials

(d) Subsistence producers who consume their entire output

43. **When does the central bank increase the minimum statutory cash reserve ratio of the commercial banks?**

I. When the economy is in deflationary condition.

2. When the economy is experiencing inflation.

3. When the central bank aims credit expansion.

4. When the central bank aims credit contraction.

Select the correct answer using the code given below:

(a) 1 and 3   (b) 1 and 4

(c) 2 and 3   (d) 2 and 4

44. **A central bank uses the followil1g methods of credit control:**

1. Bank rate policy.

2. Open market operations.

3. Variable reserve ratio.

4. Fixation of margin requirement.

Which of the above methods are included in the category of quantitative methods of credit control?

(a) 1 and 2   (b) 2 and 3

(c) 1, 2 and 3   (d) 3 and 4

45.
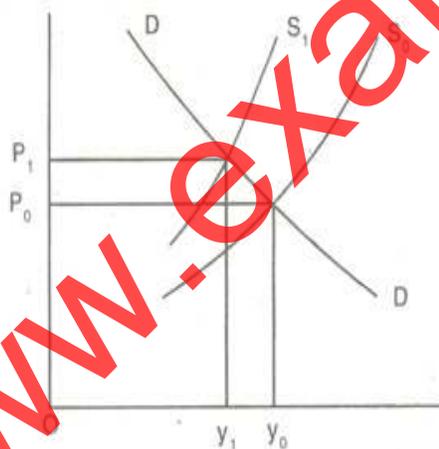
In the diagram given above, Yo and Po indicate income and price of the initial equilibrium, respectively, while Y_1 and P_1 denote the new equilibrium of income and price, respectively. DD is the demand curve; So and S_1 denote the initial and new supply curves, respectively. What type of inflation is indicated?

(a) Demand-pull inflation   (b) Cost-push inflation

(c) Mark-up inflation   (d) Hyper inflation

46. **What does the term 'benign inflation' imply?**

(a) A mild rate of inflation   (b) An unexpected inflation

(c) A mark-up inflation   (d) A spiraling inflation

47. **Match List I (Type of Income Determination) with List II (Fiscal Multiplier) and select the correct answer using the code given below the lists:**

List I		List II	
A.	System with government purchases	1.	$\Delta y = -\dfrac{c}{1-c}\Delta T$
B.	System with lumpsum tax	2.	$Y = \dfrac{1}{1-c(1-t)}(a+I)$
C.	System with income tax	3.	$\Delta y = \dfrac{1}{1-c(1-t)}\Delta G$
D.	System with government purchases and income tax	4.	$\Delta y = \dfrac{1}{1-c}\Delta G$
		5.	$Y = \dfrac{1}{1-c}(a+I)$

	A	B	C	D		A	B	C	D
(a)	4	1	2	3	(b)	3	2	5	4
(c)	4	2	5	3	(d)	3	f	2	4

48. **Which of the following are considered as All India Financial Institutions (AlFIs)?**

1. Five all-India development banks.
2. Two specialized financial institutions.
3. Six investment institutions.
4. ICICI and UTI

Select the correct answer using the code given below:

(a) I, 3 and 4   (b) 1, 2 and 3

(c) 1 only   . (d) 2 and 4

49. **Consider the following statements regarding Collateralized Borrowing and Lending obligation (CBLO) - a recent product of Clearing Corporation of India (CCIL):**

1. The CBLO is like a repo, i.e., it can be interpreted as borrowing backed by securities as collateral.
2. Issued at a discount to face value, CBLOs always redeem at par, similar to treasury bills or zero coupon bonds. .
3. Its maturities range from 1 year to 5 years. Which of the statements given above is/are correct?

(a) 1, 2 and 3　　　　　　　　　(b) 2 and 3

(c) 1 and 2　　　　　　　　　　(d) 1 and 3

50. **Which one of the following features of the Real Time Gross Settlement (RTGS) system is *not* correct?**

(a) Payments are settled transaction by transaction

(b) Settlement of funds is revocable

(c) Settlement is done in real time

(d) It is a fully secure system which uses digital signatures and public encryption for safe and secure message transmission

51. **When was the first countrywide Economic Survey undertaken by the Central Statistical Organisation (CSO) ?**

(a) 1970　　　　　　　　　　(b) 1974

(c) 1977　　　　　　　　　　(d) 1982

52. **Consider the following statements:**

1. Non-banking financial entities comprise Non banking financial companies (NBFCs), Mutual benefit financial companies, and Mutual Benefit companies

2. Non-banking financial entities are regulated in India by Department of Company Affairs.

3. Rates offered by NBFCs on NRI depositst cannot exceed those prescribed for Scheduled Commercial Banks

Which of the statements given above is/are correct?

(a) 1 and 2　　　　　　　　　(b) 2 only

(c) 1 and 3　　　　　　　　　(d) 1, 2 and 3

53. **Consider the following factors:**

1. Equity capital　　　　　　2. Re-invested earnings

3. Other direct capital .

According to the RBI, definition of FDI includes which of the above categories of capital flows?

(a) 1 only　　　　　　　　　(b) 1 and 2

(c) 1, 2 and 3　　　　　　　　(d) 2 and 3

54. **In the year 2003-04, to which of the following regions were India's total exports in dollar terms the largest?**

(a) West Europe　　　　　　　(b) Asia and Oceania

(c) Latin American countries (d)　　Africa

55. **Under the new defined contribution pension system for new entrants to Central Government Service (excluding defence services) approved by the Government, three options are being made available for investment of funds. Which one of the following is *not* among these three options?**

(a) Investment predominantly in fixed income instruments and some investment in equity

(b) Greater investment in equity

(c) Equal investment in fixed income and equity instruments

(d) Investment in government bonds only

Directions: The following 6 (six) items consist of two statements, one labeled as the 'Assertion (A)' and the other as 'Reason (R)'. You are to examine these two statements carefully and select the answers to these items using the code given below:

(a) Both A and R are individually 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

56. Assertion (A) A change of income distribution in favour of profit earners leads to an increase in growth rate.

Reason (R) Profit earners have a higher propensity to save as compared to wage earners.

57. Assertion (A) Fisher Index Number is the geometric mean of Laspeyres and Paasche indices.

Reason (R) It satisfies both time-reversal and factor-reversal tests.

58. Assertion (A) According to the monetary approach, an excess supply of domestic money is reflected in a deficit in balance of payments.

Reason (R) According to the monetmy approach, an excess supply of domestic money induces economic agents to increase spending.

59. Assertion (A) The burden of a specific tax on a product produced by a firm under pure competitive market conditions cannot be shifted on to the buyers in the short run.

Reason (R) A firm under pure competitive market conditions is only one firm among a large number of firms in the industry of the product and price is given by the industry.

60. Assertion (A) There would be neither a short-run nor a long-run trade-off between inflation and unemployment, which can be exploited by the policy maker for purposes of stabilization through demand management policies, if the economic agents' expectations about inflation are rational.

Reason (R) The Rational Expectations hypothesis postulates that economic agents optimally use all the information they have, including information about government policies, when forecasting the future.

61. Assertion (A) There would not be an active role for the government to use contra-cyclical stabilization policy, if real business cycle theory provided a valid explanation of business cycles.

Reason (R) The real business cycle theory asserts that cyclical fluctuations in output and employment are the result of the optimising behaviour of economic agents in response to a variety of real shocks impinging on the economy, with markets adjusting rapidly and remaining always in equilibrium.

62. **Which one of the following gives the correct relationship between Marginal Cost (MC) curve and the Average I Cost (AC) curve?**

   (a) When the AC curve is falling, MC curve is above it.

   (b) When both the AC and MC curves are rising, the MC curve rises slowly than the AC curve.

   (c) If the AC curve is U -shaped, then the corresponding MC curve cuts the AC curve at the minimum point.

   (d) If the AC curve shows a constant relationship between the variables, then the corresponding MC curve cuts the AC curve at its highest point.

63. **Match List I (Concept) with List II (Characteristics) and select the correct answer using the code given below:**

List I

A. Long-run average cost curve

B. Isoquant.

C. Marginal cost curve

D. Horizontal supply curve

List II

1. Excludes fixed costs

2. Relates to constant costs

3. Envelope to a series of curves

4. Convex to the origin

5. Concerns total cost

	A	B	C	D			A	B	C	D
(a)	3	4	1	2		(b)	2	1	5	3
(c)	3	1	5	2		(d)	2	4	1	3

64. **Consider the following statements:**

   1. Income effect is positive in case of normal goods.

   2. Income effect is zero for superior goods.

   3. Income effect is negative in case f inferior goods.

   4. All Giffen goods are inferior goods, but not all inferior goods are Giffen goods.

   Which of the statements given above are correct?

   (a) 1 and 2

   (b) 2 and 3

   (c) 1, 2 and 3

   (d) 1, 3 and 4

65. **Which one of he following statements is correct in respect of cross elasticity of demand between two commodities?**

   (a) When two goods are perfect substitutes, cross elasticity of demand is zero.

   (b) When two goods are perfectly independent of each other, cross elasticity of demand is infinity.

   (c) When two goods are complementary, cross elasticity *of* demand is positive.

   (d) When *two goods* are jointly demanded, cross elasticity *of* demand is negative.

66. **What is the sufficient condition for equilibrium for a perfectly competitive firm?**

   (a) Marginal revenue = Marginal *cost*

   (b) Marginal *cost* surve should cut the marginal revenue curve from below

   (c) Marginal *cost* curve should cut the marginal revenue curve from above

   (d) Marginal revenue = Average *cost*

67. With which one *of* the following is the doctrine *of* excess capacity *not* associated?

(a) Perfect competition
(b) Monopolistic competition
(c) Monopoly
(d) Oligopoly

68. What is the shape *of* the demand curve for the product *of* an individual firm in a competitive market?

(a) Horizontal straight line
(b) Downward sloping
(c) Vertical straight line
(d) Upward sloping

69. Which *of* the following are assumed by the product exhaustion theory *of* distribution?

I. A linear homogenous production function.

2. Each factor is paid according *to* its market price.

3. Each factor is paid according *to* its marginal productivity.

4. There may be any number *of* factors *of* production.

Select the correct answer using the *code* given below:

(a) I and 2
(b) 2' and 3
(c) I, 2 and 3
. (d) I, 3 and 4

70. Which one *of* the following is correct according to the Ricardian theory ?

(a) Rent is equal *to* the *cost of* production *of* the marginal land
(b) Rent is a pure surplus over and above the *cost* of production
(c) Rent is equal *to* the oppurtunity *cost of* a factor *of* production
(d) Rent is equal *to* the market price *of* a factor *of* production

71. What are the basic assumptions of Pareto optimality?

I. Consumer maximizes the utility.

2. There should be only two factors *of* production.

3. There are external economies in production.

4. There is perfect competition in factor and product markets.

Select the correct answer using the *code* given below:

(a) I and 2
(b) 2 and 3
(c) 3 and 4
(d) I and 4

72. Match List I with List II and select the correct answer using the code given below

List I (Economist)

A. Kaldor Hicks
B. Bergson Samuelson
C. Kenneth J. *Arrow*
D. Milton Friedman

List II (Concept / Theory)

1. Social welfare function
2. Natural rate *of* unemployment
3. Impossibility theorem
4. Compensation criterion
5. Product exhaustion theorem

	A	B	C	D			A	B	C	D
(a)	4	3	5	2		(b)	2	1	3	4
(c)	4	1	3	2		(d)	2	3	5	4

73. **Match List I (Curve) with List II (Equilibrium) and select the correct answer using the code given below:**

List I

A. LM curve

B. AD curve

C. AS curve

D. IS curve

List II

1. Equilibrium in labour and money markets

2. Equilibrium in money market

3. Equilibrium in labour market

4. Equilibrium in *goods* and money market

5. Equilibrium in *goods* market

	A	B	C	D			A	B	C	D
(a)	5	4	3	2		(b)	2	3	I	5
(c)	5	3	I	2		(d)	2	4	3	5

74. **Consider the following statements:** If Wicksel's market rate *of* interest is higher than the natural rate *of* interest, then

1. there would be cumulative inflation.

2. there would be cumulative deflation.

3. Say's law would not hold good.

4. saving would exceed investment, the gap between the two representing net hoarding of money.

Which of the statements given above are correct?

(a) I and 3

(b) 2 and 4

(c) 2,3 and 4

(d) 1, 3 and 4

75. **In which of the following situations would an easy money policy be more effective than an expansionary fiscal policy during a recession?**

1. The demand for money is highly interest elastic.

2. The demand for money is interest inelastic.

3. The investment demand is interest elastic.

4. The investment demand is interest inelastic.

Select the correct answer using the code given below:

(a) I and 4

(b) 2 and 4

(c) 1 and 3

(d) 2 and 3

76. **According to Keynes theory of income determination, other things remaining same, when is the effect of a given injection in demand on income higher?**

(a) If the ratio of total tax collection to GDP is higher

(b) If the ratio of total tax collection to GDP is lower

(c) If the ratio of incremental tax collection to incremental GDP is higher

(d) If the ratio of incremental tax collection to incremental GDP is lower

77. **Match List I with List II and select the correct answerusing the code given below the lists:**

List I (Economist)

A. Robert Barro

List II (Concept/theory)

I. Real business cycle

B. Arthur Okun
C. John Muth
D. Robert E. Lucas, Jr.

2. Rational expectations
3. Econometric policy
4. Ricardian equivalence
5. Potential output

	A	B	C	D			A	B	C	D
(a)	4	3	2	5		(b)	2	5	1	3
(c)	4	5	2	3		(d)	2	3	1	5

78. **Consider an economy with a Cobb Douglas type of production function with two inputs - capital and labour. The share of capital and labour in total output are, respectively, 1/3 and 2/3.The rates of growth of capital and labour are, respectively, 6% and 3% per annum. Neutral technological progress takes place at the rate of 2% per annum. The rate of growth of output per unit of labour in this economy is**

(a) 2% per annum

(b) 3% per annum

(c) 4% per annum

(d) 6% per annum

79. **Consider the following statements:**

1. According to the Harrod-Domar model, a country's per capita income growth rate depends on its rate of savings.

2. According to the Solow model, a country's per capita income growth rate does not depend on its rate of savings, in the long run.

Which of the statements given above is/are correct?

(a) 1 only'

(b) 2 only

(c) Both 1 and 2

(d) Neither I nor 2

80. **Two economies A and B have the same technology, rate of population growth, rate of capital depriciation, and rate of savings. The rate of technological progress is also identical in the two economies. The initial stock of per capita capital is, however, higher in economy B than that in economy A Which one of the following is correct according to the Solow model, in the long run?**

(a) The level of per capita income in B will be higher than that in A   .

(b) The level of per capita income in A will be higher than that in B

(c) The levels of per capita income in the two economies will be the same

(d) It is not possible to infer about the relative levels of per capita income in the two economies

81. **Which one of the following is the correct sequence of the given stages in the Marxian theory of Development?**

(a) Feudalism - Capitalism - Socialism - Communism

(b) Feudalism - Capitalism - Communism – Socialism

(c) Capitalism - Feudalism - Socialism – Communism

(d) Capitalism - Feudalism -Communism - Socialism

82. **What is the value of the Gini Coefficient for an income distribution characterized by complete equality of incomes?**

(a) Zero

(b) 0.5

(c) 1.0

(d) Infinity

83.
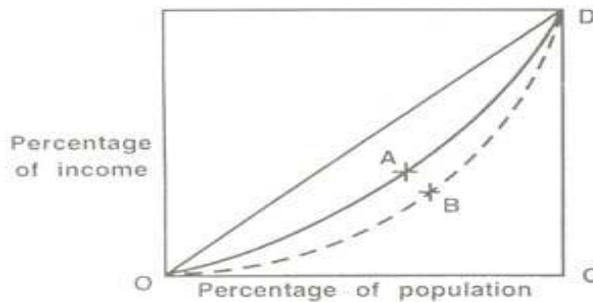
OAD and OBD are two income distributions. OBD is the distribution for a country with median per capita income in a group of countries. What is the value of Gini Coefficient for distribution OAD?

(a) Area ODA/ Area ODC

(b) Area ODA/Area OADC

(c) Area ODA/Area ODB

(d) Area ODA/Area OBDC

84. The gross domestic product (GDP) of an economy increased at the rate of 5% per annum. Depriciation in the economy increased at the rate of 0.1% per annum over a period, whereas the population increased at the rate of 2% per annum. What is the GDP 'per capita increase over the period at the per annum rate?

(a) 2.4%

(b) 2.5%

(c) 2.9%

(d) 3.0%

85. Which of the following are *not* the agreements under the aegis of the World Trade Organization?

I. Multi Fibre Agreement (MFA)

2. Agreement on Agriculture (AOA)

3. Convention on International Trade in Endangered Species (CITES)

4. Agreement on Textiles and Clothing (ATC)

Select the correct answer using the code given below:

(a) I and 2

(b) 1 and 3

(c) 2 and 3

(d) 2 and 4

86. Which one of the following systems best characterizes thc Bretton Woods system of exchange rates?

(a) Fixed exchange rates

(b) Pegged exchange rates

(c) Adjustably fixed exchange rates

(d) Adjustably pegged exchange rates

87. Which one of the following statements is correct? The Bretton Woods system was asymmetric in the sense that

(a) it put more pressure on surplus countries to appreciate than on deficit countries to devalue

(b) it put more pressure on deficit countries to devalue than on surplus countries to appreciate

(c) it put more pressure on surplus countries to devalue than on deficit countries to appreciate

(d) it put more pressure on deficit countries to appreciate than on surplus countries to devalue

88. **Which one of the following is the correct sequence in increasing degree of integration between member countries?**

(a) Free Trade Area - Economic Union - Common Market - Custom Union

(b) Common Market - Custom Union - Free Trade Area - Economic Union

(c) Free Trade Area - Custom Union - Common Market - Economic Union

(d) Common Market - Economic Union - Free Trade Area - Custom Union

89. **What is the correct sequence of the following events in the Indian context?**

1. Introduction of New Economic Policies.

2. Introduction of a Market detemined exchange rate.

3. Adoption of Liberalized Exchange Rate Management System.

4. Acceptance of the IMF Article VIII Obligations.

Select the correct answer using the code given below:

(a) 1 – 3 – 2 – 4   (b) 2 – 4 – 1 – 3

(c) I – 4 – 2 – 3   (d) 2 – 3 – 1 – 4

90. **Match List I (Measures) with List II (Meaning) and select the correct answer using the code given below:**

List I	List II
A. Devaluation	1. Decline in the market rate of exchange
B. Depreciation	2. Contraction of home currency
C. Deflation	3. Foreign exchange rationing
D. Exchange Control	4. Contraction of imports
	5. Official reduction in external value of the currency

	A	B	C	D		A	B	C	D
(a)	5	I	2	3	(b)	2	3	4	I
(c)	5	3	2	I	(d)	2	1	4	3

91. **An open economy characterized by perfect wage flexibility, purchasing power parity and interest rate parity; has excess demand for money. Which one of the following will it have in accordance with the monetary approach to balance-of-payments adjustment?**

(a) A balance-of-payments deficit

(b) A balance-of-payments surplus

(c) An equilibrium in balance-of-payments.

(d) A current account deficit

92. **Let Es denote the elasticity of supply of domestic goods and E'~ denote the elasticity of supply of foreign goods. Which of the following are assumed in the derivation of the Marshall-Lerner condition?**

1. $E_s = 0$ 2. $E_s = \alpha$

3. $E_s^* \sim = 0$ 4. $E_s^* = \alpha$

Select the correct answer using the code given below:

(a) 1 and 3   (b) I and 4

(c) 2 and 3   (d) 2 and 4

93. **For which of the following does the condition $E_d + E_d > 1$ hold? (It may be noted that E_d is the elasticity of demand for domestic goods and E_d is the elasticity of demand for foreign goods.)**

1. Stability of foreign exchange markets under floating exchange rates.

2. Devaluation to improve trade balance under fixed exchange rates.

3. Complete pass-through of exchange rate changes into domestic inflation under both floating and fixed exchange rates.

Select the correct answer using the code given below:

(a) 1 only   (b) 2 only

(c) 1 and 2   (d) 2 and 3

94. **Consider the following statements:**

A foreign bank may operate in India

1. through its branches

2. as a wholly owned subsidiary.

3. as a subsidiary with aggregate foreign investment up to a maximum of 74% in a private bank.

4. as a subsidiary with aggregate foreign investment up to a maximum of 49% in a private bank. .

Which of the statements given above are correct?

(a) 1,2and3   (b) 1,2and4

(c) 1 and 3   (d) 2 and 4

95. **Consider the following with reference to Market Stabilization Scheme (MSS)**

1. The amount raised under the MSS is held in a separate identifiable cash account maintained and operated by the RBI.

2. Government of India unilaterally fixes an annual aggregate ceiling for treasury bills and/or securities under the MSS.

3. Securities under the MSS are matched by an equivalent cash balance held by the Government with the RBI. offsetting the monetary impact of accretion to the RBI's net foreign asset

Which of the above is/are actually the feature(s) of MSS ?

(a) I and 2   (b) I and 3   .

(c) 2 only   (d) 1.2 and 3

96 **Which one of the following is *not* a provision of the Fiscal Responsibility & Budget Management Act, 2003?**

a) Central Government to take appropriate measures to reduce the fiscal deficit and revenue deficit so as to eliminate revenue deficit by March 31, 2010

(b) Central Government shall not borrow from the RBI except by way of advances to meet temporary excess of cash disbursements over cash receipts

(c) HBI not to subscribe to the primary issues of the Central Government securities from the year 2006-07

(d) Central Government to take suitable measures to ensure greater transparency in its fiscal operations

97. **Consider the following statements:**

1. An additional capacity of around 40,000 MW power is proposed to be set up in the Tenth Five Year Plan.
2. An additional capacity of around 60,000 MW power is proposed to be set up in the Eleventh Five Year Plan with a stronger focus on nuclear power.
3. The plant load factor has been steadily increasing and reached beyond 70% in the year 2003-04.

Which of the statements given above are correct?

(a) I, 2 and 3   (b) I and 3

(c) I and 2   (d) 2 and 3

98. **Which one of the following' is *not* a criterion for identifying backward districts as laid down by Planning Commission?**

(a) Per-capita industrial output

(b) Ratio of agricultural labour to total population

(c) Number of schools per 1000 of population

(d) Per-capita consumption of electricity

99. **The Green Revolution has led to marked increase in which of the following?**

I. Regional inequalities
2. Inter-personal inequalities
3. The productivity of wheat
4. The productivity of pulses

Select the correct answer using the code given below:

(a) 4 only   (b) I. 2, 3 and 4

(c) 2, 3 and 4   (d) I, 2 and 3

100. **Match List I (Name of the Committee) with List II (Purpose of the Committee) and select the correct answer using the code given below:**

List I
A. C. Rangarajan Committee
B. Omkar Goswalni Committee
C. Vijay Kelkar Committee
D. Vaidyanathan Committee

List II
1. 12th Finance Commission
2. Direct and Indirect tax reforms
3. Industrial Sickness
4. Costing and Pricing of irrigation water

	A	B	C	D			A	B	C	D
(a)	1	4	2	3		(b)	2	3	I	4
(c)	1	3	2	4		(d)	2	4	1	3

101. **Arrange the following items of tax revenue in descending order in terms of their contribution to the Gross Tax Revenue of the Central Government in the year 2003-04:**

1. Income tax   2. Service tax
3. Union Excise Duties   4. Customs Duties

Select the correct answer using the code given below:

(a) 2 - 1 - 4 - 3   (b) 3 - 4 - 1 - 2

(c) 2 - 4 - I - 3   (d) 3 - I - 4 - 2

102. Which one of the following is *not* the objective of 'Precision Agriculture'?

(a) Maximize crop production

(b) Minimize the environmental damage

(c) Consider spatial variability of land

(d) Better price for the producer

103. Which of the following are the monitorable targets for the Tenth Five Year Plan?

1. Providing gainful and high quality employment.

2, Accelerating the growth rate of the economy with stable prices.

Select the correct answer using the code given below:

(a) I only   (b) 2 only

(c) Both 1 and 2   (d) Neither 1 nor 2

104. Consider the following statements:

What are the major objectives being aimed at by the Tenth Five Year Plan   .

1. An 8% annual average rate of growth.

2. Enhancement of human well-being.

3. Reduction of poverty ratio to 20% by 2007.

4. Strengthening efforts to build self-reliance.

Which of the statements given above are correct?

(a) 1, 2 and 3   (b) 2, 3 and

(c) 1,3 and 4   . (d) 1, 2 nd 4

105. Kisan Credit Card (KCC) Scheme wa int oduced in 1998-99 to improve the credit delivery to farmers. Which one of the following does not operate this scheme?

(a) NABARD   (b) Co-operative Banks

(c) Regional Rural Banks   (d) Scheduled Commercial Banks

106. The Working Group on the WPI recommended that a Separate Services Price Index Number should be developed. Which item is *not* included initially in this index?

(a) Financial services   (b) Administrative services

(c) Transport services   (d) Water supply and construction services

107. Which one of the following is correct?

(a) Physical planning is more important than financial planning

(b) Financial planning is more important than physical planning

(c) Physical planning and financial planning are equally important

d) Physical planning and financial planning are complementary

108. Which one of the following is the cause of loss of welfare of a small country which impose a tariff on its imports?

(a) Decrease in producer surplus

(b) Decrease in consumer surplus

(c) Change in. terms of trades

(d) Decrease in tariff revenue

109. Consider a world composed of two large countries A and B. A imposes a tariff on its imports from B. Which of the following statements are correct?

1. Country A necessarily loses in welfare.
2. The world necessarily loses in welfare.
3. Country A may gain in welfare if its terms of trade improve.
4. The world may gain in welfare depending on what happens to the terms of trade.

Select the correct answer using the code given below:

(a) 1 and 2   (b) 3 and 4

(c) 1 and 4   (d) 2 and 3

1l0. The opportunity cost of producing good X in country A is 3 units of good Y and that in country B is 5 units of good Y For which one of the following terms of trade defined as price of X in terms of Y, will both the countries gain from international trade?

(a) Between 115 and 113

(b) Between 3 and 5

(c) Less than 1/5 or greater than 1/3

(d) Less than 3 or greater than 5

111. Consider a Ricardian model with two countries, A and B and two goods X and Y The opportunity cost of producing good X in country A is 75/100 in terms of good Y and that of producing good X in country B is 125/100 in terms of good Y The international term of trade, defined as the ratio of price of X to price of Y is given by 125/100. Which one of the following statements is correct?

(a) There will be no gains from international trade

(b) There will be gains from trade that will accrue entirely to the country A

(c) There will be gains from trade that will accrue entirely to the country B

(d) There will be gains from trade that will be shared between the countries A and B

112. Consider a model with two countries (Portugal and England), two goods (wind and cloth) and two factors (land and capital). Portugal is relatively abundant in capital and produces cloth but requires a relatively capital intensive technique of production. According to the Heckscher-Ohlin theorem

1. Portugal will have a comparative advantage in the production of wine.

2. England will have a comparative advantage in the production of wine.

3. Portugal will have a comparative advantage in the production of cloth.

England will have a comparative advantage in the production of cloth.

Which of the statements given above are correct?

(a) I and 2   (b) 3 and 4

(c) 2 and 3   (d) I and 4

113. Country A produces good X by using a lower quantity of labour and good Y by using a higher quantity of labour as compared to country B. Assuming labour theory of value, which of the following statements are correct?

l. Country A has an absolute advantage in the production of good X.
2. Country A has a comparative advantage in the production of good X.
3. Country B has an absolute advantage in the production of good X.
4. Country B has a comparative advantage in the production of good X.

Select the correct answer using the code given below:

(a) I and 2   (b) I and 3

(c) 2 and 4   (d) I, 2 and 3

114. The following table gives the per unit cost of producing two goods X and Y in two countries A and B, in suitable units:

Country	Unit Cost of Production	
	Good X	Good Y
A	75	90
B	125	100

Consider the following statements:

I. Country A has an absolute advantage in production of both goods X and Y.
2. Country B has an absolute advantage in production of both goods X and Y.
3. Country A has a comparative advantage in production of good X.
4. Country B has a comparative advantage in production of good Y.

Which of the statements given above are correct?

(a) I and 3   (b) 2 and 4

(c) 1, 3 and 4   (d) 2, 3 and 4

115. Which one of the following statements is correct? Capital Levy is a

(a) once-for-all wealth Tax

(b) once-for-all capital gains Tax

(c) once-for-all inheritance Tax

(d) once-for-all estate duty

116. Consider the following statements: Indirect taxes have I. inferior allocative effects.

2. superior allocative effects.

3. regressive characteristics.

4. progressive characteristics.

Which of the statements given above are correct?

(a) I and 4   (b) 2 and 4

(c) 2 and 3   (d) I and 3

117. Relationship between which of the following is explained by the Laffer curve?

(a) Rate of unemployment and inflation

(b) Two goods, X and Y, with regard to their exchange

(c) The tax rate and growth of total tax revenue

(d) The rate of growth of employment & supply of labour

118. Which one of the following statements is correct?

The 'Excess Burden' of an excise tax is

(a) more if the elasticity of demand for the product is relatively larger

(b) more if the elasticity of demand for the product is relatively less

(c) more if the demand for the product is perfectly inelastic

(d) less if the elasticity of demand for the product is relatively larger

119. How can vertical equity in the distribution of tax burden be best achieved?

(a) By adopting proportional tax structure

(b) By adopting progressive tax structure

(c) By adopting regressive tax structure

(d) By adopting degressive tax structure

120.
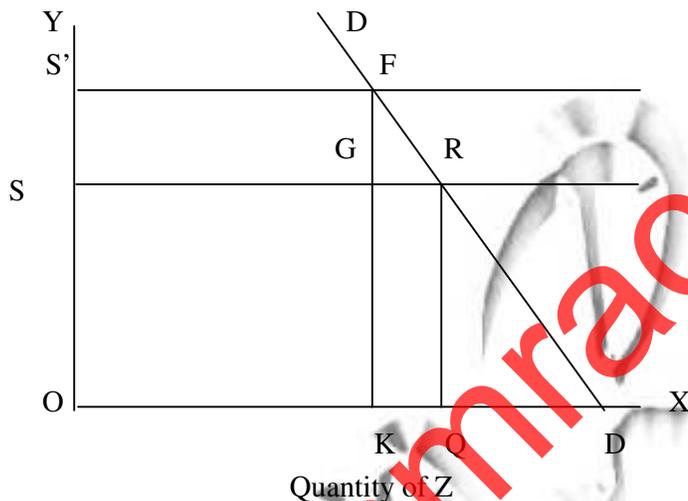
Quantity of Z

In a partial equilibrium analysis under constant cost conditions of production, Q and S are the pre-tax equilibrium of quantity and price of commodity Z, respectively, on which an excise duty is imposed. As a result, the new equilibrium price and quantity are S' and K, respectively. What is the extent of excess burden on the consumer?

(a) Equal to the area KFD

(b) Equal to the area KFRQ

(c) Equal to the area SS'FG

(d) Equal to the area GFR