National Income

Question	In India, the base year of the new GDP series has been shifted from 2004-05
Type	multiple_choice
Option	2007-08
Option	2008-09
Option	2010-11
Option	2011-12
Answer	4
Solution	India shifted to the new series of National Accounts with 2011-12 as the Base Year, reflecting changing consumption patterns and economic structure. This change allowed for better estimation of economic activity and inflation-adjusted growth estimates. The previous series had the base year set at 2004-05, but the shift to 2011-12 was in line with global practices and United Nations guidelines on national accounts. Therefore, the correct answer is (d) 2011-12.
Positive Marks	2
Negative Marks	0.66

Question	National income ignores
Type	multiple_choice
Option	sales of a firm
Option	salary of employees
Option	exports of the IT sector
Option	sale of land
Answer	4

Solution	National income, while measuring the economic activity of a country, excludes the sale of land. Let's delve into the details: National Income: It represents the total value of goods and services produced within a country's borders during a specific period. However, certain components are not included in this calculation. Exclusions from National Income: o Sale of Land: Land is considered a non-reproducible asset, and its sale is not part of the final output or production. Therefore, it is excluded from national income calculations. o Other exclusions include transfer payments (such as old age pensions, education grants, and unemployment benefits) and remittances (money sent by individuals working abroad). In summary, the correct answer is (d) sale of land.
Positive Marks	2
Negative Marks	0.66

Question	According to the Economic Survey 2020 – 21, which one of the following will be India's real GDP growth in the year 2021 - 22?
Type	multiple_choice
Option	9%
Option	11%
Option	13%
Option	15%
Answer	2
Solution	As per the Economic Survey 2020-21, India's real GDP growth for the year 2021-22 is estimated to be 9.2% after experiencing a contraction of 7.3% in the previous year. Therefore, the correct answer is (a) 9%.
Positive Marks	2
Negative Marks	0.66

Question	Which of the following occupations are included under the secondary sector as per the national income accounts? 1. Manufacturing 2. Construction 3. Gas and water supply 4. Mining and quarrying Select the correct answer using the code given below.

Type	multiple_choice
Option	1, 2, 3 and 4
Option	1, 2 and 4 only
Option	1, 2 and 3 only
Option	3 and 4 only
Answer	3
Solution	Let's determine which occupations fall under the secondary sector as per national income accounts: Manufacturing: This involves the production of goods through various processes, such as factories, mills, and workshops. It is a key component of the secondary sector. Construction: Construction activities, including building infrastructure, houses, and commercial structures, are part of the secondary sector. Gas and Water Supply: Providing gas and water services to households and industries is also considered part of the secondary sector. Mining and Quarrying: Extracting minerals, metals, and other natural resources from mines and quarries falls within the secondary sector. Based on this, the correct answer is (c) 1, 2, and 3 only. These occupations contribute significantly to the secondary sector's economic activity.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following statements is correct with respect to the composition of national income in India?
Type	multiple_choice
Option	The share of the manufacturing sector has declined.
Option	The share of the services sector has increased sharply.
Option	The share of agriculture has remained static.
Option	The share of the services sector has declined.
Answer	2
Solution	Manufacturing Sector: The manufacturing sector includes activities related to producing goods in factories, workshops, and mills. Over

	the years, the share of manufacturing in India's national income has indeed declined. Services Sector: The services sector encompasses various services such as banking, education, healthcare, IT, tourism, and more. This sector has witnessed significant growth, and its share in India's national income has increased sharply. Agriculture Sector: Agriculture, which includes crop production, livestock, and forestry, has faced fluctuations. While it remains an essential part of the economy, its share has not remained static. It has experienced ups and downs due to factors like monsoons, technology adoption, and policy changes. Conclusion: The services sector has been a major driver of India's economic growth. The manufacturing sector has faced challenges but continues to contribute significantly. The agriculture sector remains vital but has seen varying trends. Therefore, the correct statement is (b) The share of services sector has increased sharply
Positive Marks	2
Negative Marks	0.66

Question	The national income of a country for a given period is equal to the
Type	multiple_choice
Option	total value of goods and services produced by the nationals
Option	sum of total consumption and investment expenditure
Option	sum of personal income of all individuals
Option	money value of final goods and services produced
Answer	4
Solution	The national income of a country for a given period is equal to the money value of final goods and services produced within its borders during that time. This measure captures the overall economic activity and output of the nation. Therefore, the correct answer is (d) money value of final goods and services produced. National Income is the total monetary value of goods and services produced within the territory of the country in a given period of time. National Income = C + I + G + (X-M) C – Consumption

	I - Total Investment G – Total Government Expenditure X – Export M – Import
Positive Marks	2
Negative Marks	0.66

Question	National Income is:
Type	multiple_choice
Option	Net National Product at market price
Option	Net National Product at factor cost
Option	Net Domestic Product at market price
Option	Net Domestic Product at factor cost
Answer	2
Solution	The term National Income refers to the accumulated money value of all final goods and services produced in a country during one financial year. It represents the overall health of the economy for that particular year and serves as a basis for government policy formulation. Among the given options, the correct representation of National Income is: (b) Net National Product at factor cost Let's break down the components: Net National Product (NNP): o NNP accounts for the total value of goods and services produced by a country's residents (both domestically and abroad). o It adjusts Gross National Product (GNP) by subtracting depreciation (wear and tear on capital goods). Factor Cost: o Factor cost refers to the actual cost incurred in the production process, including payments to factors of production (such as labor, capital, and land). o It excludes indirect taxes and subsidies. Therefore, the correct answer is (b) Net National Product at factor cost.
Positive Marks	2
Negative Marks	0.66

Question	The most appropriate measure of economic growth is its:
Type	multiple_choice
Option	Gross Domestic Product of a country's
Option	Net Domestic Product
Option	Net National Product
Option	Per Capita Real Income
Answer	4
Solution	The most appropriate measure of economic growth is Per Capita Real Income (PCRI). Let's understand why: Gross Domestic Product (GDP): o GDP represents the total monetary value of all goods and services produced within a country's borders during a specific period (usually a year). o While GDP is a crucial measure of economic activity, it does not directly account for population size or individual well-being. Net Domestic Product (NDP): o NDP adjusts GDP by subtracting depreciation (wear and tear on capital goods) to arrive at the net value of production. o However, NDP still does not consider population size or individual income. Net National Product (NNP): o NNP accounts for net factor income from abroad (such as remittances) in addition to NDP. o It reflects the income earned by a country's residents, whether they live domestically or abroad. o However, NNP does not directly address individual well-being. Per Capita Real Income (PCRI): o PCRI divides the total real income (adjusted for inflation) by the population size. o It provides a more individual-centric perspective, considering both economic growth and population changes. o PCRI reflects the average income per person, allowing us to assess the well- being of citizens. Therefore, the correct answer is (d) Per Capita Real Income. PCRI accounts for both economic growth and population size, making it an appropriate measure of overall prosperity.
Positive Marks	2
Negative Marks	0.66

Question	The term National Income represents:
Type	multiple_choice
Option	gross national niev product at market price minus depreciation
Option	gross national product at market prices minus depreciation plus net factor income from abroad.
Option	gross national product at at market prices minus depreciation and indirect taxes plus subsidies.
Option	gross national product at market prices minus net factor income from abroad
Answer	2
Solution	The term National Income refers to the accumulated money value of all final goods and services produced in a country during one financial year. It represents the overall health of the economy for that particular year and serves as a basis for government policy formulation. Let's break down the options: (a) Gross national product at market price minus depreciation: o This option refers to Net National Product at Factor Cost (NNP-FC), not national income. o NNP-FC subtracts depreciation from GNP at market prices. (b) Gross national product at market prices minus depreciation plus net factor income from abroad: o This option represents Gross National Income (GNI). o GNI includes net factor income from abroad (such as remittances, interest, and dividends) and subtracts depreciation from GNP at market prices. (c) Gross national product at market prices minus depreciation and indirect taxes plus subsidies: o This option is not relevant to national income. It involves indirect taxes and subsidies, which are not directly related to national income. (d) Gross national product at market prices minus net factor income from abroad: o This option represents Gross National Product (GNP). o GNP includes net factor income from abroad and does not account for indirect taxes or subsidies. Therefore, the correct answer is (b) gross national product at market prices minus depreciation plus net factor income from abroad.
Positive Marks	2
Negative Marks	0.66

Question	Demand for a commodity refers to
Type	multiple_choice
Option	Desire for that commodity
Option	Need for that commodity
Option	Quantity demanded of that commodity
Option	Quantity demanded at certain price during any particular period of time
Answer	4
Solution	The demand for a commodity specifically refers to the quantity demanded of that commodity at a certain price during a particular period of time. Therefore, the correct answer is (d) Quantity demanded at certain price during any particular period of time.
Positive Marks	2
Negative Marks	0.66

Question	Which of the following service sectors in India had the highest percentage share to India's GDP in the year 2010-2011?
Type	multiple_choice
Option	Trade, hotels and restaurants
Option	Construction
Option	Transport, storage and communication
Option	Community, Social and personal services
Answer	1
Solution	In the year 2010-2011, the service sector that had the highest percentage share to India's Gross Domestic Product (GDP) was Transport, storage, and communication. This sector plays a crucial role in facilitating trade, connectivity, and communication within the country. Therefore, the correct answer is (c) Transport, storage, and communication.
Positive Marks	2
Negative Marks	0.66

Question	In the current pricing policy, the price of diesel in India consists of
Type	multiple_choice
Option	Fuel component + Customs duty + Excise duty + Sales VAT Dealer's commission
Option	Fuel component + Excise duty + Sales VAT + Dealer's commission
Option	Fuel component + Customs duty + Sales VAT + Dealer's commission
Option	Fuel component + Customs duty + Excise duty + Dealer's commission
Answer	2
Solution	In the current pricing policy for diesel in India, the price composition includes the following components: Fuel Component: This accounts for the actual cost of diesel, which includes the base price of crude oil. Excise Duty: The government imposes excise duty on diesel, which contributes to the overall price. Sales VAT (Value Added Tax): State governments levy VAT on diesel sales. The VAT rate varies across states. Dealer's Commission: Dealers (such as petrol pumps) receive a commission for selling diesel. Therefore, the correct combination is (c) Fuel component + Customs duty + Sales VAT + Dealer's commission. These components collectively determine the retail price of diesel in India.
Positive Marks	2
Negative Marks	0.66

Question	When a fall in price of a commodity reduces total expenditure and a rise in price increases it, price elasticity of demand will be
Type	multiple_choice
Option	1
Option	< 1
Option	> 1
Option	> 1
Answer	3

Solution	When the price of a commodity changes, and the total expenditure (or total spending) on that commodity moves in the opposite direction, we are dealing with elastic demand. Specifically, this scenario occurs when: ● A fall in price leads to an increase in total expenditure (i.e., consumers buy more of the commodity). ● A rise in price results in a reduction in total expenditure (i.e., consumers buy less of the commodity). In such cases, the price elasticity of demand is greater than 1 (i.e., elastic). This means that consumers are responsive to price changes, and their demand is relatively elastic. Therefore, the correct answer is (c) > 1.
Positive Marks	2
Negative Marks	0.66

Question	An exceptional demand curve is one that slopes.
Type	multiple_choice
Option	downward to the right
Option	upward to the right
Option	horizontally
Option	upward to the left
Answer	2
Solution	An exceptional demand curve is one that slopes horizontally. This means that the quantity demanded remains constant regardless of changes in price. Such a situation occurs when the demand is perfectly inelastic. In other words, consumers are not responsive to price fluctuations, and the demand remains the same regardless of price variations. Therefore, the correct answer is (c) horizontally.
Positive Marks	2
Negative Marks	0.66

Question	When two goods are completely interchangeable, they are
Type	multiple_choice
Option	Perfect substitutes

Option	Perfect complements
Option	Giffen goods
Option	Veblen goods
Answer	1
Solution	When two goods are completely interchangeable, they are Perfect substitutes. Perfect substitutes are two goods that can be used interchangeably and provide the same level of satisfaction or utility to the consumer. In other words, a consumer is indifferent between consuming one good or the other. For such goods, if the price of one good increases, the demand for its substitute increases. For example, if someone gets the same satisfaction and utility from tea or coffee and they can be interchanged for each other, the two are perfect substitutes.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following is the major source of gross tax revenue (GTR) for the Government of India?
Type	multiple_choice
Option	Income tax
Option	Corporation tax
Option	Customs duty
Option	Service tax
Answer	2
Solution	As per the Receipt Budget 2022-2023, the gross tax revenue from Corporation tax was estimated to be the highest. This is followed by Taxes on Income and Goods and Services Tax (GST). The major source of gross tax revenue (GTR) for the Government of India is Goods and Services Tax (GST). GST is a comprehensive indirect tax levied on the supply of goods and services across the country. It replaced various indirect taxes such as excise duty, service tax, and VAT. GST has become a significant revenue generator for the government. Therefore, the correct answer is (d) Service tax.
Positive Marks	2

Negative Marks	0.66

Question	When some goods or productive factors are completely fixed in amount, regardless of price, the supply curve is
Type	multiple_choice
Option	horizontal
Option	downward sloping to the right
Option	vertical
Option	upward sloping to the right
Answer	3
Solution	The supply curve represents the relationship between the quantity of a good or service that producers are willing to offer for sale and its price. In the supply curve, X axis has quantity of goods and Y axis has the price. The slope is positive. When the quantity is fixed, a point in the X axis is fixed and the Y coordinate varies. Hence the curve would be vertical.Since the quantity does not necessarily start from zero,there is no curving of the slope.
Positive Marks	2
Negative Marks	0.66

Question	The rate at which the consumer is willing to substitute one good for another without changing the level of satisfaction is known as
Type	multiple_choice
Option	Marginal rate of substitution
Option	Marginal rate of technical substitution
Option	Diminishing marginal utility
Option	Equi-marginal utility
Answer	1
Solution	The rate at which the consumer is willing to substitute one good for another without changing the level of satisfaction is known as the Marginal Rate of Substitution (MRS). It represents the trade-off between two goods while maintaining the same level of utility. When

	a consumer reallocates resources from one good to another, the MRS indicates how much of one good they are willing to give up to obtain an additional unit of the other good. Therefore, the correct answer is (a) Marginal rate of substitution.
Positive Marks	2
Negative Marks	0.66

Question	The rate at which the consumer is willing to substitute one good for another without changing the level of satisfaction is known as: (CAPF AC 2014)
Type	multiple_choice
Option	Marginal rate of substitution
Option	Marginal rate of substitution
Option	Diminishing marginal utility
Option	Equi-marginal utility
Answer	1
Solution	The rate at which the consumer is willing to substitute one good for another without changing the level of satisfaction is known as the Marginal Rate of Substitution (MRS). It represents the trade-off between two goods while maintaining the same level of utility. When a consumer reallocates resources from one good to another, the MRS indicates how much of one good they are willing to give up to obtain an additional unit of the other good. Therefore, the correct answer is (a) Marginal rate of substitution.
Positive Marks	2
Negative Marks	0.66

Question	In National Income (NI) accounts, Personal Income (PI) is defined as
Type	multiple_choice
Option	NI - undistributed profits - net interest payments made by households - corporate tax + transfer payments to the households from the government and firms
Option	NI - undistributed profits - corporate tax + transfer payments to the households from the government and firms

Option	undistributed profits - net interest payments made by households + transfer payments to households from the government and firms
Option	undistributed profits - net interest payments made by households + transfer payments to households from the government and firms
Answer	1
Solution	In National Income (NI) accounts, Personal Income (PI) is defined as the total earnings received by households in a given year. It encompasses various sources of revenue, including: Salaries and Wages: These earned incomes form a significant portion of personal income. Investment Income: This includes dividends, interest payments, and other income from assets. Transfer Payments: These are payments made by the government and firms to households. Examples include social security benefits, unemployment compensation, welfare payments, and veterans' benefits. Undistributed Share of Profits: This refers to the portion of profits not distributed to individuals. Indirect Business Taxes: These are taxes paid by businesses that are not directly borne by households but indirectly affect their income. Therefore, the correct definition of Personal Income (PI) is: PI = NI - Undistributed Profits - Net Interest Payments Made by Households + Transfer Payments to Households from the Government and Firms The correct answer is (a).
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following is NOT correct?
Type	multiple_choice
Option	The Average Revenue and Marginal Revenue curves of a perfectly competitive firm are perfectly elastic
Option	The Marginal Revenue curve of the monopoly firm is above its Average Revenue curve
Option	In the long-run, a competitive firm earns only normal profits
Option	In equilibrium, the Marginal Cost Curve of the monopoly firm may be rising, falling or constant
Answer	2

Solution	The statement that is NOT correct is: (b) The Marginal Revenue curve of the monopoly firm is above its Average Revenue curve. Let's evaluate the other statements: (a) The Average Revenue and Marginal Revenue curves of a perfectly competitive firm are perfectly elastic: o This statement is correct. In perfect competition, the demand curve faced by an individual firm is perfectly elastic (horizontal), which means that both average revenue (AR) and marginal revenue (MR) are equal and constant. (c) In the long-run, a competitive firm earns only normal profits: o This statement is correct. In the long run, competitive firms earn only normal profits (zero economic profit). This occurs when total revenue equals total cost, including both explicit and implicit costs. (d) In equilibrium, the Marginal Cost Curve of the monopoly firm may be rising, falling, or constant: o This statement is correct. In monopoly, the equilibrium occurs where MR equals MC. The MC curve can exhibit any shape (rising, falling, or constant) depending on the specific cost structure of the firm. Therefore, the correct answer is (b) The Marginal Revenue curve of the monopoly firm is above its Average Revenue curve. In monopoly, MR is below AR due to the downward-sloping demand curve.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following is not an assumption in the law of deman
Type	multiple_choice
Option	There are no changes in the taste and preferences of consumers.
Option	Income of consumers remains constant.
Option	Consumers are affected by demonstration effect.
Option	There are no changes in the price of substitute goods.
Answer	3
Solution	The law of demand describes the inverse relationship between the price of a good and the quantity demanded by consumers. Let's evaluate the given assumptions: (a) There are no changes in the taste and preferences of consumers. This assumption is relevant to the law of demand. It implies that consumer preferences remain constant, allowing us to analyze the impact of price changes on quantity demanded. (b) Income of consumers remains constant.

	This assumption is relevant to the law of demand. It ensures that income does not influence the relationship between price and quantity demanded. (c) Consumers are affected by demonstration effect. This assumption is not relevant to the law of demand. The demonstration effect refers to the influence of others' consumption patterns on an individual's choices but is not directly related to price and quantity demanded. (d) There are no changes in the price of substitute goods. This assumption is relevant to the law of demand. It allows us to isolate the impact of price changes for a specific good without considering changes in the prices of substitutes. Therefore, the correct answer is © Consumers are affected by demonstration effect. The law of demand focuses on price and quantity relationships, not external influences like the demonstration effect.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following statements is not correct?
Type	multiple_choice
Option	When total utility is maximum, marginal utility is zero.
Option	When total utility is decreasing,marginal utility is negative.
Option	When total utility is increasing, marginal utility is positive.
Option	When total utility is maximum, marginal and average utility are equal to each other.
Answer	4
Solution	The statement that is not correct is: (d) When total utility is maximum, marginal and average utility are equal to each other. Let's break down the other statements: When total utility is maximum, marginal utility is zero: o This statement is correct. When total utility reaches its peak, the marginal utility (additional satisfaction gained from consuming one more unit) becomes zero. At this point, any further consumption would not add to total satisfaction. When total utility is decreasing, marginal utility is negative: o This statement is correct. When total utility decreases (due to diminishing returns), the marginal utility becomes negative. Each additional unit consumed contributes less satisfaction than the previous one.

	When total utility is increasing, marginal utility is positive: o This statement is correct. When total utility increases, the marginal utility is positive. Each additional unit consumed adds to the total satisfaction. Therefore, the correct answer is (d) When total utility is maximum, marginal and average utility are equal to each other. In reality, when total utility is maximum, the marginal utility is zero, but the average utility is not necessarily equal to the marginal utility. The average utility considers the overall satisfaction divided by the total quantity consumed, whereas the marginal utility focuses on the additional satisfaction from the last unit consumed.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following statements is not correct
Type	multiple_choice
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Option	When total utility is decreasing,marginal utility is negative.
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Answer	4
Solution	The statement that is not correct is: (d) When total utility is maximum, marginal and average utility are equal to each other. Let's break down the other statements: When total utility is maximum, marginal utility is zero: o This statement is correct. When total utility reaches its peak, the marginal utility (additional satisfaction gained from consuming one more unit) becomes zero. At this point, any further consumption would not add to total satisfaction. When total utility is decreasing, marginal utility is negative: o This statement is correct. When total utility decreases (due to diminishing returns), the marginal utility becomes negative. Each additional unit consumed contributes less satisfaction than the previous one. When total utility is increasing, marginal utility is positive: o This statement is correct. When total utility increases, the marginal utility is positive. Each additional unit consumed adds to the total satisfaction.

	Therefore, the correct answer is (d) When total utility is maximum, marginal and average utility are equal to each other. In reality, when total utility is maximum, the marginal utility is zero, but the average utility is not necessarily equal to the marginal utility. The average utility considers the overall satisfaction divided by the total quantity consumed, whereas the marginal utility focuses on the additional satisfaction from the last unit consumed.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following equals Personal Disposable Income?
Type	multiple_choice
Option	Personal Income - Direct taxes paid by households and miscellaneous fees, fines,etc.
Option	Private Income - Saving of Private Corporate Sectors - Corporation Tax
Option	Private Income - Taxes
Option	Total expenditure of of Households - Income Tax - Gifts received
Answer	1
Solution	Personal Disposable Income equals the amount of money available with the household for saving and spending after deduction of all forms of taxes like the direct tax (Income Tax), and fees, fines, etc. ● It is one of the major parameters to monitor the overall state of the economy. ● Personal Income = Private Income - Saving of Private Corporate Sectors - Corporation Tax
Positive Marks	2
Negative Marks	0.66

Question	The value of the slope of a normal demand curve is
Type	multiple_choice
Option	positive
Option	negative
Option	zero

Option	infinity
Answer	2
Solution	The demand curve depicts the relationship between the price and quantity demanded for a specific good or service. It has a negative slope for a normal curve. The elasticity of demand measures how much a change in price affects the quantity demanded of a specific good or service. Elasticity is said to be perfectly elastic in the case of a product with a horizontal demand curve. A perfectly elastic demand is one in which any price increase causes the quantity demanded to fall to zero and where lowering the price of a good or service does not increase sales. Luxury goods are frequently very elastic if the price rises slightly people will switch to something else. Hence the correct answer is negative.
Positive Marks	2
Negative Marks	0.66

Question	The value of all final goods and services produced by the normal residents of a country and their property, whether operating within the domestic territory of the country or outside in a year is termed as
Type	multiple_choice
Option	Gross National Income
Option	Net National Income
Option	Gross Domestic Product
Option	Net Domestic Product
Answer	1
Solution	The value of all final goods and services produced by the normal residents of a country and their property, whether operating within the domestic territory of the country or outside in a year is termed as Gross National Income (GNI). GNI includes both domestic production and net factor income from abroad. Therefore, the correct answer is (a) Gross National Income. For example, if a British-owned company operates in another country, the profits from that operation, even if they are reinvested in that country, are part of the UK's GNI.
Positive Marks	2
Negative Marks	0.66

Question	Which of the following statements are correct? 1. When marginal revenue is positive, total revenue increase in output. 2. When marginal revenue zero, total revenue is maximum. 3. When marginal revenue becomes negative, total revenue falls with increase in output. Select the correct answer using the code given below :
Type	multiple_choice
Option	1 and 2 only
Option	2 and 3 only
Option	2 and 3 only
Option	2 and 3 only
Answer	4
Solution	The correct statements are: When marginal revenue is positive, total revenue increases with output. o Marginal revenue (MR) measures the additional revenue generated from producing one more unit of output. o If MR is positive, it means that producing an additional unit adds more revenue than the cost of production. o Therefore, total revenue increases as output rises. When marginal revenue is zero, total revenue is maximum. o At the point where MR equals zero, the total revenue (TR) reaches its maximum. o This occurs because MR represents the change in TR for each additional unit produced. o When MR is zero, any further increase in output would reduce TR. When marginal revenue becomes negative, total revenue falls with an increase in output. o If MR turns negative, it means that producing one more unit reduces total revenue. o Beyond this point, each additional unit sold decreases TR.
Positive Marks	2
Negative Marks	0.66

Question	National to product at factor cost is equal to
Type	multiple_choice
Option	Domestic product + Net factor income from abroad

Option	National product at market prices -indirect taxes + subsidies
Option	Gross domestic product - depreciation
Option	National product at market prices + Indirect taxes + subsidies
Answer	2
Solution	The National Product at Factor Cost (NNP-FC) represents the net money value of all goods and services produced by the normal citizens of a country. It includes income earned by Indian citizens, whether they reside in India or abroad. Let's break down the components: 1.Net National Product at Factor Cost (NNP-FC): o NNP-FC accounts for the total cost of all the factors of production (such as land, labor, capital, and enterprise) involved in manufacturing goods. o It does not consider subsidies received or taxes paid. o Essentially, NNP-FC provides a picture of the cost of factors of production within a country. 2.Formula for NNP-FC: o NNP-FC = NNP at Market Price (NNP-MP) - Indirect Taxes o In other words, it adjusts the NNP-MP by subtracting the indirect taxes. 3.Significance: o NNP-FC is crucial for understanding the contribution of each factor of production to the economy. o By analyzing the cost of factors, governments can formulate policies to support manufacturers and promote economic activity. Therefore, the correct answer is (b) National product at market prices - indirect taxes + subsidies
Positive Marks	2
Negative Marks	0.66

Question	Normally, there will not be a shift in the demand curve when
Type	multiple_choice
Option	price of a commodity falls
Option	consumers want to buy more at any given price
Option	average income rises
Option	population grows
Answer	1

Solution	When considering shifts in the demand curve, it's essential to understand the factors that cause changes in demand. Let's analyze the given options: 1. Price of a Commodity Falls: A decrease in the price of a commodity typically leads to an increase in demand (assuming other factors remain constant). This results in a shift of the demand curve to the right. Therefore, this option does not represent a situation where there will be no shift in the demand curve. 2. Consumers Want to Buy More at Any Given Price: If consumers express a desire to buy more of a commodity at the same price, it indicates an increase in demand. Again, this leads to a rightward shift of the demand curve. 3. Average Income Rises: When average income rises, consumers' purchasing power increases. As a result, they may demand more goods and services. This situation corresponds to an increase in demand and a rightward shift of the demand curve. 4. Population Grows: An increase in population often leads to a higher demand for goods and services. As more people enter the market, the overall demand increases, causing a rightward shift of the demand curve. Given the above analysis, the only option that does not cause a shift in the demand curve is (a) price of a commodity falls. When the price falls, it affects the quantity demanded along the same demand curve (i.e., movement along the curve), but it does not shift the entire curve. Therefore, the correct answer is (a) price of a commodity falls.
Positive Marks	2
Negative Marks	0.66

Question	The situation where the equilibrium level of real GDP falls short of potential GDP is known as
Type	multiple_choice
Option	Recessionary gap
Option	Inflationary gap
Option	Demand-side inflation
Option	Supply-side inflation
Answer	1
Solution	The situation where the equilibrium level of real GDP falls short of potential GDP is known as recessionary gap. This occurs when the economy is operating below its full capacity, resulting in unemployment and underutilization of resources. The correct answer is (a) Recessionary gap.

	An inflationary gap is the difference between the current real GDP and the GDP of an economy operating at full employment. Demand-pull inflation is a type of inflation that occurs when demand for goods or services rises faster than the supply of those goods and services. Supply-side inflation is caused by supply-side bottlenecks that drive up prices1and lower an economy's potential output.
Positive Marks	2
Negative Marks	0.66

Question	The amount by which the equilibrium level of real GDP exceeds the full employment level of GDP is called
Type	multiple_choice
Option	recessionary gap
Option	inflationary gap
Option	income multiplier
Option	automatic stabilizer
Answer	2
Solution	The amount by which the equilibrium level of real GDP exceeds the full employment level of GDP is referred to as the inflationary gap. This situation occurs when the economy is producing beyond its sustainable capacity, leading to upward pressure on prices and inflation. The correct answer is (b) inflationary gap. 31. Which one of the following may lead to movement along the demand curve of a commodity? (CDS-II-2021) (a) Change in its price (b) Change in price of the other commodities (c) Change in income of the consumer (d) Change in tastes and preferences of consumers Ans.(a) Among the given options, a movement along the demand curve occurs due to changes in the price of the commodity itself. Let's break down the other options: ● Change in price of the other commodities (option (b)) affects the demand curve, but it leads to a shift in the curve (not a movement along it). This phenomenon is related to substitute goods and complementary goods. ● Change in income of the consumer (option ©) also influences the demand curve, but it results in a shift (either an increase or decrease) rather than a movement along it. This concept is associated with normal goods and inferior goods.

	• Change in tastes and preferences of consumers (option (d)) impacts the demand curve, but again, it leads to a shift (not a movement along it). Consumer preferences affect the overall demand for a product. Therefore, the correct answer is (a) Change in its price. When the price of a commodity changes, it causes a movement along the existing demand curve as consumers adjust their quantity demanded based on the new price. Previous
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following is the opportunity cost of a chosen activity?
Type	multiple_choice
Option	Out of pocket cost
Option	Out of pocket cost plus cost incurred by the Government
Option	Value of all opportunities forgone
Option	Value of next best alternative that is given up
Answer	4
Solution	The opportunity cost of a chosen activity refers to the value of the next best alternative that is given up. When we make decisions, we often have to choose between different options. The opportunity cost represents what we sacrifice by choosing one option over another. For example, if you decide to spend your evening studying for an exam instead of going out with friends, the opportunity cost is the enjoyment and social interaction you miss out on by not going out. It's the value of the alternative activity you forego. Therefore, the correct answer is (d) Value of next best alternative that is given up.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following statements is not correct?
Type	multiple_choice
Option	Real GDP is calculated by valuing outputs of different years at common prices.

Option	Potential GDP is the real GDP that the economy would produce if its resources were fully employed.
Option	Nominal GDP is calculated by valuing outputs of different years at constant prices.
Option	Real GDP per capita is the ratio of real GDP divided by population.
Answer	3
Solution	This is incorrect because Nominal GDP is calculated by valuing outputs of a specific year at the prices of that same year. It does not adjust for inflation and reflects current market prices. On the other hand, Real GDP, which is calculated by valuing outputs of different years at constant prices, does adjust for inflation.
Positive Marks	2
Negative Marks	0.66

Question	Surge pricing takes place when a service provider
Type	multiple_choice
Option	raises the price of its product or service as demand outstrips supply
Option	follows preset prices immune to demand and supply dynamics
Option	fixes a minimum price for its services
Option	fixes an average price on the basis of transactions carried over a day
Answer	1
Solution	Surge pricing, also known as dynamic pricing, is a strategy used by companies to adjust prices in real-time based on the current demand. Here's how it works: • When the demand for a service or product increases and outstrips supply, companies raise their prices temporarily. This approach ensures service availability by incentivizing more providers (such as drivers for ride-sharing services) to meet the surge in demand. Therefore, the correct answer is (a) raises the price of its product or service as demand outstrips supply.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following terms denotes the inputs in terms of tools, machines, buildings, raw materials and money in hand required at any stage of production
Type	multiple_choice
Option	Fixed capital
Option	Working capital
Option	Physical capital
Option	Human capital
Answer	3
Solution	The inputs required at any stage of production, including tools, machines, buildings, raw materials, and money in hand, are collectively referred to as Physical capital. Unlike human capital (which represents the stock of people equipped with education, skills, health, etc.), physical capital encompasses tangible resources used in production. Therefore, the correct answer is (c) Physical capital.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following does not influence quantity demanded for a good?
Type	multiple_choice
Option	Good's own price
Option	Price of a complementary good
Option	Price of a substitute good
Option	Prices of Inputs into production of the good
Answer	4
Solution	The factor that does not directly influence the quantity demanded for a good is the prices of inputs into production of the good. Let's break down the options: 1. Good's Own Price: The price of the good itself significantly affects the quantity demanded. When the price of a good changes, it leads to movement along the demand curve. 2. Price of a Complementary Good: Complementary goods are consumed together. For example, if the price of coffee (a complementary good to pastries) increases, the demand for pastries may decrease.

	3. Price of a Substitute Good: Substitute goods can be used interchangeably. If the price of one substitute increases, consumers may switch to the other substitute, affecting the quantity demanded. 4. Prices of Inputs into Production of the Good: While this factor influences the cost of production, it does not directly impact consumer demand. It affects supply rather than demand. Therefore, the correct answer is (d) Prices of Inputs into production of the good.
Positive Marks	2
Negative Marks	0.66

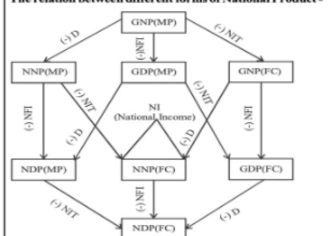
Question	Which one of the following central features is not associated with Capitalist Economy ?
Type	multiple_choice
Option	There is generalised eve commodity production - it has market value.
Option	Productive wealth is held predominantly in private hands.
Option	Productive wealth is held predominantly in private hands.
Option	Economic organisation is based on planning, a supposedly rational process of resource allocation.
Answer	4
Solution	Among the features associated with a capitalist economy, the one not included is: (d) Economic organisation is based on planning, a supposedly rational process of resource allocation. Let's explore the other features of a capitalist economy: Private Property: Private properties like factories, machines, and equipment can be owned by private individuals or companies. Freedom of Enterprise: Every individual has the right to make their own economic decisions without interference. Profit Motive: The motive of earning profit drives companies to produce and sell products. Price Mechanism: Demand and supply in the market determine production levels and prices without government involvement. Consumer Sovereignty: Consumer demands regulate production decisions. Free Trade: Low tariff barriers promote international trade. Government Interference:

	In a capitalist economy, there is minimal government intervention in business activities. Flexibility in Labor Markets: Hiring and firing of the workforce are flexible. Freedom of Ownership: Individuals can accumulate property and use it according to their will. In summary, a capitalist economy emphasizes private ownership, free markets, and profit-driven decision-making, but it does not rely on central planning for resource allocation. Previous
Positive Marks	2
Negative Marks	0.66

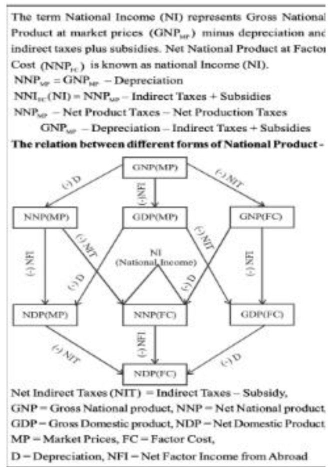
Question	In the first quarter of fiscal year 2020-21, GDP contracted by 23.9 percent and in the second quarter, by 7.5 percent. The Economic Survey, 2020–21 preferred to call it a recovery in
Type	multiple_choice
Option	U-shape
Option	V-shape
Option	K-shape
Option	W-shape
Answer	2
Solution	The Economic Survey, 2020–21 characterized the economic situation as a V-shaped recovery. Let's break down what this means: V-Shaped Recovery: o A V-shaped recovery refers to a rapid decline in economic activity followed by an equally swift rebound. o In this scenario, the contraction (negative growth) is sharp, but the subsequent recovery is also robust. o The letter "V" symbolizes the trajectory of economic performance: a steep decline followed by a sharp ascent. Given the significant contraction in GDP during the first quarter of fiscal year 2020-21 (23.9%) and the subsequent improvement in the second quarter (7.5%), the Economic Survey characterized it as a V-shaped recovery. Therefore, the correct answer is (b) V-shape. Previous
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following may lead to movement along the demand curve of a commodity?
Type	multiple_choice
Option	Change in its price
Option	Change in price of the other commodities
Option	Change in income of the consumer
Option	Change in tastes and preferences of consumers
Answer	1
Solution	Among the given options, a movement along the demand curve occurs due to changes in the price of the commodity itself. Let's break down the other options: ● Change in price of the other commodities (option (b)) affects the demand curve, but it leads to a shift in the curve (not a movement along it). This phenomenon is related to substitute goods and complementary goods. ● Change in income of the consumer (option ©) also influences the demand curve, but it results in a shift (either an increase or decrease) rather than a movement along it. This concept is associated with normal goods and inferior goods. ● Change in tastes and preferences of consumers (option (d)) impacts the demand curve, but again, it leads to a shift (not a movement along it). Consumer preferences affect the overall demand for a product. Therefore, the correct answer is (a) Change in its price. When the price of a commodity changes, it causes a movement along the existing demand curve as consumers adjust their quantity demanded based on the new price.
Positive Marks	2
Negative Marks	0.66

Question	The term National Income represents:
Type	multiple_choice
Option	Gross National Product at market prices minus depreciation
Option	Gross National Product at market prices minus depreciation plus net factor income from abroad
Option	Gross National Product at market prices minus depreciation and indirect taxes plus subsidies

Option	Gross National Product at market prices minus net factor income from abroad
Answer	3
Solution	The term National Income (NI) represents Gross National Product at market prices (GNP_{MP}) minus depreciation and indirect taxes plus subsidies. Net National Product at Factor Cost (NNP_{FC}) is known as national Income (NI). $NNP_{MP} = GNP_{MP}$ – Depreciation NNI_{FC}(NI) = NNP_{MP} – Indirect Taxes + Subsidies NNP_{MP} – Net Product Taxes – Net Production Taxes GNP_{MP} – Depreciation – Indirect Taxes + Subsidies **The relation between different forms of National Product -**  Net Indirect Taxes (NIT) = Indirect Taxes – Subsidy, GNP = Gross National product, NNP = Net National product, GDP = Gross Domestic product, NDP = Net Domestic Product, MP = Market Prices, FC = Factor Cost, D = Depreciation, NFI = Net Factor Income from Abroad
Positive Marks	2
Negative Marks	0.66

Question	National Income is :
Type	multiple_choice
Option	Net National Product at market prices
Option	Net National Product at factor cost
Option	Net Domestic Product at market prices
Option	Net Domestic Product at factor cost
Answer	3

Solution	 The term National Income (NI) represents Gross National Product at market prices (GNP_{MP}) minus depreciation and indirect taxes plus subsidies. Net National Product at Factor Cost (NNP_{FC}) is known as national Income (NI). $NNP_{MP} = GNP_{MP} - \text{Depreciation}$ $NNI_{FC}(NI) = NNP_{MP} - \text{Indirect Taxes} + \text{Subsidies}$ $NNP_{MP} - \text{Net Product Taxes} - \text{Net Production Taxes}$ $GNP_{MP} - \text{Depreciation} - \text{Indirect Taxes} + \text{Subsidies}$ **The relation between different forms of National Product -** Net Indirect Taxes (NIT) = Indirect Taxes – Subsidy, GNP = Gross National product, NNP = Net National product, GDP = Gross Domestic product, NDP = Net Domestic Product, MP = Market Prices, FC = Factor Cost, D = Depreciation, NFI = Net Factor Income from Abroad
Positive Marks	2
Negative Marks	0.66

Question	In an open economy, the national income (Y) of the economy is: (C, I, G, X, M stand for Consumption, Investment, Govt. Expenditure, total exports and total imports respectively)
Type	multiple_choice
Option	Y=C+I+G+X
Option	Y=C+I+G-X+M
Option	Y=C+I+ G+(X–M)
Option	Y=C+I-G+X–M
Answer	3
Solution	Y = C+I+G+(X-M) where Y = National Income, C= Consumption expenditure, I = Investment expenditure, G = Government expenditure and X-M = Difference in export and import (Net exports)
Positive Marks	2
Negative Marks	0.66

Question	Economic growth is usually coupled with :
Type	multiple_choice

Option	Deflation
Option	Inflation
Option	Stagflation
Option	Hyper-inflation
Answer	2
Solution	Generally along with the economic development there is an increase in the demands of goods with increase in income. That is why economic development is usually accompanied by inflation.
Positive Marks	2
Negative Marks	0.66

Question	With reference to Indian economy, consider the follow- ing statements : 1.The Gross Domestic Product (GDP) has increased by four times in the last 10 years. 2. The percentage share of Public Sector in GDP has declined in the last 10 years. Which of the statements given above is/are correct?
Type	multiple_choice
Option	1only
Option	2only
Option	Both 1 And 2
Option	Neither1nor 2
Answer	2
Solution	Statement (1) is incorrect because in the last decade the GDP of India has not increased four times. On the other side statement (2) is correct because in the last decade the share of public sector in GDP has decreased whereas that of private sector has increased. Thus the correct answer is option (b).
Positive Marks	2
Negative Marks	0.66

Question	In the context of Indian economy, consider the following pairs: (Term) (Most appropriate description) 1. Melt down Fall in stock prices

	2. Recession Fall in growth rate 3. Slow down Fall in GDP Which of the pairs given above is/are correctly matched?
Type	multiple_choice
Option	1 only
Option	2 and 3
Option	1 and 3
Option	1,2 and 3
Answer	1
Solution	Melt down refers to an event like steep fall in stock markets and mortgages whereas recession is a situation of massive contraction of economic activities and slow down refers to decrease in economic activities.
Positive Marks	2
Negative Marks	0.66

Question	Economic liberalization in India started with:
Type	multiple_choice
Option	substantial changes in industrial licensing policy
Option	the convertibility of Indian rupee
Option	doing away with procedural formalities for foreign direct investment
Option	significant reduction in tax rates
Answer	1
Solution	Economic liberalization in India started with substantial changes in industrial licensing policy. Economic liberalization was introduced in India on 24 July 1991 by the Narsimha Rao government after its formation in June 1991. New Industrial policy was declared on 24 July 1991. In this policy all the industries except 18 prominent industries were made free from licence.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following is correct regarding stabilization and structural adjustment as two components of the new economic policy adopted in India?
Type	multiple_choice
Option	Stabilization is a gradual, multi-step process while structural adjustment is a quick adaptation process
Option	Structural adjustment is a gradual multi-step process, while stabilization is a quick adaptation process
Option	Stabilization and structural adjustment are very similar and complimentary policies. It is difficult to separate one from the other
Option	Stabilization mainly deals with a set of policies which are to be implemented by the Central Government while structural adjustment is to be set in motion by the State Governments.
Answer	2
Solution	New Economic Policy adopted by India has two executive sides – stabilization and structural adjustment. Stabilization is related to the management of demand side of the economy which includes inflation control, fiscal management and balance of payment. Structural adjustment is related to the management of supply side of the economy which includes reforms in trade and capital flow, industrial control, investment and finance reforms etc. Although stabilization and structural adjustment are complimentry but structural adjustment is related to supply side and takes more time as compared to stabilization. Stabilization component of any economy is essentially a short-term programme while the structural adjustment component is a long-term process.
Positive Marks	2
Negative Marks	0.66

Question	One of the reasons for India's occupational structure remaining more or less the same over the years has been that:
Type	multiple_choice
Option	investment pattern has been directed towards capital intensive industries
Option	productivity in agriculture has been high enough to induce people to stay with agriculture
Option	ceiling on land holdings have enabled more people to own land and hence their preference to stay with agriculture

Option	people are largely unaware of the significance of transition from agriculture to industry for economic development
Answer	1
Solution	The occupational structure of any country is defined by the segment of a country's population that is engaged in economic ventures and various professions. In India after independence, inspite of multiple times increase in GDP and inspite of huge changes in the share of primary, secondary and tertiary sector in GDP, the occupational structure is still more or less remained the same as it was earlier. The main reason behind that is the investment pattern has been directed towards capital intensive industries. It has been one of the chief criticisms of the planning in India, which emphasised the capital intensive industries in place of promoting the labour intensive industries. The efforts of the planners with regard to the development of the industries turned beneficiary towards the large scale capital sector, whilst the small scale and cottage industries failed to respond to the developments. The large scale industries are intensively capital oriented, and their development failed to procure employment to the workforce.
Positive Marks	2
Negative Marks	0.66

Question	The most appropriate measure of a country's economic growth is its
Type	multiple_choice
Option	Gross Domestic Product (GDP)
Option	Net Domestic Product (NDP)
Option	Net National Product (NNP)
Option	Per Capita Product (PCP)
Answer	4
Solution	The most suitable measure of the economic growth of any country is its Per Capita Real Income or Per Capita Net National Product. It is used to measure a country's standard of living and thus a better indicator of economic growth.
Positive Marks	2
Negative Marks	0.66

Question	The growth rate of Per Capita Income at current prices is higher than that of Per Capita Income at constant prices, because the latter takes into account the rate of
Type	multiple_choice
Option	growth of population
Option	increase in price level
Option	growth of money supply
Option	increase in the wage rate
Answer	2
Solution	Per Capita Income at constant prices is obtained by adjusting the effects of inflation (increase in price level) from Per Capita Income at current prices. Thus, it is clear that the growth rate of Per Capita Income at current prices will be comparatively more than the growth rate of Per Capita Income at constant prices and this difference will be equal to the corresponding growth rate of inflation or increase in price level.
Positive Marks	2
Negative Marks	0.66

Question	That the Per Capita Income in India was Rs. 20 in 1867-68, was ascertained for the first time by :
Type	multiple_choice
Option	M.G. Ranade
Option	Sir W. Hunter
Option	R.C. Dutta
Option	Dadabhai Naoroji
Answer	4
Solution	Dadabhai Naoroji was the first to estimate national income in 1867-68. According to his estimate the Per Capita Income of India was Rs. 20 at that time.
Positive Marks	2
Negative Marks	0.66

Question	The new GDP series released by the CSO in February, 1999 is with reference to base prices of:
Type	multiple_choice
Option	1991-92
Option	1992-93
Option	1993-94
Option	1994-95
Answer	3
Solution	The new GDP series released by the CSO in February, 1999 was with reference to base prices of 1993-94. At present the base year for the National Income estimates is 2011-12.
Positive Marks	2
Negative Marks	0.66

Question	With reference to Indian Economy, consider the following statements: (CSE) 2015 1. The rate of growth of Real Gross Domestic Product has steadily increased in the last decade. 2. The Gross Domestic Product at market prices (in rupees) has steadily increased in the last decade. Which of the statements given above is / are correct?
Type	multiple_choice
Option	1 only
Option	2 only
Option	Both 1 and 2
Option	Neither 1 nor 2
Answer	2
Solution	The rate of growth of Real Gross Domestic Product had declined due to the recession in 2008 and other reasons for the next few years. Thus, Statement 1 is incorrect. There have been ups and downs in the growth rate of Real GDP in the 2010-2020 decade also. GDP at market prices has always increased year on year since last decade before the question period. Hence, Statement 2 is correct for the question period. It is also true for the

	2010-2020 decade but in year 2020-21 the GDP growth rate became negative due to COVID-19 pandemic. Thus, for the present scenario, option (d) will be the right answer.
Positive Marks	2
Negative Marks	0.66

Question	Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R). Assertion (A): Though India's National Income has gone up several fold since 1947, there has been no marked improvement in the Per Capita Income level. Reason (R) : Sizeable proportion of the population of India is still living below the poverty line. In the context of the above two statements which one of the following is correct?
Type	multiple_choice
Option	Both (A) and (R) are true and (R) is the correct explanation of (A)
Option	Both (A) and (R) are true but (R) is not a correct explanation of (A)
Option	(A) is true, but (R) is false
Option	(A) is false, but (R) is true
Answer	4
Solution	In the context of the present scenario Assertion (A) is true whereas Reason (R) is false.
Positive Marks	2
Negative Marks	0.66

Question	The main reason for low growth rate in India, inspite of high rate of savings and capital formation is :
Type	multiple_choice
Option	high birth rate
Option	low level of foreign aid
Option	low capital-output ratio
Option	high capital-output ratio

Answer	4
Solution	Capital required for one unit of production is known as capital-output ratio. The lower the capital-output ratio, higher the productivity of capital and the economic growth rate of that country. The underdeveloped and developing economies have high capital-output ratio and that is why their economic growth rate has been low. One of the most important reason for India not attaining the expected growth rate is its high capital-output ratio.
Positive Marks	2
Negative Marks	0.66

Question	Despite being a high saving economy, capital formation may not result in significant increase in output due to :
Type	multiple_choice
Option	weak administrative machinery
Option	illiteracy
Option	high population density
Option	high capital-output ratio
Answer	4
Solution	Capital-output ratio (COR) is the amount of capital needed to produce one unit of output. COR explains the relationship between level of investment (or saving) and the corresponding economic growth. If COR is high, despite high savings and generating enough capital for investment, output may not grow significantly. It can be represented by the simple economic equation G×C=S. Here, G is economic growth (output), C is capital-output ratio and S is savings. Therefore, it is clear that despite being a high saving economy, capital formation may not result in significant increase in output due to high COR. High COR may be a result of poor technology or poor management.
Positive Marks	2
Negative Marks	0.66

Question	Which of the following are the main causes of slow rate of growth of Per Capita Income in India - (CSE) 1993 1. High capital-output ratio 2. High rate of growth of population

	3. High rate of capital formation 4. High level of fiscal deficits Select the correct answer from the codes given below: Codes:
Type	multiple_choice
Option	1,2,3 and 4
Option	1 and 4
Option	2,3 and 4
Option	1 and 2
Answer	4
Solution	There are two prominent reasons for the slow rate of growth of Per Capita Income (PCI) in Indian Economy : high capital-output ratio and high rate of population growth. Due to the speedy growth in population, the PCI does not increases in that proportion in which the Gross Domestic Product is increasing. Similarly, due to high capital output ratio (COR), per unit production cost increases, resulting in slow growth of GDP and further low growth in PCI.
Positive Marks	2
Negative Marks	0.66

Question	Economic growth in country X will necessarily have to occur if
Type	multiple_choice
Option	there is technical progress in the world economy
Option	there is population growth in X
Option	there is capital formation in X
Option	the volume of trade grows in the world economy
Answer	3
Solution	Economists believe that the capital formation is the most important factor for the economic growth. According to erstwhile Planning Commission of India, "The real key of high productivity and income and raising employment level is the growing rate of capital formation". Capital formation takes place when a country does not spend all its current income in consumption but saves a part of it and uses it for

	investment for increasing further production. This act of saving and investment is described as capital formation.
Positive Marks	2
Negative Marks	0.66

Question	The average rate of domestic savings (gross) for the Indian Economy is currently estimated to be in the range of:
Type	multiple_choice
Option	15 to 20 precent
Option	20 to 25 percent
Option	25 to 30 percent
Option	30 to 35 percent
Answer	2
Solution	The rate of gross domestic savings of the Indian Economy was 23.9% in the year 1995-96 and 22.8% in the year 1996-97 of the GDP. Thus in that period the average rate of gross domestic savings was in the range of 20-25%. The rate of gross domestic savings (as% of GDP) as per the Economic Survey 2022-23 in recent years are as follows : 30%.
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following statements regarding GST is not correct?
Type	multiple_choice
Option	Amendment 115 to the Constitution of India kept alcohol for human use and five petroleum products outside the ambit of GST.
Option	Amendment 122 to the Constitution of India kept only alcohol for human use outside the ambit of GST.
Option	Precious metals are taxed at a rate of 1% under GST
Option	Unworked diamond is taxed at a rate of 0.25%.
Answer	2
Solution	The correct answer is (b) Amendment 122 to the Constitution of India kept only alcohol for human use outside the ambit of GST.

	This statement is incorrect. Amendment 122 to the Constitution of India kept both alcohol for human consumption and petroleum products outside the ambit of GST, not just alcohol alone. Therefore, option (b) is the incorrect statement regarding GST.
Positive Marks	2
Negative Marks	0.66

Question	Level of per capita GDP depends upon which of the following? 1. Proportion of population in the working age 2. Work participation rate 3. Per worker productivity Select the correct answer using the code given below
Type	multiple_choice
Option	3 only
Option	1 and 3 only
Option	1 and 2 only
Option	1,2 and 3
Answer	4
Solution	The correct answer is (d) 1, 2, and 3. Per capita GDP (Gross Domestic Product) is a measure of the average economic output per person in a country. It depends on several factors: Proportion of population in the working age: The proportion of the population in the working-age group (usually defined as 15-64 years) affects the labour force available for productive economic activities. A higher proportion of working-age population can potentially contribute to higher per capita GDP. Work participation rate: The work participation rate measures the percentage of the working-age population that is either employed or actively seeking employment. A higher work participation rate generally indicates a more productive workforce, which can contribute to higher per capita GDP. Per worker productivity: Per worker productivity, or labour productivity, measures the output produced per worker. Higher productivity means more output is produced with the same input of labour. Increasing productivity is a key driver of economic growth and can lead to higher per capita GDP. So, all three factors - the proportion of population in the working age, work participation rate, and per worker productivity - influence the level of per capita GDP.

	Previous
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following statements is not correct for National Income Accounting for India?
Type	multiple_choice
Option	Imports are subtracted in calculating Gross Domestic Product.
Option	Net factor payments earned from abroad are included in Gross Domestic Product.
Option	Purchase and sale of second-hand goods are not included in Gross Domestic Product.
Option	Inventories are included in Gross Domestic Capital Formation.
Answer	2
Solution	The Net Factor payments earned from abroad are included in Gross National Product (GNP).
Positive Marks	2
Negative Marks	0.66

Question	Under normal downward sloping demand curve and fully elastic supply curve of a commodity, an exogenous decrease in demand would lead to (
Type	multiple_choice
Option	increase in equilibrium price and quantity
Option	decrease in equilibrium price and quantity
Option	decrease in equilibrium quantity and no change in price
Option	increase in equilibrium price and no change in quantity
Answer	2
Solution	The correct answer is (b) decrease in equilibrium price and quantity. In a situation where the demand curve is downward-sloping and the supply curve is perfectly elastic, an exogenous decrease in demand would lead to a decrease in both equilibrium price and equilibrium quantity.

	With a downward-sloping demand curve, a decrease in demand shifts the demand curve to the left, intersecting the supply curve at a lower quantity and a lower price compared to the original equilibrium point. Since the supply curve is perfectly elastic, it remains unaffected by changes in demand. As a result, the equilibrium quantity decreases, and so does the equilibrium price.
Positive Marks	2
Negative Marks	0.66

Question	Which of the following components of Central Government taxes on petroleum products is/are not shareable with the States? 1. Basic Excise Duty 2. Additional Excise Duty 3. Special Additional Excise Duty Select the correct answer using the code given below.
Type	multiple_choice
Option	1 and 2 only
Option	1, 2 and 3
Option	3 only
Option	2 and 3 only
Answer	3
Solution	The correct answer is (c) 3 only. Special Additional Excise Duty (SAED) is not shareable with the states. In India, taxes on petroleum products are levied by both the Central and State Governments. The components of Central Government taxes on petroleum products that are shareable with the States are: Basic Excise Duty: This duty is imposed by the Central Government on the production or manufacturing of goods, including petroleum products. Revenue generated from basic excise duty is shared with the States as part of the divisible pool of taxes. Additional Excise Duty: This duty is also levied by the Central Government on the production or manufacturing of goods, including petroleum products. Like basic excise duty, revenue from additional excise duty is shared with the States. However, Special Additional Excise Duty (SAED) is not shareable with the States. It is a specific excise duty levied by the Central Government on certain commodities, including petroleum products. The revenue generated from SAED is not shared with the States and remains with the Central Government. 0

Positive Marks	2
Negative Marks	0.66

Question	Which one of the following items is not covered under GST
Type	multiple_choice
Option	Cosmetics
Option	Medical grade oxygen
Option	Jewellery
Option	Petrol
Answer	4
Solution	The item that is not covered under the Goods and Services Tax (GST) is: (d) Petrol. Petrol and other petroleum products are currently outside the purview of GST and are subject to separate taxes such as excise duty and value-added tax (VAT). Therefore, they are not covered under GST.
Positive Marks	2
Negative Marks	0.66

Question	Suppose an Indian citizen makes an investment abroad and earns a positive return on her investment. Which of the following is correct?
Type	multiple_choice
Option	Her income is part of India's GDP, but not part of India's national income.
Option	Her income is part of India s national income, but not part of India's GDP.
Option	Her income is part of both India's GDP and national income.
Option	Her income is neither part of India's GDP, nor its national income.
Answer	2
Solution	National income accounting refers to the set of methods and principles that are used by the government for measuring production and income, or in other words economic activity of a country in a given time period.

	Gross Domestic Product measures the total value of all final goods and services produced within a country's borders over a specified time period. (Source: - NCERT 12th Macroeconomic – National Income Accounting)
Positive Marks	2
Negative Marks	0.66

Question	Which one of the following statements about a borrower from a Microfinance Company is not correct?
Type	multiple_choice
Option	The borrower should not have annual income beyond a limit.
Option	The borrower should not seek loan amount beyond a limit.
Option	The borrower should not refuse to offer a collateral.
Option	The borrower should not refuse to pay any rate of interest offered.
Answer	4
Solution	The statement about a borrower from a Microfinance Company that is not correct is: (d) The borrower should not refuse to pay any rate of interest offered. Microfinance typically operates on the principle of offering small loans to low-income individuals or groups who typically lack access to traditional banking services. However, borrowers have the right to refuse to accept a loan with interest rates they consider unaffordable or exploitative. Therefore, borrowers are not obligated to accept any rate of interest offered.
Positive Marks	2
Negative Marks	0.66