

Professional Knowledge (Economics)

1. Say's Law of Markets states that—

- (A) Demand creates its own supply
- (B) Supply creates its own demand
- (C) Demand creates its own demand
- (D) Supply creates its own supply
- (E) None of these

Ans : (D)

2. Malthusian theory of population is based on—

- (A) Harmonic progression of population
- (B) Geometric progression of food production
- (C) Arithmetic progression of population
- (D) Geometric progression of population
- (E) All of the above

Ans : (D)

3. Gresham's Law states that—

- (A) Good money drives bad money out of circulation
- (B) Bad money drives good money out of circulation
- (C) Both good money and bad money may co-exist
- (D) Neither bad money nor good money may be long in circulation
- (E) None of these

Ans : (B)

4. The on-going melt down had its origin in—

- (A) The real sector
- (B) The financial sector
- (C) The service sector
- (D) The textile sector
- (E) None of these

Ans : (A)

5. A competitive firm maximizes its profit when—

- (A) $MR = AR$
- (B) $MR = MC$
- (C) $MC = AC$
- (D) $MC = AR$
- (E) None of these

Ans : (B)

6. 'Supernormal' profit may exist in a market due to—

- (A) Asymmetry of information

- (B) Restriction of information
- (C) Quantity restriction
- (D) Price restriction
- (E) All the above

Ans : (A)

7. Profit is caused by—

- (A) Dynamic element in the economy
- (B) Innovation
- (C) Windfall
- (D) All of the above
- (E) None of these

Ans : (D)

8. Interest is paid—

- (A) To compensate for inflation
- (B) Due to superiority of present over future goods
- (C) Because demand for money outstrips its supply
- (D) To ensure the growth of the real sector
- (E) All the above

Ans : (B)

9. Investment is defined as a—

- (A) Deployment of a sum in business operations
- (B) Purchasing an interest bearing bond
- (C) Change in the stock of capital
- (D) All the above
- (E) None of these

Ans : (C)

10. The unproductive expenditure of the rich is—

- (A) Necessary to the employment of the poor
- (B) An impediment to the growth of an economy
- (C) Having no bearing on the economy
- (D) Having bearing only on the economy of the rich
- (E) None of these

Ans : (A)

11. Heckscher-Ohlin theory explains—

- (A) Pattern of trade in terms of relative factor endowments of countries
- (B) Why a country may import products which use extensively the country's scarce factor
- (C) The law of comparative cost
- (D) The concept of reciprocal demand
- (E) All the above

Ans : (A)

12. 'Quasi-rents'—

- (A) Are in the nature of free gifts
- (B) May be applicable to all factors of production
- (C) Comprise of all the returns to the firm in excess of the returns of the marginal firm
- (D) All the above

(E) None of these

Ans : (C)

13. The indifference curve technique is essentially—

(A) A cardinal approach

(B) An ordinal approach

(C) A quasi-ordinal approach

(D) All the above

(E) None of these

Ans : (B)

14. The slope of an indifference curve expresses—

(A) The marginal rate of substitution of two goods

(B) A ratio of marginal utility of one good to another

(C) Both (A) and (B)

(D) A ratio of total utility of one good to another

(E) None of these

Ans : (A)

15. 'Pass through' effect in international trade theory refers to—

(A) The proportion of an exchange rate change that is reflected in export and import price change

(B) Exports and imports not facing any tariff barrier

(C) Exports and imports not facing any technical barrier

(D) All of the above

(E) None of these

Ans : (A)

16. Uruguay Round of multilateral trade negotiations—

(A) Started in 1986 and completed at the end of 1993

(B) Aimed at reversing the rising trend of non-tariff trade barriers

(C) Replaced the GATT with WTO

(D) Brought services and agriculture into WTO

(E) All of the above

Ans : (E)

17. Product Cycle Model in international trade theory (Vernon, 1966)—

(A) Is an extension of technological gap model

(B) Is an extension of Heckscher-Ohlin model

(C) Explains dynamic comparative advantage of new products and new processes of production

(D) All of the above

(E) None of these

Ans : (E)

18. Hedging and speculation in forex markets—

(A) Are opposite activities

(B) Parallel activities

(C) Same activities

(D) All of the above

(E) None of these

Ans : (A)

19. A currency swap refer to—

- (A) A spot sale of currency combined with a forward repurchase of the same currency—as part of single transaction
- (B) A forward sale of currency combined with a forward repurchase of the same currency—as part of a single transaction
- (C) A forward sale of currency combined with a forward repurchase of the same currency—in two different transactions
- (D) All of the above
- (E) None of these

Ans : (A)

20. Public-Private Partnership projects in India are mostly related to—

- (A) Airports
- (B) Ports
- (C) Railways
- (D) Roads
- (E) Urban development

Ans : (D)

21. The largest share in the short term money market of India in recent times belonged to the segment—

- (A) Collateralised Borrowing and Lending Obligation (CBLO)
- (B) Traditional repo
- (C) Clearcorp Repo Over Matching System (CROMS)
- (D) Call
- (E) Others

Ans : (D)

22. As per the revised estimate of CSO, the GDP in India at factor cost during 2008-09 was—

- (A) Rs. 28,71,120 crore
- (B) Rs. 31,29,717 crore
- (C) Rs. 33, 39,375 crore
- (D) Rs. 44,82,436 crore
- (E) None of these

Ans : (C)

23. Mid Day Meal Scheme—

- (A) Is a centrally funded and largest school meal scheme in the world
- (B) Provides each child in government and government aided school a minimum of 300 calories and 8–12 gm of protein each day of school for a minimum of 200 days
- (C) Provides lunch to about 120 million children
- (D) All of the above
- (E) None of these

Ans : (C)

24. Insurance penetration is defined as the—

- (A) Ratio of premium underwritten in a year to GDP
- (B) Ratio of premium underwritten in a year to total population
- (C) Ratio of insurance subscribers in a year to total population
- (D) Ratio of total number of policy holders in a year to total population
- (E) None of these

Ans : (A)

25. Insurance density is defined as the—

- (A) Ratio of premium underwritten in a year to GDP
- (B) Ratio of premium underwritten in a year to total population
- (C) Ratio of insurance subscribers in a year to total population
- (D) Ratio of total number of policy holders in a year to total population
- (E) None of these

Ans : (B)

26. Minimum Support Prices of crops are recommended by—

- (A) Planning Commission of India
- (B) Commission for Agricultural Costs and Prices (CACP)
- (C) Finance Commission of India
- (D) Farmers' Commission of India
- (E) None of these

Ans : (B)

27. The Electricity (Amendment) Act 2007—

- (A) Dispensed with licence requirement for sale from captive units
- (B) Provided for joint effort by the Central and State governments for providing access to all areas including villages and markets
- (C) Expanded the definition of theft to cover the use of tampered meters
- (D) All of the above
- (E) None of these

Ans : (D)

28. In times of slowdown of the economy, the fiscal policy influences aggregate demand through—

- (A) Discretionary element
- (B) Non-discretionary element
- (C) Lowering of tax rates
- (D) All of the above
- (E) None of these

Ans : (C)

29. Thirteenth Finance Commission is headed by—

- (A) Dr. Rangarajan
- (B) Dr. Vijay L. Kelkar
- (C) Dr. Suresh Tendulkar
- (D) Dr. C. H. Hanumantha Rao
- (E) None of these

Ans : (B)

30. A constitutionally recognized body is—

- (A) Planning Commission
- (B) Finance Commission
- (C) Forward Commission
- (D) Farmers Commission
- (E) None of these

Ans : (B)

31. Rashtriya Krishi Vikas Yojana was launched by GOI in August 2007 with the objective(s) of—

- (A) To incentivise the states to increase public investment in agriculture and allied sectors
- (B) To ensure that local needs/crops/priorities are better reflected
- (C) To achieve the goal of reducing the yield gaps in important crops
- (D) All of the above
- (E) None of these

Ans : (D)

32. The Buffer Stock of foodgrains at the beginning of February 2009 stood at—

- (A) 16.2 million tonnes
- (B) 20.0 million tonnes
- (C) 37.4 million tonnes
- (D) 36.2 million tonnes
- (E) None of these

Ans : (D)

33. Public Private Partnership came to be introduced in India to—

- (A) Mitigate the financial burden of the governments
- (B) Respond to the technological change that allow unbundling of infrastructure
- (C) Alter the character of goods and services from pure public to private ones
- (D) All of the above
- (E) None of these

Ans : (A)

34. Heteroscedasticity in econometric analysis means—

- (A) The variance for each disturbance term (V_i) is the same for all i 's
- (B) The variance for each disturbance term (V_i) is not the same for all i 's
- (C) The co-variance for each pair of disturbance term is the same
- (D) The co-variance for each pair of disturbance term is not the same
- (E) None of these

Ans : (B)

35. Autocorrelation in econometric analysis refers to—

- (A) The correlation between the values of different variables
- (B) The correlation between the values of alternative variables
- (C) The correlation between successive values of the same variable
- (D) All of the above
- (E) None of these

Ans : (A)

36. Durbin-Watson Test is applied in econometric models to test—

- (A) Presence of heteroscedasticity in a model
- (B) For autocorrelated errors in the sample data
- (C) For multicorrelarity
- (D) For autoregressive disturbances
- (E) None of these

Ans : (B)

37. A weakly stationary stochastic process is so called, if—

- (A) Its mean and variance are constant over time
- (B) The value of covariance between two time periods depends only on lag between two time periods

- (C) The value of covariance does not depend on the actual time at which the covariance is computed
 - (D) All the above
 - (E) None of these
- Ans : (D)

38. Dummy variables are used in regression models—
- (A) To represent important variables that are not qualitatively measurable
 - (B) To capture the effect of specific attributes
 - (C) As binary variables
 - (D) To distinguish between two groups of population
 - (E) All of the above
- Ans : (C)

39. Principal components in econometric analysis—
- (A) Are linear combinations
 - (B) Help to increase the degrees of freedom
 - (C) Help to reduce high degree of multicorrelnearity
 - (D) All of the above
 - (E) None of these
- Ans : (A)

40. If world population grows at 2.6 per cent, then it will double in—
- (A) 44.34 years
 - (B) 36.92 years
 - (C) 29.32 years
 - (D) 26.66 years
 - (E) None of these
- Ans : (E)