

# Sikkim Public Service Commission

Written Examination for the post of Cooperative Inspector and Cooperative Auditor

## PAPER - II ECONOMICS

Time Allowed: 3.00 hours

Maximum Marks: 200

### INSTRUCTIONS TO CANDIDATES

*Read the instructions carefully before answering the questions: -*

1. **IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS BOOKLET DOES NOT HAVE ANY UNPRINTED, TORN OR MISSING PAGES OR ITEMS. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.**
2. **Use only Black Ball Point Pen to fill the OMR Sheet.**
3. Please note that it is the candidate's responsibility to fill in the Roll Number carefully without any omission or discrepancy at the appropriate places in the OMR ANSWER SHEET as well as on SEPARATE ANSWER BOOKLET for Conventional Type Questions. Any omission/discrepancy will render the Answer Sheet liable for rejection.
4. Do not write anything else on the OMR Answer Sheet except the required information.
5. This Test Booklet is divided into three sections - **Section A (100 marks), Section B (50 marks) and Section C (50 marks).**
6. Section A is MCQ which has to be answered in the OMR Sheet provided to the candidate. Section B and Section C contain **conventional questions** which have to be answered in the Answer Sheet. All Sections are **Compulsory**.
7. Before you proceed to mark in the OMR Answer Sheet, you have to fill in some particulars as per given instructions.
8. After you have completed filling in all your responses on the OMR Answer Sheet and the examination has concluded, you should hand over the OMR Answer Sheets and the Answer Booklets to the Invigilator only. You are permitted to take with you the Test Booklet.
9. **Marking Scheme**  
**THERE WILL BE NEGATIVE MARKING FOR WRONG ANSWERS MARKED BY A CANDIDATE IN THE OBJECTIVE TYPE QUESTIONS**
  - (i) There are four alternatives for the answer to every question. For each question for which a wrong answer has been given by the candidate, one-third of the marks assigned to the question will be deducted as penalty.
  - (ii) If a candidate gives more than one answer, it will be treated as a wrong answer even if one of the given answers happens to be correct and there will be same penalty as above to the question.
  - (iii) If a question is left blank. i.e., no answer is given by the candidate; there will be no penalty for that question.

**DO NOT OPEN THIS TEST BOOKLET UNTIL YOU ARE ASKED TO DO SO**

## **SECTION – A**

### **(Multiple Choice Questions)**

**Choose the correct answer for the following. Each question carries 2 marks. (50x2=100)**

**1. Net current transfers from the rest of the world mean:**

- A. Net factor income from abroad
- B. Difference between the gifts and donations received and made to the rest of the world
- C. Difference between exports and imports
- D. Difference between the interest income received and paid to the rest of the world

**2. From the following, in which sector is the value-added method not used for estimating National Income in India?**

- A. Agriculture
- B. Mining and quarrying
- C. Forestry and logging
- D. Construction

**3. Interest on public debt is a part of:**

- A. National Income
- B. Interest payment to households on their deposits
- C. Transfer payment by Government
- D. Transfer payment by the enterprise to households

**4. Imputed rent of the owned -occupied house is:**

- A. Final consumption
- B. Capital formation
- C. Intermediate consumption
- D. Increase in stocks

**5. Government transfer receipt include \_\_\_\_.**

- A. Direct and indirect taxes
- B. Public debt interest
- C. Old age pension
- D. Subsidies

**6. Salaries and allowances to Members of Parliament are \_\_\_\_.**

- A. included in compensation of employees
- B. excluded in compensation of employees
- C. included in employer's contribution to social security scheme
- D. transfer payment to them



7. National product at market prices is higher than national product at factor cost by the amount of
- indirect taxes only
  - subsidies
  - indirect taxes + subsidies
  - indirect taxes – subsidies
8. Which of the following is a part of national income?
- Old age pension
  - Unemployment
  - Profit
  - Scholarship
9. If a farmer sells wheat to a miller for Rs.500, the miller sells flour to a baker for Rs. 700 and the baker sells bread to a consumer for Rs. 1000, then the total value added by the miller and baker is?
- 500
  - 300
  - 1700
  - 1200
10. Corporate tax is not a part of?
- Personal Income
  - National Income
  - Domestic Income
  - Private Income
11. In Economics, demand has the following feature:
- a desire to have a good
  - a desire to buy and willingness to pay
  - a desire to buy, willingness to pay, backed by capacity to pay
  - unlimited demand can be satisfied
12. Given that x and y are two complementary goods, if price of y falls, how would demand for x change?
- It will fall
  - It will increase
  - It will remain constant
  - It will become zero
13. When AC declines, the MC \_\_\_\_\_.
- continuously declines
  - starts rising after decline
  - continuously increases
  - starts declining after rise

**14. Who propounded the cardinal utility approach?**

- A. Hicks
- B. Pigou
- C. Marshall
- D. Samuelson

**15. How does an increase in the fixed cost of firm under perfect competition affect price and output in the short run?**

- A. Output rises, price falls
- B. Output falls, price rises
- C. Output and price both remain same
- D. Output remains the same, price rises

**16. Which of the following is not a characteristic of monopolistic competition?**

- A. Product differentiation
- B. Firm has partial control over price
- C. Demand curve is downward sloping
- D. Full utilisation of production

**17. In which market is the expenditure on selling cost and advertisement important?**

- A. Monopolistic competition
- B. Oligopoly
- C. Both monopolistic competition and oligopoly
- D. Monopoly

**18. Supply curve exists \_\_\_\_.**

- A. Only in perfect competition
- B. Only in monopoly
- C. Both in monopoly and perfect competition
- D. Both monopoly and monopolistic competition

**19. A downward sloping straight line indifference curve implies that**

- A. Both goods x and y are complementary
- B. Both goods perfect complementary
- C. Both goods are perfect substitutes
- D. Both goods are close substitutes

**20. Which of the following curves is known as plant curve?**

- A. LAC
- B. AVC
- C. SAC
- D. AFC

21. Set the measures of money supply  $M_1$ ,  $M_2$ ,  $M_3$  and  $M_4$  in ascending order in terms of their liquidity.
- A.  $M_3, M_2, M_1, M_4$
  - B.  $M_1, M_2, M_3, M_4$
  - C.  $M_4, M_2, M_3, M_1$
  - D.  $M_4, M_3, M_2, M_1$
22. Comparative cost advantage in Ricardo's International Trade Theory arises due to?
- A. Labour cost differences
  - B. Differences in factor endowment
  - C. Factor abundance defined in terms of factor prices
  - D. All of the above
23. Basic balance in balance of payments \_\_\_\_.
- A. Excludes current account balance
  - B. Short term capital account balance
  - C. Long term capital account balance
  - D. Both short term and long-term capital account balance
24. Suppose the Government of India borrows \$100 million from the World Bank for construction of a power project, this amount will be \_\_\_\_.
- A. Current account of balance of payment
  - B. Short term capital account of balance of payment of India
  - C. Long term capital account of balance of payment of India
  - D. Current account in debit side as the revenue receipts
25. Dividend received from the investment in a foreign country will be recorded in balance of payment account in \_\_\_\_.
- A. Credit side (plus item) of current account
  - B. Debit side (minus item) of current account
  - C. Credit side (plus item) of capital account
  - D. Debit side (minus item) of capital account
26. If  $(K/L)_A > (K/L)_B$  then according to physical criterion of Heckscher- Ohlin Theory,
- A. Country A is capital abundant
  - B. Country B is capital abundant
  - C. Country A is labour abundant
  - D. Both A and B are correct
27. Which of the following was not assumed by Heckscher-Ohlin Theory?
- A. Perfect Competition
  - B. Full employment of resources
  - C. Factor intensities are non-reversible
  - D. Factor intensities are reversible



**28. As per Ricardian Theory of comparative advantage**

- A. The prices of two commodities are determined by labour cost
- B. The prices of two commodities are determined by capital cost
- C. The prices of two commodities are determined by capital cost by both labour and capital cost
- D. The prices of two commodities are determined on the basis of transportation cost

**29. In the Ricardian Theory of comparative advantage which of the following assumptions has not been taken?**

- A. Commodities are produced under the law of decreasing costs
- B. Perfect factor mobility within each country
- C. All factors of production are fully employed
- D. There are similar tastes in both countries

**30. All the transactions recorded in current account are?**

- A. Autonomous transaction
- B. Accommodating transaction
- C. Compensatory transaction
- D. Both B and C

**31. Economic development involves:**

- A. Only quantitative changes in development variables
- B. Only qualitative changes in development variables
- C. Both quantitative and qualitative changes in development variables
- D. Increase in per capita income only

**32. Which of the following is correct?**

- A. Growth without development is not possible
- B. Growth is multi-dimensional concept
- C. Development without growth is possible
- D. Growth without development is possible but development without growth is not possible

**33. As per the provisional estimates released by CSO in May 2021, the share of agriculture and allied sectors in GGVA at current prices for the year 2019-2020 is:**

- A. 15.40%
- B. 17.8%
- C. 18.5%
- D. 16.48%

**34. For the year 2019-20 (as per fourth advance estimate) total food grain in the country is estimated at**

- A. 290.54 million tonnes
- B. 296.65 million tonnes
- C. 275.42 million tonnes
- D. 295.24 million tonnes

**35. During the financial year 2020-21 allocation of food grains has been done through which channel?**

- A. National Food Security Act
- B. Pradhan Mantri Garib Kalyan Anna
- C. Both A and B
- D. Neither A nor B

**36. Which is not correct about the Integrated Management of Public Distribution System (IM-PDS)?**

- A. It is being implemented by the Department of Food and Public Distribution in collaboration with all State and UTs
- B. Its validity is extended to 31<sup>st</sup> March 2022
- C. The main objective of the scheme is to introduce nation-wide portability of Ration Card
- D. Its validity is extended to December 2025

**37. The contribution of food processing sector in GVA in manufacturing in 2018-19 at 2011-12 prices is**

- A. 10.5%
- B. 8.98%
- C. 9.5%
- D. 11.4%

**38. As per the latest estimates on GVA the industrial sector is expected to record a growth of**

- A. 5.4%
- B. 9.6%
- C. -9.6%
- D. -5.4%

**39. As per the Doing Business Report (DBR) 2020, the rank of Ease of Doing Business Index for 2019 is**

- A. 61<sup>st</sup>
- B. 62<sup>nd</sup>
- C. 63<sup>rd</sup>
- D. 75<sup>th</sup>

40. What phenomena led to the growth of urbanization in developed countries?
- A. Agriculture Revolution
  - B. Industrial Revolution
  - C. Technological Development
  - D. None of these
41. The main function of a commercial bank is:
- A. Loaning to other banks
  - B. Accept deposits from customers
  - C. Credit control
  - D. All the above
42. Which type of unemployment has the marginal productivity of the workers as zero?
- A. Disguised Unemployment
  - B. Involuntary unemployment
  - C. Seasonal unemployment
  - D. Structural Unemployment
43. Public finance is an economic sector that allocates \_\_\_\_\_ to various public entities based on the set budget and timelines
- A. Funds
  - B. Equipment
  - C. Grains
  - D. Portfolio
44. The \_\_\_\_\_ is the ratio of the non-working population (under 15 years old and over 64 years old) to the working-age population.
- A. labour force participation rate
  - B. dependency ratio
  - C. population transition
  - D. per capita population ratio
45. The unemployment rate at all India level for all ages as per usual status in 2018-19 is
- A. 6.4%
  - B. 5.12%
  - C. 5.8%
  - D. 7.5%
46. The "Report of the Task Force on Employment Opportunities 2001" was chaired by
- A. S.D. Tendulkar
  - B. Montek Singh Ahluwalia
  - C. C. Rangarajan
  - D. Amaresh Bagchi



**47. The "Special Group on Targeting 10 million Employment Opportunities per year" was constituted under the chairmanship of**

- A. S. P. Gupta
- B. C. Rangarajan
- C. Shri Mitra
- D. B.B. Bhattacharya

**48. The First Five Year Plan in India was implemented during the period**

- A. 1951-56
- B. 1947-52
- C. 1956-61
- D. 1950-55

**49. What was the main theme of the 11<sup>th</sup> Five Year Plan of India?**

- A. Inclusive growth
- B. Sustainable development
- C. Self-reliance
- D. Faster and more inclusive growth

**50. \_\_\_\_\_ is called rolling plan.**

- A. First FiveYear Plan
- B. Second Five Year Plan
- C. Sixth Five Year Plan
- D. Twelfth Five Year Plan

### **SECTION -B**

***Attempt any 5 (five) from Questions 51 to 58. Each question carries 10 marks. (5x10=50)***

51. What is double counting? How does it affect the measure of GNP? What is the method used to avoid double counting?
52. Explain the process of credit creation. How do banks create and supply money?
53. Decompose the price effect using the indifference curve technique for an inferior good.
54. Discuss the mechanism of the absorption approach to the balance of payments adjustments. How is it different from elasticity approach to the effect of devaluation on balance of payments?
55. Critically examine the view that international trade results from differences in factor endowments amongst countries.
56. Is per capita income a reliable index of well being within a country? In this context, discuss the modern view of economic development.
57. Discuss the objectives and strategy adopted in economic planning in India. How have they been effective in solving the problems of developing Indian economy?
58. Distinguish between automatic stabilization policy and discretionary fiscal policy. Do they work equally efficiently in developed and developing economies?

**SECTION – C**

***Answer any 2 (two) from Questions 59 to 62. Each question carries 25 marks. (2x25=50)***

59. How does Chamberlin justify that a monopolistically competitive firm does not possess any excess capacity? Give reasons in support of your answer.
60. How is Tobin's approach to speculative demand for money different from Keynes's approach? Explain in detail.
61. Critically analyse the emerging trends in Indian agriculture as a result of liberalization.
62. What can be an effective skill-based employment system for poverty reduction in the country? Give your views.

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