

# Mock Examination Paper – 2

Time: 45 Minutes

Max. Marks: 200

**General Instructions:**

- (i) This question paper consists of 50 multiple choice questions out of which a maximum of 40 questions may be attempted.
- (ii) Each correct answer marked will be given five (+5) marks.
- (iii) Each incorrect answer marked will be given minus one (–1) mark.
- (iv) Unanswered/Marked for review will be given no (0) mark.
- (v) At least one Case Study question is to be attempted.

1. Goods and Services Tax is perhaps the biggest tax-related reform in India since Independence and the government has put luxury items in the highest tax bracket at 28%.  
In the light of the above statement, the objective that government is trying to achieve is:
  - (a) Reducing regional disparities
  - (b) Reducing inequalities of income
  - (c) Economic stability
  - (d) Management of Public Sector Enterprises
2. Identify which of the following does not reflect a direct relationship between human capital formation and economic growth:
  - (a) Labour skill of an educated person is more than that of an uneducated person.
  - (b) A healthy person could provide uninterrupted labour supply for a longer period of time.
  - (c) Job market information and migration increase an individual's income generating capacity.
  - (d) Availability of educated labour force facilitates adaptation to primitive technologies.
3. Identify which of the following statements is true in case of monotonic preference:
  - (a) Consumer always prefers a bundle which has less of both the goods.
  - (b) Consumer always prefers a bundle which has at least more of one good with no less of the other good.
  - (c) Consumer always prefers a bundle which has more of one good and less of another good.
  - (d) Consumer always prefers a bundle which has less of one good.
4. In circular flow of income, there are three different phases where in the \_\_\_\_\_, the income received by factors of production is spent on the goods and services produced by firms.
  - (a) Generation Phase
  - (b) Distribution Phase
  - (c) Disposition Phase
  - (d) Production Phase
5. Kirti's grandfather got confused with the tax he was paying. So Kirti explained the features of tax paid by him stating that he is paying \_\_\_\_\_ where the burden of the tax cannot be shifted and it is levied on income of individuals or firms.
  - (a) Goods and Services Tax
  - (b) Indirect Taxes
  - (c) Direct Taxes
  - (d) Excise Duty
6. In his book '*General Theory of Employment, Interest and Money*' he outrightly rejected Say's Law of Market and was the main critic of the classical theory of Macroeconomics. He was—
  - (a) Jean-Baptiste Say
  - (b) David Ricardo
  - (c) James Stuart Mill
  - (d) John Maynard Keynes
7. The \_\_\_\_\_ category consisted of industries in which the private sector could supplement the efforts of the public sector, with the government taking the sole responsibility for starting new units.
  - (a) First
  - (b) Second
  - (c) Third
  - (d) Fourth
8. Identify which of the following statements is not true about Microeconomics:
  - (a) It refers to the study of the behaviour of individual economic units.
  - (b) It concentrates on the determination of price of an individual good/service or factor of production.
  - (c) There exists unrestricted extent of comprehensiveness.
  - (d) Main tools are demand and supply.

9. To reduce the risk in exclusively depending on farming and providing sustainable livelihood to people in rural areas, it is essential to go for \_\_\_\_\_.
- Formal sources of credit
  - Informal sources of credit
  - Diversification
  - Institutional sources of credit
10. Two friends, Akshat and Akshita, were discussing about the export of Covid-19 vaccine from India to the rest of the world during the financial year 2020-21.
- This will be recorded on \_\_\_\_\_ side of \_\_\_\_\_ account.
- Credit; current
  - Debit; current
  - Credit; capital
  - Debit; capital
11. State the impact on demand curve of Star Plus if consumer prefers Netflix:
- Shifts towards right
  - Shifts towards left
  - Upward movement on demand curve
  - Downward movement on demand curve
12. Identify which of the following statements is not true about liberalisation reforms:
- Many goods produced by small-scale industries have now been dereserved.
  - The role of RBI reduced from facilitator to regulator.
  - Devaluation of rupee was undertaken to manage BoP crisis.
  - Tax paying procedures were simplified.
13. As per Ordinal Analysis, a consumer attains equilibrium when—
- Slope of Indifference Curve = Marginal Rate of Substitution
  - Slope of Indifference Curve = Marginal Rate of Exchange
  - Slope of Budget Line = Market Rate of Exchange
  - Slope of Budget Line =  $P_x/P_y$
14. Identify which of the following is included in the estimation of national income:
- Payment of income tax by Sneha
  - Payment of corporate tax by Reliance Industries
  - Payment of examination fees by Kavisha
  - Payment of unemployment allowance by Government of India to Kavya
15. \_\_\_\_\_ is an indicator used by experts to gauge the number of people dying prematurely due to a particular disease as well as the number of years spent by them in a state of 'disability' owing to the disease.
- Mortality Rate
  - Maternal Mortality Rate
  - Life Expectancy
  - Global burden of diseases
16. What will be the likely value of price elasticity of demand if demand for Good-X doubles due to a 25% fall in price.
- Unity
  - More than unity
  - Less than unity
  - Zero
17. Identify which of the following is a factor income:
- Taxes received by the Government of India
  - Old-age pension received by an old lady
  - Salary received by Amiya, a high school teacher
  - Pocket money received by a child of Class X
18. Identify which of the following statements is not true about public goods:
- They are not restricted to one consumer and are available to all.
  - One person's consumption does not affect the consumption of another consumer.
  - There is a way to exclude anyone from consuming public good.
  - Public goods are non-rivalrous in nature.
19. If Total Utility derived by consuming 6 slices of pineapples is 30 utils and Marginal utility of 7<sup>th</sup> slice of pineapple is 3 utils, the total utility for 7 slices of pineapple would be \_\_\_\_\_ utils.
- 3
  - 27
  - 30
  - 33
20. In order to encourage investment and boost aggregate demand, Government of India would—
- Decrease bank rate
  - Increase tax rate
  - Increase government spending
  - Reduce legal reserve ratio
21. Which of the following can be characterised as an intermediate good?
- Spare parts used in e-cars manufactured by Tesla
  - An electric car bought by a household
  - An electric vehicle purchased by a firm
  - Car cover purchased by Nitish

22. If  $MPC = APC$  for all levels of income ( $Y$ ), then the corresponding Consumption Function would be—

(a)  $C = bY^2$   
 (b)  $C = a + bY^2$   
 (c)  $C = a + bY$   
 (d)  $C = bY$

23. Nikita's professor was explaining to her that demand for certain products tends to fall when there is increase in income. Identify the type of goods explained by Nikita's professor.

(a) Substitute goods  
 (b) Complementary goods  
 (c) Normal goods  
 (d) Inferior goods

24. On the basis of the data given below, estimate the value of fiscal deficit:

Items	Amount (₹ in crores)
Non-tax Revenue	300
Non-debt creating capital receipts	900
Tax Revenue	700
Capital Expenditure	1,100
Revenue Deficit	300

**Options:**

(a) ₹ 500 crores  
 (b) ₹ 1500 crores  
 (c) ₹ 600 crores  
 (d) ₹ 1200 crores

25. In an economy, if out of a total population of 1,000, 780 are found to be working, the worker participation rate would be—

(a) 780  
 (b) 1,000  
 (c) 78  
 (d) 22

26. If  $MU_X/P_X > MU_Y/P_Y$ , a rational consumer would—

(a) Consume less of both the goods  
 (b) Consume more of Good-X and less of Good-Y  
 (c) Consume more of both the goods  
 (d) Consume more of Good-Y and less of Good-X

27. If in an economy, savings and investment functions are given as:

$$S = (-)100 + 0.2 Y \text{ and } I = (-)20 + 0.1 Y$$

What will be the level of equilibrium income?

(a)  $Y = 1,000$   
 (b)  $Y = 900$   
 (c)  $Y = 800$   
 (d)  $Y = 300$

28. On the basis of the following data, fill in the blank:

Items	Amount (₹ in crores)
Units sold in the domestic market	1,500
Price per unit of output	2
Production for self-consumption	110
Consumption of fixed capital	70
Intermediate cost	1,100
Decrease in stock	20
Goods and services tax	50
Net factor income from abroad	50
Subsidies	30

Value of output would be ₹ \_\_\_\_\_ crores.

(a) 3,090 (b) 3,110  
 (c) 3,130 (d) 3,000

29. On the basis of the following data, fill in the blank:

Items	Amount (₹ in crores)
Merchandise exports	700
Merchandise imports	500
Export of tourism	300
Net income receipts from abroad	-80
Import of insurance	120
Increase in home country's ownership of assets abroad	250

The value of balance on current account would be ₹ \_\_\_\_\_ crores.

(a) 300 (b) 400  
 (c) 500 (d) 520

30. In 2015, the UN formulated \_\_\_\_\_ Sustainable Development Goals (SDGs) intended to be achieved by the year 2030.

(a) 14 (b) 16  
 (c) 17 (d) 15

31. Identify the incorrect statement from the set of given statements:

(a) Depreciation is fall in the value of an asset due to unexpected obsolescence.  
 (b) Depreciation can be calculated as the difference between Gross investment and net investment.  
 (c) Economic recession may often lead to capital loss.  
 (d) Depreciation and capital loss can be differentiated on the basis of reason for loss in the value of fixed asset.

**Options:**

(a) Only (i) (b) Only (ii)  
 (c) Only (iii) (d) Only (iv)

32. Identify which of the following statements is not true about economic reforms introduced in China:
- Reforms were introduced in phases where in the second or later phase, reforms were introduced in the industrial sector.
  - In the foreign trade sector, SEZs (Special Economic Zones) were set up to attract foreign investment.
  - In industrial sector, commune lands were divided into small plots and these plots were allocated to individual households for ownership.
  - Government came up with the policy of dual pricing.
- Options:**
- Only (i)
  - Only (ii)
  - Only (iii)
  - Only (iv)
33. Arrange the following events of India during colonial rule in chronological order:
- Began with operation of railways
  - The opening of the Suez Canal
  - Second stage of demographic transition
  - Incorporation of the Tata Iron and Steel Company
- Options:**
- (i), (ii), (iii), (iv)
  - (i), (ii), (iv), (iii)
  - (ii), (i), (iv), (iii)
  - (iv), (i), (ii), (iii)
34. Arrange the following in chronological order:
- Introduction of New Economic Policy
  - Demonetisation of ₹ 500 and ₹ 1,000 notes
  - Introduction of GST
  - Setting up of WTO
- Options:**
- (i), (ii), (iii), (iv)
  - (iv), (iii), (i), (ii)
  - (i), (iv), (ii), (iii)
  - (i), (iv), (iii), (ii)
35. In the light of the two statements given below, choose the most appropriate option.
- Statement 1:** Price Elasticity of Demand ( $E_p$ ) does not depend on the units of measurement of quantity of demand.
- Statement 2:** Since there is an inherent inverse relationship between the price of a commodity and its corresponding quantity demanded, the value of the Price Elasticity of Demand ( $E_p$ ) coefficient will always be positive.
- Both the statements are correct.
  - Both the statements are incorrect.
  - Statement 1 is correct but Statement 2 is incorrect.
  - Statement 1 is incorrect but Statement 2 is correct.
36. In the light of the two statements given below, choose the most appropriate option.
- Statement 1:** Faced with an adverse balance of payments, the government should drastically devalue rupee.
- Statement 2:** Depreciation of a currency has the same effect on exports as devaluation of currency.
- Both the statements are correct.
  - Both the statements are incorrect.
  - Statement 1 is correct but Statement 2 is incorrect.
  - Statement 1 is incorrect but Statement 2 is correct.
37. In the light of the two statements—Assertion (A) and Reason (R)—choose the most appropriate option.
- Assertion (A):** Poor people are forced to live in what can be called a vicious circle of poverty.
- Reason (R):** Each deprivation reinforces the others so that their productivity and income level remain low and this keeps the poor in constant poverty.
- Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
  - Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of Assertion (A).
  - Assertion (A) is correct but Reason (R) is incorrect.
  - Assertion (A) is incorrect but Reason (R) is correct.
38. In the light of the two statements—Assertion (A) and Reason (R)—choose the most appropriate option.
- Assertion (A):** Any change (positive or negative), either in aggregate consumption or the aggregate investment, can push the aggregate demand (upwards or downwards).
- Reason (R):** If an economy is facing lack of demand, it may be propelled by increasing either the consumption expenditure or the investment expenditure or both.

- (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is correct but Reason (R) is incorrect.
- (d) Assertion (A) is incorrect but Reason (R) is correct.

39. Match List I with List II.

List I		List II	
A.	What to produce and in what quantity?	(i)	Problem of choice
B.	How to produce?	(ii)	Choice of technology
C.	For whom to produce?	(iii)	Problem of allocation of resources
D.	Economic problem	(iv)	Distribution of income

**Options:**

- (a) A-(i), B-(ii), C-(iv), D-(iii)
- (b) A-(i), B-(ii), C-(iii), D-(iv)
- (c) A-(iii), B-(ii), C-(iv), D-(i)
- (d) A-(i), B-(iii), C-(iv), D-(ii)

40. Match List I with List II.

List I		List II	
A.	Equity	(i)	The country is able to generate enough export income to meet all its requirements of imports
B.	Economic growth	(ii)	Fruits of economic growth are enjoyed by all sections of society
C.	Self-reliance	(iii)	Change in social outlook of the people
D.	Modernisation	(iv)	Increase in total money value of all the final goods and services produced in an economy during a given period of time

**Options:**

- (a) A-(iii), B-(ii), C-(i), D-(iv)
- (b) A-(ii), B-(iii), C-(i), D-(iv)
- (c) A-(i), B-(ii), C-(iv), D-(iii)
- (d) A-(ii), B-(iv), C-(i), D-(iii)

**Read the following text and answer questions 41–45.**

Currency Management is one of the core functions of the RBI by virtue of the statutory responsibility conferred on the central bank in the Preamble to the Reserve Bank of India Act, 1934, which mandates it to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage, to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth.

Under Section 22 of the RBI Act, 1934 “Right to Issue Bank notes”, RBI has the sole right to issue bank notes of various denominations except one-rupee notes, which are issued by the Government of India. As per the Coinage Act, 2011, the Government of India has the sole right to produce/mint coins. Although the responsibility for minting coins vests with the Government of India, the coins are issued for circulation only through the Reserve Bank of India under the provisions of Section 38 and Section 39 of RBI Act, 1934.

Currency includes the bank notes issued by RBI in various denominations from time to time ranging between ₹ 2 to ₹ 10,000 (Section 24 of RBI Act) and Rupee coins in the denominations of 1 (including ₹ 1 notes), 2, 5, 10 and 20 issued by the Government of India through RBI. At present, 50-paise coins are the only denomination of small coins in circulation as the Government of India, vide its gazette notification S.O. 2978(E) dated December 20, 2010, withdrew the coins of denomination of 25 paise and below from circulation with effect from June 30, 2011.

Though there has been a considerable increase in the use of digital payment systems for settlement of various transactions on account of speed, convenience and competition, paper currency continues to be the most favoured means of settlement of daily transactions as evidenced by the growing demand for bank notes and coins. With the Currency in Circulation (CIC) across the country increasing at a Compounded Annual Growth

Rate (CAGR) of 10.2% over the past 5 years, *i.e.*, between the financial years (FY) 2014-15 and 2018-19, and the Notes in Circulation (CIC minus coins in circulation) as on May 19, 2020 at 25.73 trillion/lakh crore, 'Cash continues to remain the King'.

(Source: [https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RWF15012018\\_FCD40172EE58946BAA647A765DC942BD5.PDF](https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RWF15012018_FCD40172EE58946BAA647A765DC942BD5.PDF))

41. Which of the following is not a function performed by Reserve Bank of India?
  - (a) Issuer of currency
  - (b) Banker to banks
  - (c) Banker to Government
  - (d) Banker to general public
42. \_\_\_\_\_ has the sole authority to mint coins in the Indian economy.
  - (a) Reserve Bank of India
  - (b) State governments
  - (c) Ministry of External Affairs
  - (d) Ministry of Finance
43. Other than ₹ 1 notes, all other notes bear signature of—
  - (a) President of India
  - (b) Prime Minister of India
  - (c) Finance Minister of India
  - (d) Governor of RBI
44. Identify which of the following is not an advantage of issuer of currency function performed by Reserve Bank of India:
  - (a) Helps in maintaining price stability
  - (b) Maintains public faith in currency system
  - (c) Increases possibility of circulation of counterfeit currency
  - (d) Ensures monetary stability
45. On 8 November 2016, ₹ \_\_\_\_\_ and ₹ \_\_\_\_\_ currency notes lost the status of legal tender money.
  - (a) 500, 2,000
  - (b) 100, 500
  - (c) 500, 1,000
  - (d) 100, 1,000

**Read the following text and answer questions 46–50.**

Chinese Special Economic Zones (SEZs) vary in scope and function. Some are designated geographical spaces where special policies and measures support specific economic functions. Others include free-trade areas, industry parks, technical innovation parks and bonded zones that facilitate experimentation and innovation over a wide range of industries. China's experience with SEZs has developed over time. It began in the early 1980s when market-oriented reforms were introduced in selected SEZ areas such as Shenzhen. These were followed in the mid-1980s by the establishment of open coastal cities such as Zhangzhou, designed to stimulate economic growth by leveraging their geographical location and economic opening.

Various types of Chinese SEZs can be classified on the basis of administrative areas, geographical areas, international cooperation, local industrial parks, industry clusters and corporate SEZs.

Chinese experience with SEZs has indicated a number of factors that contribute to their success and effective operation.

- (i) SEZs need to be linked to economic opening and capitalise on innovation.
- (ii) A bottom-up, problem-solving approach has to be combined with top-down governmental support.
- (iii) SEZs can promote industrial expansion by cultivating market leaders, supporting research and development, and building brands.
- (iv) They can incubate local ideas by integrating learning, innovation and production.
- (v) They can bring together resources and expertise from government, industry and research institutions to move into more advanced value chains.

(Source: <https://www.worldbank.org/content/dam/Worldbank/Event/Africa/Investing%20in%20Africa%20Forum/2015/investing-in-africa-forum-chinas-special-economic-zone.pdf>)



46. China's economic growth can be attributed to which of the following factors:
- (a) Setting up of SEZs
  - (b) Giving more importance to SOEs
  - (c) Commune land reforms in agriculture sector
  - (d) Both (a) and (c)
47. Identify which of the following is not a classification of Special Economic Zones:
- (a) Based on existing administrative regions
  - (b) Economic or industrial cooperation areas established with another country
  - (c) Established to support the development of certain industries
  - (d) Established to create regional inequalities
48. SEZs have contributed significantly to China's development because—
- (a) They acted as a catalyst for efficient allocation of domestic and international resources.
  - (b) They have deepened economic opening by attracting international capital and technology.
  - (c) They have created a lot of employment opportunities.
  - (d) All of the above.
49. A Chinese SEZ based on economic or industrial cooperation areas established with another country can be categorised as \_\_\_\_\_ type of SEZ.
- (a) Local Industrial Park
  - (b) International Cooperation
  - (c) Industrial Clusters
  - (d) Geographical Areas
50. Given below are two statements:
- Statement 1:** SEZs have contributed significantly to China's development.
- Statement 2:** SEZs have deepened economic opening by attracting international capital, technology and technical and managerial expertise that stimulated industrial development and China's greater integration into the global economy.
- In the light of the above statements, choose the most appropriate option:
- (a) Both the statements are correct.
  - (b) Both the statements are incorrect.
  - (c) Statement 1 is correct but Statement 2 is incorrect.
  - (d) Statement 1 is incorrect but Statement 2 is correct.

# Answers

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## MOCK EXAMINATION PAPER – 1

1. (b)	2. (c)	3. (c)	4. (c)	5. (b)	6. (c)	7. (b)	8. (c)	9. (b)	10. (c)
11. (d)	12. (b)	13. (a)	14. (c)	15. (c)	16. (c)	17. (d)	18. (a)	19. (d)	20. (c)
21. (d)	22. (b)	23. (c)	24. (d)	25. (d)	26. (b)	27. (c)	28. (b)	29. (d)	30. (d)
31. (c)	32. (c)	33. (d)	34. (d)	35. (c)	36. (c)	37. (c)	38. (d)	39. (b)	40. (c)
41. (a)	42. (a)	43. (d)	44. (a)	45. (c)	46. (b)	47. (d)	48. (d)	49. (d)	50. (a)

## MOCK EXAMINATION PAPER – 2

1. (b)	2. (d)	3. (b)	4. (c)	5. (c)	6. (d)	7. (b)	8. (c)	9. (c)	10. (a)
11. (b)	12. (b)	13. (b)	14. (c)	15. (d)	16. (b)	17. (c)	18. (c)	19. (d)	20. (c)
21. (a)	22. (d)	23. (d)	24. (a)	25. (c)	26. (b)	27. (c)	28. (a)	29. (a)	30. (c)
31. (a)	32. (c)	33. (b)	34. (c)	35. (c)	36. (d)	37. (a)	38. (b)	39. (c)	40. (d)
41. (d)	42. (d)	43. (d)	44. (c)	45. (c)	46. (d)	47. (d)	48. (d)	49. (b)	50. (a)