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| Question | **Which one of the following is not a feature of India’s economic planning?** |
| Type | multiple-choice |
| Option | Imperative planning |
| Option | Imperative planning |
| Option | Democratic socialism |
| Option | Indicative planning |
| Answer | 1 |
| Solution | Imperative planning is not a feature of economic planning of India. In case of imperative planning economic activities belong to public sector. In this type of planning economic decisions are made through a central planning authority instead of a market system. There is absence of institutions of private property, competition and profit motive of industrialists. |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Aggregate Demand in an economy usually increases with an increase in**   1. National Income 2. Investment 3. Government spending   **Select the correct answer using the codes below.** |
| Type | multiple-choice |
| Option | 1 and 2 only |
| Option | 2 and 3 only |
| Option | 1 and 3 only |
| Option | 1, 2 and 3 |
| Answer | 4 |
| Solution | Under the effective demand principle, the equilibrium output of the final goods is equal to ex ante aggregate demand. Thus, a basic equation used for determining aggregate demand is  AD = Y = C I G, where C is usually an increasing function of national income. Y is total output. Based on the above, if any of the factors are increased, it increases the AD. |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Economic growth is usually coupled with** |
| Type | multiple-choice |
| Option | Deflation |
| Option | Inflation |
| Option | Hyper-inflation |
| Option | Stagflation |
| Answer | 2 |
| Solution | With increase in GDP, aggregate demand increases, because more production means people have more disposable income, which means more consumer spending. As a result, prices rise in response, and in conclusion because aggregate demand grows faster than long-term aggregate supply, economic growth will be coupled with inflation.  Hyper-inflation - In economic, hyper-inflation occurs when a country experience very high and usually actuarially rates of inflation. Economic growth is usually coupled with inflation |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **The supply-side economics lays greater emphasis on the point of view of:** |
| Type | multiple-choice |
| Option | Producer |
| Option | Global economy |
| Option | Consumer |
| Option | Middle-man |
| Answer | 1 |
| Solution | Supply side economics lays greater emphasis on the point of view of the producer whereas the demand side economics lays emphasis on the interest of the consumer |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **In terms of economy, the visit by foreign nationals to witness the XIX common Wealth Games in India amounted to** |
| Type | multiple-choice |
| Option | Export |
| Option | Import |
| Option | Production |
| Option | Consumption |
| Answer | 1 |
| Solution | In terms of economy, the visit by foreign nationals to witness the XIX Common Wealth Games in India amounted to export. Here the visitors brought dollars into India and they utilized services in India (consumption). This is classified under Mode 2 type of service under WTO norms |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **A ‘closed economy’ is an economy in which** |
| Type | multiple-choice |
| Option | The money supply is fully controlled |
| Option | Deficit financing takes place |
| Option | Only exports take place |
| Option | Neither exports nor imports take places |
| Answer | 4 |
| Solution | This is an economy that does not interact with the economy of any other country. A closed economy prohibits imports and exports and prohibits any other country from participating in their stock market. |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Public goods are those goods that are** |
| Type | multiple-choice |
| Option | Subsidized by the government to reduce the cost to the consumer |
| Option | To be ideally provided by the government since private enterprises may not find it economically viable |
| Option | Produced by the state owned enterprises in strategic interest |
| Option | Consumed by more than one individual |
| Answer | 2 |
| Solution | A public good is a product that one individual can consume without reducing its availability to another individual and from which no one is excluded. For e.g. clean air, national defence, law and order, flood control system, lighthouses etc. Even LPG is subsidized, but it is not a public good. So, (a) is incorrect.  PSEs produce steel, defence equipment and weapons too, but none of them are public goods. So, (c) is also incorrect.  Many public goods may at times be subject to excessive use resulting in negative externalities affecting all users; for example air pollution and traffic congestion. Public goods problems are often closely related to the "free-rider" problem, in which people not paying for the good may continue to access it. These may also be called social goods as they look essential from the social justice and well-being perspective for the people. Education, healthcare, sanitation, drinking water, nutrition, caring for the handicapped and old etc., come under this category |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **The concept of Engel’s elasticity, in Economics, is used to analyse** |
| Type | multiple-choice |
| Option | Inward foreign remittances |
| Option | Consumer Behaviour |
| Option | Impact of Monetary Policy |
| Option | Government Budgeting |
| Answer | 2 |
| Solution | The Economic Survey mentions this concept, which is one of the most basic concepts of Microeconomics. Since UPSC keeps asking micro related Qs, this one is in order. One of the ways to analyze the consumer’s behavior is through Engel’s elasticity. It may be mentioned that Engel elasticity calculated here refer to the responsiveness of PFCE of a particular commodity group to the aggregate PFCE, at constant 2011-12 prices. |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Mixed economy means an economy where** |
| Type | multiple-choice |
| Option | Both agriculture and industry are equally promoted by the state |
| Option | There is co-existence of public sector along with private sector |
| Option | There is importance of small-scale industries along with heavy industries |
| Option | Economy is controlled by military as well as civilian rulers |
| Answer | 2 |
| Solution | A mixed economic system is a system that combines aspects of both capitalism and socialism. A mixed economic system protects private property and allows a level of economic freedom in the use of capital. It also allows for governments to interfere in economic activities in order to achieve the social aims.  Economic systems can be categorized into four main types: traditional economies, command economies, mixed economies, and market economies.  Laissez-faire is an economic theory from the 18th century that opposes any government intervention in business affairs and translates to "leave alone". |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Which of the following is not a necessary condition for economic development?** |
| Type | multiple-choice |
| Option | Increase in per capita income |
| Option | Reduction in income inequality |
| Option | Increase in national savings |
| Option | Expansion of healthcare services |
| Answer | 3 |
| Solution | While an increase in national savings can support economic growth by providing more funds for investment, it is not a necessary condition for economic development. Development focuses more on improving the quality of life through factors like healthcare, education, and reducing income inequality. Economic growth through increased savings and investment is not sufficient if it doesn't translate into broader development benefits |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **In a perfectly competitive market, the equilibrium market price of goods is determined by** |
| Type | multiple-choice |
| Option | Total capital stock of the economy |
| Option | Marginal cost and Marginal revenue |
| Option | Average cost of production |
| Option | Employment-output ratio |
| Answer | 2 |
| Solution | The price at which the Government purchases foodgrains for maintaining the public There are a very large number of buyers and sellers in a perfectly competitive market and since there is no monopoly of a single firm, all firms jointly take the prices. Marginal cost means the cost of producing one additional unit of product. Marginal revenue is the price that every additional unit will fetch in the market. This is based on the demand of the buyers. The equilibrium market price of goods is a point where marginal cost becomes equal to the marginal revenue. This is one the most fundamental concepts of economic theory and used by many industrial firms in deciding the amount of output and prices |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Which of the following statements is/are true?**   1. If increase in demand and supply are of equal magnitude, the price will remain unchanged, but the equilibrium quantity will increase. 2. If increase in demand is of greater magnitude than increase in supply, both equilibrium price and equilibrium quantity will increase. 3. If increase in supply is of greater magnitude than increase in demand, equilibrium price will fall but equilibrium quantity will increase.   **Select the correct answer using the code given below:** |
| Type | multiple-choice |
| Option | 1 only |
| Option | 1 and 2 only |
| Option | 2 and 3 only |
| Option | 1, 2 and 3 |
| Answer | 4 |
| Solution | * If an increase in demand and supply are of equal magnitude, the price will remain unchanged, but the equilibrium quantity will increase. This statement is true. When both demand and supply increase by the same amount, they offset each other in terms of price impact, so the price remains the same while the equilibrium quantity increases. * If an increase in demand is of greater magnitude than an increase in supply, both equilibrium price and equilibrium quantity will increase. This statement is also true. When demand increases more than supply, it creates upward pressure on both price and quantity in the market. * If an increase in supply is of greater magnitude than an increase in demand, the equilibrium price will fall, but the equilibrium quantity will increase. This statement is also true. When supply increases more than demand, it puts downward pressure on price, leading to a lower equilibrium price, while the equilibrium quantity increases due to the larger supply |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **In an economy a condition of lack of money supply in comparison to the supply of the goods services, will lead to:** |
| Type | multiple-choice |
| Option | Inflation |
| Option | Deflation |
| Option | Hyperinflation |
| Option | Devaluation |
| Answer | 2 |
| Solution | Deflation may be caused by a combination of the supply and demand for goods and the supply and demand for money, specifically the supply of money going down and the supply of goods going up |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **The concept of Economic Planning in India is derived from which country?** |
| Type | multiple-choice |
| Option | USA |
| Option | UK |
| Option | Russia |
| Option | France |
| Answer | 3 |
| Solution | The concept of Economic planning in India is derived from Russia |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **15. 'Oligopoly' refers to:** |
| Type | multiple-choice |
| Option | Many sellers, Few buyers |
| Option | Many sellers, Many buyers |
| Option | Few sellers, Many buyers |
| Option | Few sellers, Few buyers |
| Answer | 3 |
| Solution | Oligopoly is a commodity market that occurs when there are a small number of firms producing a homogenous commodity.  A few sellers, many buyers are the basic character of Oligopoly |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **What are ‘Wage Goods’?** |
| Type | multiple-choice |
| Option | Goods consumed by the salaried class |
| Option | Heavy capital goods used for income generation in a nation |
| Option | Heavy capital goods used for income generation in a nation |
| Option | Export based goods |
| Answer | 1 |
| Solution | **Wage** goods, in contrast to capital goods, are consumed by the workers of the country. In the initial phase of Indian economic development, it was alleged that wage goods were given a lesser priority as compared to the capital goods that require a specialized workforce and heavy investment to pick up. This industrialization-led strategy of development neglected the constraint of wage goods availability on two things: Employment generation as demand for workers and thus wage goods increases post-economic growth, and its potential influence on inflation that is caused by the shortage of wage goods as a nation’s GDP starts growing. However, with the renewed focus on catching up with National GDP, wage goods are no longer neglected. |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **In which type of economy is government interference is limited?** |
| Type | multiple-choice |
| Option | Socialist economy |
| Option | Market economy |
| Option | Mixed economy |
| Option | None of the above |
| Answer | 2 |
| Solution | In a market economy, government interference is generally limited compared to other types of economies like socialist or mixed economies. In a pure market economy, the allocation of resources, production, and distribution of goods and services are primarily determined by market forces (supply and demand) and the decisions of private individuals and businesses. The role of the government in a market economy is typically restricted to enforcing property rights, ensuring competition, and maintaining a legal framework, rather than directly controlling or owning the means of production and distribution |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Which of the following is a primary function of Non-Banking Financial Institutions (NBFIs)?** |
| Type | multiple-choice |
| Option | Accepting demand deposits from the public |
| Option | Providing long-term loans for infrastructure projects |
| Option | Issuing currency notes |
| Option | Controlling monetary policy |
| Answer | 2 |
| Solution | NBFIs are financial institutions that provide services similar to traditional banks but do not have a full banking license. They cannot accept demand deposits (checking accounts) but are involved in activities like long-term financing, asset management, insurance, and investments. They play a crucial role in the economy by providing long-term loans, particularly for infrastructure development, and helping to diversify the financial system |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Which of the following best describes the concept of "marginal cost"?** |
| Type | multiple-choice |
| Option | The total cost incurred in the production of all units of a good |
| Option | The additional cost incurred in producing one more unit of a good |
| Option | The fixed cost of production irrespective of output |
| Option | The average cost of producing all units of a good |
| Answer | 2 |
| Solution | Marginal cost refers to the increase in total cost that arises from producing an additional unit of output. It plays a key role in decision-making for businesses, as firms seek to produce up to the point where marginal cost equals marginal revenue. This concept is important for optimizing production levels. |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Which of the following correctly defines "gross profit"?** |
| Type | multiple-choice |
| Option | Revenue minus fixed and variable costs |
| Option | Revenue minus fixed costs only |
| Option | Revenue minus all operating expenses and taxes |
| Option | Revenue minus variable costs only |
| Answer | 2 |
| Solution | Gross profit is calculated as the difference between revenue (sales) and the cost of goods sold (COGS), which typically includes only variable costs (costs that change with the level of output, like raw materials and direct labor). It does not account for fixed costs or other expenses like taxes and interest, which are considered in net profit. |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Which of the following statements best distinguishes economic growth from economic development?** |
| Type | multiple-choice |
| Option | Economic growth always leads to economic development |
| Option | Economic development is purely quantitative, while economic growth includes social indicators |
| Option | Economic growth focuses on increasing the national income, while economic development focuses on improving people's living standards |
| Option | Economic development is a short-term process, while economic growth is long-term |
| Answer | 3 |
| Solution | Economic growth is primarily about an increase in the economy's output or GDP, whereas economic development is a broader concept that includes improvements in the quality of life, poverty reduction, and social welfare. Development emphasizes qualitative changes like better education, healthcare, and equitable wealth distribution. |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Opportunity cost is best defined as:** |
| Type | multiple-choice |
| Option | The total cost of all inputs in production |
| Option | The cost of the next best alternative foregone |
| Option | The difference between fixed and variable costs |
| Option | The additional cost incurred to produce one more unit of output |
| Answer | 2 |
| Solution | Opportunity cost refers to the value of the next best alternative that must be sacrificed when making a choice. It is a fundamental concept in economics because it represents the real cost of a decision, emphasizing that choosing one option involves giving up potential gains from another option |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Which of the following would be considered a macroeconomic policy issue?** |
| Type | multiple-choice |
| Option | Determining the price of a single product |
| Option | Deciding the price of labor in a specific industry |
| Option | Setting prices for agricultural commodities |
| Option | Addressing inflation through monetary policy |
| Answer | 4 |
| Solution | Macroeconomic policies focus on broad issues affecting the entire economy, such as inflation, unemployment, and economic growth. Monetary policy, which involves controlling the money supply and interest rates to regulate inflation and stabilize the economy, is a core component of macroeconomic policy |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **The "perfect competition" market structure is an ideal concept in microeconomics where:** |
| Type | multiple-choice |
| Option | Firms have no control over prices, and there is free entry and exit |
| Option | A few firms dominate the market and control prices |
| Option | One firm has complete control over the market price |
| Option | Consumers have no influence on the price of goods |
| Answer | 1 |
| Solution | In a perfectly competitive market, firms are price takers, meaning they have no control over the market price, and there is free entry and exit of firms. This market structure is characterized by many buyers and sellers, homogeneous products, and perfect information. Other market structures like monopolies or oligopolies (where a few firms dominate) deviate from perfect competition |
| Positive Marks | 2 |
| Negative Marks | 0.66 |

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| Question | **Which of the following accurately describes "net profit"?** |
| Type | multiple-choice |
| Option | Total revenue minus total costs, including operating expenses, taxes, and interest |
| Option | Total revenue minus variable costs only |
| Option | Total revenue minus the cost of raw materials only |
| Option | Total revenue minus depreciation expenses |
| Answer | 1 |
| Solution | Net profit, also known as net income, is the amount of profit remaining after all operating expenses, interest, taxes, and other costs have been subtracted from total revenue. It reflects the true profitability of a business and is an important measure of financial health |
| Positive Marks | 2 |
| Negative Marks | 0.66 |