



ECONOMICS

Answer Key & Solution

APSC CC(Prel) Exam 2016

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Page | 1

ECONOMICS PAPER - ANSWER KEYS

Q1. Which statement is NOT true

d. Statements of normative economics can be empirically tested

Q2. Subject of economics is related to

c. how society decides on what, how and for whom to produce

Q3. a market is in equilibrium when

d. All of the above

Q4. With regard to price elasticity of demand

b. Along a straight line demand curve that slopes downward, the price elasticity of demand falls in absolute value as we move downward.

Q5. move down a straight line demand curve, total expenditure

c. rises, attain a maximum and then falls

Q6. Coefficient for cross elasticity of demand of commodity

d. negative if X and Y are complement

Q7. Indifference Curve for Two goods X and Y

d. All the Above

Page | 2

Q8.

c. If IC is concave to the origin, the consumer maximises satisfaction by consuming either only commodity X or only commodity Y

Q9. $MU_x/MU_y = P_x/P_y$

c. 5 unit of X and 5 unit of Y

Q10.

c. Marginal Product of variable factor is zero when total product is at its maximum

Q11.

d. rational producer never operate in stage I and stage III

Q12.

c. The Minimum point of the average cost curve occurs to the right of the minimum point of the avg variable cost curve

Q13.

d. Total cost curve is strictly non-decreasing with respect to the level of output

Q14. If demand for product of monopoly firm is inelastic, then

d. marginal revenue is zero

Page | 3

Q15. compared to a single-price monopoly, the output of a perfectly competitive industry with the same costs

a. is more than the monopoly's output

Q16. statements about monopolist competition

c. In short run, it makes profit and in long run monopolistic competitive firm typically will produce to the left of the minimum of the average cost.

Q17. In perfect competition,, in individual firm

d. faces infinite elastic demand

Q18. not a contractual payment for service rendered

b. Profit

Q19. NOT true with regard to modern theory of rent

a. Rent is a surplus earning earned by factors other than land

Q20. Frank Knight theory of uncertainty on profit

c. Uncertainty arising from natural calamities

Q21. NOT true with regards to business cycle

d. Expansion is measured from trough of prev. cycle to trough of current cycle

Q22. Not a reason for an economy moving into a recessionary phase

a. Rising house prices

Page | 4

Q23. NOT a characteristics of business Cycle

c. Cyclical fluctuation occurs as secular trends such as long-run growth or decline in fiscal performance

Q24. NOT a constituent of natural unemployment

d. Seasonal unemployment

Q25. Disguised Unemployment refers to

d. employment does not effect aggregate output and too many workers are filling too few jobs

Q26. NOT true regarding FIAT money

c. Has intrinsic value backed by a guarantee that it can be converter into a valuable commodity

Q27.Commodity money

c. object that has value in itself as well as value in its use as money

Q28. Relation between GDP and GNP

a. $GNP = GDP + \text{Net Income from abroad}$

Q29. c. GDP

Q30. c. Imports from abroad

Page | 5

Q31. Index no. in used

a. to measure change in price

Q32. For computing a weighted index, current period quantities are used as weights in

b. Passche's Index

Q33. NOT Limitation of index no.

c. they are only approximate indicator of the change of a phenomenon

Q34. Quantity theory of money is a theory of how

c. real value of aggregate income is determined

Q35. For classical economists, Quantity theory of money provided an explanation of movements in price level which result

c. solely from changes in the quantity of money

Q36.

b. $M \times V = P \times T$

Q37. Central Bank to decrease money supply

b. raise discount/bank rate

Q38. Not a quantitative measure for controlling money supply

c. Margin requirement

Page | 6

Q39. Phillips curve describes relationship between

c. Unemployment rate and inflation curve

Q40. NOT a cause of cost-push inflation

c. shortage of foreign exchange

Q41. in a macroeconomic equilibrium economy, taxes are significantly decreases, then

a. expansion and inflation in the economy

Q42. US and UK follow Gold standard. Inflation in US but not in UK, as a result

c. American dollar would depreciate

Q43. NOT a constituent of M1 measure of Money Supply

b. Savings deposits with Post Office savings banks

Q44. currency Appreciation occurs when

c. value of one currency rises relative to another currency

Q45. Foreign exchange rate is

d. price of one country's currency in terms of another country's currency

Q46. NOT True

a. Individual can borrow money from other individuals only whereas public authority may borrow both externally and internally.

Page | 7

Q47. NOT a core function of Public Finance

c. Ensuring Neutran monetary policy stance

Q48. NOT true with regard to taxes

d. Fees, fines and penalties are example of complusory tax obligations

Q49. NOT a canon of taxation as forwarded by Adam Smith

d. Canon of Productivity

Q50. Which is a Union Tax

a. Capitation Tax

Q51. true regarding incidence of taxation

a. incidence of unit tas on buyer is greater, greater is the elasticity of supply

Q52. true statement

d. Shifting is process of trasnfering money burden of tax to someone else

Q53. True statement with regard to taxable capacity obtaining in the economy

c. Greater inequality in distribution of income higher is the taxable capacity of the nation

Q54. Argument for restricting size of public sector

c. (i) & (iii)

Page | 8

Q55. tax levied on inter-state trade of goods is

d. Central Sales Tax

Q56. Diff between total expenditure and total receipts is

b. Budget deficit

Q57. Not true with regard to effect of a properly designed programme of public expenditure

c. programme has the potential to reduce the desire of society to work, save and invest

Q58. The concept of functional finance was developed by

B. A P Lerner

Q59. regard to public debt

c. undertaking fresh debt or repaying existing debt to maintain that rate of interest that induce optimum amount of investment

Q60. Conversion of public debt is

b. exchange of new debt for old

Q61. NOT true regarding redemption of Public debt through terminable annuities

c. create a fund by accumulating a part of public revenue every year for repayment of debt

Page | 9

Q62.

a. sometime monetary and sometime fiscal policy will impact aggregate long-run output

Q63. Automatic stabilisers act in a way that

b. Increases govt expenditures and decreases govt revenues during recessions

Q64. which is CORRECT with respect to tax evasion and tax avoidance

d. Tax avoidance is legal, whereas tax evasion is not

Q65. NOT true with regard to tax avoidance

c. arrangement of tax avoidance is made after occurrence of tax liability

Q66. Discretionary fiscal policy differs from non-discretionary fiscal policy in that

c. former require timely discussion whereas the latter is built into the system

Q67. NOT an element of structural change that accompanies development

a. increase in the share of agriculture in GDP

Q68. NOT an element of the redistribution with growth policy

d. Increased access to education

Q69, Least Developed countries have

b. higher birthrate and higher death rates

Page | 10

Q70. NOT true with regard to Hindu Rate of growth

a. growth of hindu population in India after Independence

Q71. Methods used to calculate national income

d. All of the above

Q72. Concept of planned development for India was borrowed from

c. Soviet Russia

Q73. The share of agri, forestry and fishing in the GDP of India in 2015-16 was approximately

d. 17.5%

Q74. True statement regarding human resource development and economic development

c. Expenditures on human resource development positively impacts all three components included in the construction of HDI

Q75. NOT compatible statement with regard to concept of demographic dividend

a. Occurs when dependency ratio in total population is high

Q76. **QUESTION NOT READABLE**

Q77. Scope of Land reform in India

d. All the above

Page | 11

Q78. NOT a reason for poor performance of land reforms programme in India

b. Uniformity of land reforms measures across diff states

Q79. Mechanisation in Agriculture is NOT compatible with

a. Fragmented ladn holdings

Q80. NOT a technological factor underlying low productivity in India's agriculture sector

b. Scanty use of fertilizer and scientific input

Q81. Which crop is usually sown to enhance soil prdocutivity and refuvenate the soil

c. Pulse

Q82. NOT true with regard to Green Revolution

d. Initially area under the strategy was confined to States of Punjab, Haryan, Western UP and West Bengal only

Q83. Organisation look after credit needs of agri and rural dev. in India

c. NABARD

Q84. NOT a weakness of agri marketing in India

c. Absence of intermediaries to whom the famrers can sell their produce

Q85. NOT a reason for stagnation in Indian industry in present times

d. Renewed enthusiasm of lending institutions eager to lend to overleveraged industrial houses

Page | 12

Q86. New Industrial Policy 1991 did NOT envisage

d. Aggresively pursue policy of import substitution to shore up foreign exchange reserve

Q87. NOT a refinance institution extending refinance to banks and non-banking financial institutions

c. LIC

Q88. QUESTION NOT READABLE

Q89. LEAST in tune with objectives underlying the encouragement of small-scale industries

b. To encourage concentration of wealth in the hands of entrepreneurial class

Q90. NOT a state objective of plan process

d. promotion of autarky

Q91. NOT a cause of inflationary pressure in Indian economy due to demand-pull factors?

c. Oil price hike since 1970s

Q92. measures NOT exercised to curb inflationary pressure in Indian Economy

b. Reduction in policy interest rate and removal of selection credit control measures

Q93. NOT TRUE regarding India's external trade

c. trade deficit has been compounded by consistent deficits in net invisibles over the entire plan period

Page | 13

Q94. NOT a measure for restricting deficits in the Balance of Payment Account for India

c .Keeping foreign exchange rate above the market determined rate of exchange

Q95. NOT TRUE

d. merger of SBI with it's 7 ssociate banks completed in 2017

Q96. NOT TRUE regarding Lead Bank Scheme

c. Lead Bank Scheme successful in meeting targets

Q97. NOt a consideration put forward to justify nationalisation of banks

c. Would help in concentration of eco. power in hands of the elites and thus foster goan of planned economic dev

Q98. Who said india would be truly independent only when poorest of its people become free of human suffering

a. Mahatma Gandhi

Q99. MNREGA NOT True provision

b. At least 100 days of wage–employment to every individual who applied for manual work under the scheme

Q100. based on MRP consumption, which state has highest incidence of poverty in 2011-12

b. Chhattisgarh

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