

**91106**

**120 MINUTES**

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1. -----effect is an example of a network externality in which a consumer wishes to own an exclusive or unique good
  - A) Bandwagon
  - B) Snob
  - C) Veblen
  - D) None of the above
  
2. The implication of asymmetric information about product quality was first analysed by
  - A) Kenneth Lehn
  - B) Michael Spence
  - C) George Akerlof
  - D) Harvey Leibenstein
  
3. The difference between positive economics and normative economics is
  - A) Positive economics describes the positive effects of economic decisions while normative economics describes both positive and normative effects of economic decision
  - B) Positive economics describes the facts of an economy while normative economics prescribes solutions
  - C) Positive economics describes demand and supply theories of individual markets and firms while normative economics describes the total world economy as a whole
  - D) Normative economics describes demand and supply theories of individual markets and firms while positive economics describes the world markets
  
4. Which of the following has the lowest elasticity of supply?
  - A) Luxury items
  - B) Necessities
  - C) Perishable goods
  - D) None of the above
  
5. For complimentary goods, the cross elasticity of demand will be
  - A) Zero
  - B) Infinity
  - C) Positive but less than infinity
  - D) Negative
  
6. Market period refers to
  - A) The period in which the producers of the good cannot change the quantity produced in response to a change in price
  - B) The period in which the producers of the good can change the quantity produced in response to a change in price
  - C) The time it takes for market to attain equilibrium stable
  - D) The time it takes for consumers to respond to change in the price
  
7. The difference between total utility derived from the consumption of a certain amount of a given good and the amount of money actually paid for it is called
  - A) Marginal utility
  - B) Average utility
  - C) Producers surplus
  - D) Consumers surplus

8. If the price of good X exceeds the price of good Y in consumer equilibrium, it may be true that
- A) The demand for both X and Y has begun to decline
  - B) The marginal utility of X exceeds the marginal utility of Y
  - C) The marginal utility of X equals the marginal utility of Y
  - D) The marginal utility of Y exceeds the marginal utility of X
9. Average product is defined as
- A) Total cost divided by total units of input
  - B) Total output divided by total units of input
  - C) Total cost divided by total output
  - D) Total output divided by total cost of input
10. Isoquant for two inputs which are used in fixed proportion
- A) Convex to the origin
  - B) L- shaped
  - C) Straight line with negative slope
  - D) Concave to the origin
11. A firm will break even when
- A)  $TR=TC$
  - B)  $MR=MC$
  - C)  $AR=AC$
  - D)  $P=MC$
12. Which of the following curves resembles supply curve under perfect competition in the short run?
- A) AC curve above breakeven point
  - B) MC curve above shut down point
  - C) MC curve
  - D) AVC curve
13. In which of the following models of oligopoly it is assumed that firms believe their rivals will continue to produce the same output irrespective of the output produced by the firm
- A) Kinked demand curve model
  - B) Cournot's
  - C) Price leadership
  - D) Cartel formation
14. Which of the following does not indicate Lerner index of monopoly power?
- A)  $L=P-MC/P$
  - B)  $L=P-MR/P$
  - C)  $L=e/1$
  - D)  $L=1/e$
15. *The Economics of Imperfect Competition* is authored by
- A) E.H. Chamberlin
  - B) John Robinson
  - C) P. Sraffa
  - D) None of the above
16. In a two commodity (X and Y) two individual (A and B) economy, the maximum social welfare is reached at
- A) Any point on the grand utility possibility curve
  - B) Any point on the social welfare function
  - C) The point where marginal rate of transformation equals marginal rate of substitution
  - D) The point of tangency of grand utility possibility curve with a social welfare function

17. Monopolistic exploitation of labour occurs when  
A) Wages equals Marginal Revenue Product  
B) Wages are greater than Marginal Revenue Product  
C) Wages equals Value of Marginal Product  
D) Wages are less than Marginal Revenue Product
18. If Production Possibility Curve is concave to the origin, it shows  
A) Increasing opportunity cost of production  
B) Decreasing opportunity cost of production  
C) Constant opportunity cost of production  
D) None of the above
19. According to Karl Marx, organic composition of capital is  
A)  $C+V$  B)  $C/(C+V)$   
C)  $S/(C+V)$  D)  $S/V$
20. A good is ----- if for any given level of production, the Marginal Cost of providing it to an additional consumer is zero  
A) Non-excludable B) Exclusive  
C) Non rival D) Rival
21. Which of the following variable(s) will come under stock variable(s)?  
A) Consumer Price Index B) GDP  
C) Money supply D) Both A and C
22. Which of the following method(s) is/are used for measuring national income in India?  
A) Output method B) Expenditure method  
C) Income method D) All the above
23. The demand for money is  
A) Positively related to output and interest rate  
B) Negatively related to output and interest rate  
C) Negatively related to output and positively related to interest rate  
D) Positively related to output and negatively related to interest rate
24. In which of the following situation will an increase in supply have no effect upon output?  
A) LM is steeply sloped and IS is relatively flat  
B) LM is vertical and IS is steeply sloped  
C) LM is steeply sloped and IS is vertical  
D) LM is relatively flat as is IS
25. The user cost of capital is  
A) The real interest rate  
B) The nominal interest rate  
C) The real interest rate plus the rate of depreciation  
D) The nominal interest rate plus the rate of depreciation

26. An economy which is functioning at the full employment level wishes to maintain the existing rate of growth. Keynes theory of rate of interest suggest that government should
- A) Decrease the supply of money over time
  - B) Increase the supply of money over time
  - C) Leave the supply of money unchanged
  - D) Encourage households and firms to increase their holdings of idle balances
27. A tax will have an automatic stabilizing effect on the economy if its yield
- A) Increases with a fall in income
  - B) Decreases with a rise in income
  - C) Decreases with a decrease in income
  - D) Remains constant as income rises
28. The Keynesian theory of the rate of interest suggest that the monetary authorities will lose their power to lower interest rates by varying the money supply when
- A) Interest rates are rising
  - B) Interest rates are falling
  - C) Interest rates are not expected to fall any lower
  - D) Interest rates are not expected to rise any higher
29. The LM curve becomes vertical at high rates of interest because
- A) The speculative demand for money disappears
  - B) National Income falls as the rate of interest rises
  - C) The transaction and precautionary demand for money vanishes
  - D) Investment diminishes as the rate of interest rises
30. Which one of the following is most likely to lead to an increase in the level of investment?
- A) A small rise in the rate of interest
  - B) An increase in the level of unemployment
  - C) Improved profit expectation of entrepreneurs
  - D) A fall in the general level of prices
31. Gross National expenditure less indirect taxes, plus subsidies equals
- A) GNP at market prices
  - B) GNP at factor cost
  - C) National Income
  - D) Personal disposable income
32. Insider- outsider model is a feature of
- A) New Keynesian economics
  - B) New Classical economics
  - C) Post Keynesian economics
  - D) Monetarism
33. In the equation  $C=C_0+cY$ ,  $C_0$  is
- A) The autonomous part of consumption, independent of the level of income,  $Y$
  - B) The behavioral coefficient
  - C) The dependent variable
  - D) A parameter whose value depends on the level of disposable income

34. Permanent income hypothesis is associated with  
A) Keynes                              B) Friedman  
C) Modigliani                          D) Duesenbery
35. Stagflation is a period of  
A) High inflation and high unemployment  
B) Low inflation and low unemployment  
C) High inflation and low unemployment  
D) Low inflation and high unemployment
36. The Philips Curve shows  
A) The inverse relationship between the rate of inflation and the rate of unemployment  
B) A positive relationship between nominal wage and rate of unemployment  
C) A positive relationship between rate of inflation and nominal wage  
D) The inverse relationship between real and nominal wage
37. According to Life Cycle hypothesis, consumption is related to  
A) Current income                      B) Past peak income  
C) Expected life time income      D) Price expectation over life time
38. When the MPC is 0.8, the MPS is  
A) 0.2                              B) 0.02                              C) 2                              D) 1
39. -----emphasise the direct role of money in influencing aggregate spending and are against discretionary policy action  
A) Monetarists                          B) Supply side economists  
C) Keynesians                          D) None of the above
40. In an open economy with flexible exchange rate and perfect capital mobility, an expansionary monetary policy  
A) Causes domestic currency to appreciate  
B) Is very effective in affecting output  
C) Increases capital flows into the country  
D) Is ineffective
41. If  $Y=3x^2-2x+1$ , then the value of  $dy/dx$  at  $x=2$  will be equal to  
A) 34                              B) 10                              C) 1                              D) 36
42. Which of the following is a positional average?  
A) Arithmetic Mean                      B) Geometric Mean  
C) Harmonic Mean                      D) Mode
43. For a normal curve, which of the following is true?  
A) 75% of the observations are contained within 2 standard deviation of the mean  
B) 68.27% of the observations are contained at within 3 standard deviation of the mean  
C) 99.73% of the observations are contained at within 3 standard deviation of the mean  
D) None of the above

44. If one event is unaffected by the outcome of another event, the two events are said to be
- |                       |                     |
|-----------------------|---------------------|
| A) Dependent          | B) Independent      |
| C) Mutually exclusive | D) Both (B) and (C) |
45. In a sampling technique, the first element is randomly selected and thereafter all other elements are selected based on a predetermined plan, this sampling technique can be described as
- |                               |
|-------------------------------|
| A) Simple random sampling     |
| B) Stratified random sampling |
| C) Systematic sampling        |
| D) Judgement sampling         |
46. If the null hypothesis is rejected in spite of it being true, then it results in a
- |                   |                  |
|-------------------|------------------|
| A) Type I error   | B) Type II error |
| C) Type III error | D) Type IV error |
47. In a regression line  $Y=A+BX$ , if  $B=0$ , then the regression line will
- |                            |                          |
|----------------------------|--------------------------|
| A) Pass through the origin | B) Be parallel to X axis |
| C) Be parallel to Y axis   | D) None of the above     |
48. For a given correlation coefficient, the coefficient of determination
- |  |
|--|
| A) Is always negative  |
| B) Is always positive  |
| C) Has the same sign as correlation coefficient                    |
| D) Is always higher in magnitude of the coefficient of correlation |
49. A square matrix which has one for every element on the principal diagonal from left to right and zero everywhere is called
- |                    |                      |
|--------------------|----------------------|
| A) Identity matrix | B) Symmetric matrix  |
| C) Null matrix     | D) Triangular matrix |
50. Which of the following is not true relating to determinants?
- |   |
|---|
| A) If two rows or columns are identical, the determinant is equal to one  |
| B) If all the elements of any row or column are zero, the determinant is zero   |
| C) Multiplying the element of any row or column by a constant will cause the determinant to be multiplied by the constant                 |
| D) Adding or subtracting any non-zero multiple of one row (or column) from another row (or column) will have no effect on the determinant |
51. The overall significance of regression is tested using
- |                    |           |
|--------------------|-----------|
| A) Z test          | B) F test |
| C) Chi-square test | D) t test |

52. Multiplication of two matrices requires that
- A) The number of columns in first matrix (lead matrix) equals the number of rows in the second matrix (lag matrix)
  - B) The number of rows in first matrix (lead matrix) equals the number of columns in the second matrix (lag matrix)
  - C) The number of columns in first matrix (lead matrix) equals the number of columns in the second matrix (lag matrix)
  - D) The number of rows in first matrix (lead matrix) equals the number of rows in the second matrix (lag matrix)
53. Ogive is a
- A) Frequency polygon
  - B) Cumulative frequency curve
  - C) Measure of central tendency
  - D) None of the above
54. Graph of variables having linear relation will be
- A) Curved
  - B) Hyperbola
  - C) Straight line
  - D) None of the above
55. The derivative of a constant is equal to
- A) 0
  - B) 1
  - C) -1
  - D) A positive number if the constant is positive
56. Lack of symmetry is
- A) Kurtosis
  - B) Skewness
  - C) Moments
  - D) Mean
57. The Unique Identification Project to give the residents of India a unique identification number has been renamed as
- A) Aadhaar
  - B) Sasam
  - C) Bharat Nirman
  - D) None of the above
58. The 2010 Nobel Prize for economics was awarded to Peter Diamond, Dale Mortensen and Christopher Pissarides for the work related to
- A) Labour market
  - B) Money market
  - C) Capital market
  - D) Bond market
59. The period of first five year plan of India
- A) 1951-56
  - B) 1956-61
  - C) 1953-58
  - D) 1960-65
60. The law which states that the portion of income spend on food diminishes as income increases is called
- A) Engel's law
  - B) Gresham's law
  - C) Keynes law
  - D) None of the above
61. According to 2001 census, urban- rural population rate in India is
- A) 35:65
  - B) 32:68
  - C) 28:72
  - D) 40:60

62. National Seed Policy is based on the recommendation of  
A) Kelker Committee                      B) M.V. Rao Committee  
C) Y.B.Reddy Committee                  D) Prof. Abhijit Sen Committee
63. As per Tendulkar Committee report ----- is the poorest State in India having 72% of BPL people  
A) Bihar    B) Chandigarh  
C) Madhya Pradesh                              D) Tamil Nadu
64. World population Day is on  
A) July 11    B) June 12  
C) September 12                                  D) December 11
65. India is the -----largest producer of tea in the world  
A) First    B) Second  
C) Third    D) Fourth
66. Blue revolution refers to revolution in  
A) Oil seeds    B) Fertiliser  
C) Egg    D) Fish production
67. RBI was established in the year  
A) 1935    B) 1940    C) 1930    D) 1945
68. The Committee constituted by RBI for recommendations for consumer service improvements in banks  
A) M.N. Goiporia Committee                  B) Narasimham Committee  
C) Raja Chelliah Committee                  D) Tendulkar Committee
69. As per Economic Review 2010, the contribution of primary sector to GSDP of Kerala in the year 2008-2009  
A) 16 %    B) 25 %    C) 30 %    D) 35 %
70. Kerala's literacy rate as per 2001 census is  
A) 90.92%    B) 82.34%    C) 85.29%    D) 74.90%
71. The district having the second largest population in Kerala according to 2001 census is  
A) Malappuram    B) Thiruvananthapuram  
C) Ernakulam    D) Palakkad
72. The district in Kerala having the lowest per capita income during 2008-2009 is  
A) Malappuram    B) Thiruvananthapuram  
C) Ernakulam    D) Palakkad
73. The highest amount of development expenditure of Kerala State during 2009-2010 is on  
A) Education    B) Health  
C) Agriculture and co-operative                  D) Industry, labour and employment



74. The PQLI combines three indicators. They are  
A) Infant mortality rate , life expectancy rate and adult literacy rate  
B) School enrolment rate, clean environment, and quality of housing  
C) Health, education and environment  
D) Air pollution rate, water pollution rate and sanitation
75. As economic development proceeds, income inequality tends to follow -----  
-curve  
A) Convex  
B) Inverted U shaped  
C) U shaped  
D) S shaped
76. The Harrod- Damor growth model suggests that growth is  
A) Directly related to saving and inversely related to capital output ratio  
B) Directly related to capital output ratio and inversely related to saving  
C) Indirectly related to saving and capital output ratio  
D) Directly related to saving and capital output ratio
77. *The Protestant Ethic and the Sprit of Capitalism* is written by  
A) Adam Smith  
B) Max Weber  
C) J.Schumpeter  
D) William Baumol
78. If Gini ratio is equal to zero, income distribution is  
A) Perfectly equal  
B) Perfectly unequal  
C) Relatively equal  
D) Relatively unequal
79. The classical economist who gives importance to effective demand  
A) Smith  
B) J.B.Say  
C) Ricardo  
D) Malthus
80. Dutch disease refers to  
A) A boom in a traded good sector leading to a boom in other traded good sector  
B) A boom in a traded good sector leading to a decline in other traded good sector  
C) A recession in a traded good sector leading to a recession in other traded good sector  
D) A recession in a traded good sector leading to a boom in other traded good sector
81. The full form of UNFPA  
A) United Nations Fund for Population Activities  
B) United Nations Fertility Planning Association  
C) United Nations Family Planning Association  
D) United Nations Fund for Poverty Alleviation
82. Census day in India is observed on  
A) February 9  
B) July 10  
C) June 15  
D) March 10



92. SDR is the currency of  
A) IBRD                      B) WTO                      C) IMF                      D) ADB
93. According to Schumpeter economic development is  
A) Continuous and steady change  
B) Sudden and discontinuous change  
C) Sudden and continuous change  
D) Continuous and expansion of the system
94. Under floating exchange rate system and perfect capital mobility  
A) Only fiscal policy is effective  
B) Both monetary and fiscal policies are effective  
C) Only monetary policy is effective  
D) Both monetary and fiscal policies are ineffective
95. Soft loan stands for  
A) Loan from international agencies  
B) Loan to poor countries  
C) Loan with no rate of interest  
D) Loan backed by no securities
96. Consider the following statements:  
The effect of devaluation is that it  
1. Changes the relative price  
2. Increases the foreign value of the domestic currency  
3. Increases the competitiveness of the domestic exports in the foreign markets  
4. Improves the trade balance provided that domestic demand for import is highly inelastic.  
Of these statements  
A) 1,3,and 4 are correct                      B) 2 and 4 correct  
C) 1 and 3 are correct                      D) 2 and 3 are correct
97. When the foreign offer curve has an elasticity equal to unity, the optimum tariff will be  
A) Unity                      B) Infinity  
C) Zero                      D) Less than unity
98. The Organisation of Petroleum Exporting Countries (OPEC) is a ----- whose members have agreed to limit output and fix prices  
A) Duopoly  
B) Genaralised system of tariff preferences  
C) Cartel  
D) Free trade system
99. The terms of trade are defined as  
A) The degree of competition existing in international trade  
B) The differences between exports and imports  
C) The differences in value between exports and imports  
D) The rate at which exports exchange for imports

100. The extent to which a change in exchange rate leads to changes in import and export prices is known as  
A) J curve effect                      B) Marshall – Lerner effect  
C) Absorption effect                  D) Pass through effect
101. To be considered a good candidate for an export cartel, a commodity should  
A) Be a manufactured good  
B) Be a primary product  
C) Have a high price elasticity of demand  
D) Have a low price elasticity of demand
102. Duty or other charges levied on an item on the basis of its value and not on the basis of its quantity, size or weight is:  
A) Ad valorem tariff                  B) Compound tariff  
C) Effective tariff                      D) None of the above
103. The product cycle theory of trade is essentially a  
A) Static, short run trade theory    B) Dynamic, long run trade theory  
C) Zero sum theory of trade        D) Negative sum theory of trade
104. If the international terms of trade settle at a level that is between each country's opportunity cost  
A) There is no basis for gainful trade for either country  
B) Both countries gain from the trade  
C) Only one country gains from the trade  
D) One country gains and the other country loses from the trade
105. If no imported inputs go into the domestic production of a final product, the  
A) Nominal tariff rate on the final product equals the effective rate on the product  
B) Nominal tariff rate on the final product is greater than the effective rate on the product  
C) Nominal tariff rate on the final product is less than the effective rate on the product  
D) None of the above
106. Which of the following is an NBFBI?  
A) SBI                                      B) LIC of India  
C) State co-operative bank        D) RRB
107. Agricultural income tax is levied by  
A) Central government                B) Local bodies  
C) State government                    D) All the above
108. In India the fiscal year is  
A) From January 1 to December 31  
B) From March 1 to February 28  
C) From June 1 to May 31  
D) From April 1 to March 31

109. Which one of the following is not a canon of taxation propounded by Adam Smith?
- A) Canon of Ability                      B) Canon of Certainty  
C) Canon of Economy                     D) Canon of Productivity
110. Zero base budgeting was first adopted by
- A) France                                      B) England  
C) USA                                         D) Germany
111. Which one of the following is a feature of 'club good'?
- A) The exclusion principle is possible  
B) It is shared by public  
C) It is an intermediate between public good and private good  
D) All the above
112. When a specified selective tax per unit of a commodity is imposed the effect on the amount exchanged will be greater if
- A) Demand is elastic, supply is elastic  
B) Demand is elastic, supply is inelastic  
C) Demand is inelastic, supply is elastic  
D) Demand is inelastic, supply is inelastic
113. Taxes which may be shifted from the person upon whom they are originally imposed, to another person
- A) Specific taxes                              B) Double taxes  
C) Proportionate taxes                     D) Indirect taxes
114. Budget deficit may be defined as
- A) Revenue expenditure minus revenue receipts  
B) Total expenditure minus total receipts  
C) Total expenditure minus total receipts minus capital receipts  
D) Fiscal deficit minus interest payments
115. The concept of functional finance was developed by
- A) Fisher                                         B) Dalton  
C) Bastable                                      D) Lerner
116. Which of the following committees examined and suggested tax reforms?
- A) Malhotra Committee                     B) Narasimham Committee  
C) Chelliah Committee                      D) Rangarajan Committee
117. The Wanchoo Committee (1971) probed into
- A) Direct taxes                                 B) Indirect taxes  
C) Agricultural holding tax                 D) Non-tax revenue

118. The zero based budgeting approach has been adopted from  
A) April 1, 1988                      B) April 1, 1987  
C) April 1, 1986                      D) April 31, 1987
119. The type of note issue system followed in India is  
A) Maximum fiduciary system    B) Minimum reserve system  
C) Proportional Fiduciary system D) Fixed fiduciary system
120. The thirteenth Finance Commission has recommended the vertical share of tax devolution to the tune of  
A) 32 percent                              B) 30.5 percent  
C) 31 percent                              D) 33.5 percent

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