

Sikkim Public Service Commission
Main Written Examination for the Post of Sub Inspector
PAPER - II ECONOMICS

Time allowed: 3.00 Hrs

Maximum Marks: 250

INSTRUCTION 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 OR TORN OR MISSING PAGES OR ITEMS ETC. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.**
Use only Black Ball Point Pen to fill the OMR Sheet.
2. Do not write anything else on the OMR Answer Sheet except the required information.
3. **This Test Booklet contains 50 questions in MCQ Mode in Part I to be marked in OMR Sheet. Part II and Part III are Subjective Questions which have to be written on separate answer sheet provided to you.**
4. Before you proceed to mark in the Answer Sheet (OMR), you have to fill in some particulars in the Answer Sheet (OMR) as per given instructions.
5. After you have completed filling in all your responses on the Answer Sheet (OMR) and the examination has concluded, you should hand over the Answer Sheet (OMR) and separate answer sheet to the Invigilator only. You are permitted to take with you the Test Booklet.
6. **Marking Scheme THERE WILL BE NEGATIVE MARKING FOR WRONG ANSWERS MARKED BY A CANDIDATE IN THE OBJECTIVE TYPE QUESTIONS**
 1. 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.
 2. 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.
 3. 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

PART - I

Choose the correct answer for the following questions:

(3x50=150)

1. Under Monopolistic competition the cross elasticity of demand for the product of a single firm would be:

- A. Infinite
- B. Highly elastic
- C. Highly inelastic
- D. Zero

2. In a free-market economy the allocation of resources is determined by:

- A. Votes taken by consumers
- B. A central planning authority
- C. By consumer preferences
- D. The level of profits of firms

3. The total demand for goods and services in an economy is known as:

- A. Aggregate demand.
- B. Gross national product.
- C. Economy-wide demand.
- D. National demand.

4. Monopolist can determine:

- A. Price
- B. Output
- C. Either price or output
- D. None

5. Under monopoly price discrimination depends upon:

- A. Elasticity of demand for commodity
- B. Elasticity of supply for commodity
- C. Size of market
- D. All of above

6. The first fundamental Theorem of Welfare Economics requires:

- A. that there be an efficient market for every commodity.
- B. that the economy operates at some point on the utility possibility curve.
- C. producers and consumers to be price takers.
- D. All of the above.

7. Consider a small economy where the total population is 10,000. The size of the labour force is 8,000, while the number of people employed is 7,000. What is the unemployment rate in this economy?
- A. 10%
 - B. 12.5%
 - C. 20%
 - D. 30%
8. In 2000, the nominal GDP growth of a country was 8% and the real GDP growth was 4%. What was the rate of inflation for this country?
- A. - 4%
 - B. 2%
 - C. 4%
 - D. 8%
9. The difference between total expenditure and total receipts is
- A. Fiscal deficit
 - B. Budget deficit
 - C. Primary deficit
 - D. Revenue deficit
10. What do we call a soft loan that is granted on very favourable terms to the borrower?
- A. Concessional Loan
 - B. Subsidized loan
 - C. Personal Loan
 - D. None of the above
11. Which of the following tax is best example of ability to pay principle of taxes?
- A. Excise tax on cigarettes
 - B. Highway toll tax
 - C. Proportional sales tax
 - D. Personal income tax
12. A government restriction on quantities of a particular commodity that maybe sold outside nation's boundaries for a specific period of time is known as
- A. export quota
 - B. import quota
 - C. quota rent
 - D. embargo
13. Terms of Trade of a country show
- A. Ratio of goods exported and imported
 - B. Ratio of import duties
 - C. Ratio of prices of exports and imports
 - D. Both A. and C

14. Sometime it's more affordable to purchase a good from companies with than it is to produce good internally is possible only with

- A. outreaching
- B. off shoring
- C. outsourcing
- D. international trade

15. The main difference between a tariff and a quota is

- A. A quota reduces the quantity of imports more than a tariff.
- B. A tariff raises the price of imports more than a quota.
- C. A quota does not harm domestic consumers.
- D. A tariff generates government revenue, while a quota, unless it is sold, does not.

16. Which of the following factor forms the invisible account of the Balance of Payments of a country?

- A. International trade in services.
- B. Income associated with non resident assets and liabilities.
- C. Remittance of worker income.
- D. All the above.

17. Which of the following is not a function of Reserve Bank of India?

- A. Regulation of credit.
- B. Regulation of foreign exchange.
- C. Management of fiscal deficit.
- D. Banker to the government and commercial banks.

18. Under flexible exchange rate and perfect capital mobility, an expansionary fiscal policy will lead to an incipient BOP _____, and the _____ will shift to the _____ to restore equilibrium.

- A. deficit; IS; left
- B. surplus; IS; left
- C. deficit; LM; right
- D. surplus; BP; left

19. In the foreign exchange market, the domestic currency is under pressure to:

- A. remain the same
- B. depreciate/devalue
- C. appreciate/revalue
- D. none of the above

20. Hard Currency is defined as currency:

- A. which can hardly be used for international transactions
- B. which is used in times of war
- C. which loses its value very fast
- D. traded in foreign exchange market for which demand is persistently relative to the supply

21. In India, Paper Currency first started in the year?

- A. 1861
- B. 1865
- C. 1761
- D. 1765

22. The gains from international trade depend on the

- 1. Differences in cost ratios in the two trading countries
- 2. Terms of trade
- 3. Size of the country

Select the correct answer using the codes given below:

- A. 2 and 3 only
- B. 1 and 2 only
- C. 1 and 3 only
- D. 1, 2, and 3

23. Which among the following products is usually not exported from India?

- A. Wheat
- B. Rice
- C. Sugar
- D. Pulses

24. What does EMU stand for?

- A. European Monetary Union
- B. European Macroeconomic Union
- C. (c)Economic and Monetary Union
- D. Economic and Macroeconomic Union

25. India has approved its first National Intellectual Property Rights Policy reiterating India's commitment to TRIPS. What does TRIPS stand for?

- A. The Agreement on Trade Related Aspects of Intellectual Property Rights
- B. The Agreement on Tender Related Aspects of Intellectual Property Rights
- C. The Announcement on Trade Related Aspects of Intellectual Property Rights
- D. The Agreement on Trade Relation Aspects of Intellectual Property Rights

26. Marshall defines "Economics is a study of mankind in the business of life and examines that part of individual and social action which is connected with material requisites of well being."

- A. extra ordinary
- B. ordinary
- C. excellent
- D. All of the above

27. The credit of developing the concept of modern economic growth goes to:

- A. Arthur Lewis
- B. Michael P. Todaro
- C. Gunnar Myrdal
- D. Simon Kuznets

28. Most of the underdeveloped economies suffer from _____ which do not let the rate of growth go up from a lower level.

- A. High population pressures
- B. High infant mortality
- C. High monetary mismanagement
- D. High level of technological unemployment

29. By _____ growth rate of an economy can be speeded up.

- A. Investment in share market
- B. Investment abroad
- C. Investment in human capital formation
- D. Investment in primary sector

30. Which of the following is not an indicator of economically underdeveloped countries?

- A. Low per capita income
- B. High death-rate
- C. Low proportion of labour force in the primary sector
- D. High level of illiteracy

31. Which of the following does not come under land reform?

- A. Consolidation
- B. Cooperative farming
- C. Drip irrigation
- D. All of the above

32. Which of the following was included as part of the land reforms initiated in India?

- A. Abolition of intermediaries
- B. Tenancy reforms
- C. Reorganization of agriculture
- D. All the above

33. Which of the following was a part of the green revolution strategy?

- A. High yielding variety seeds
- B. Chemical fertilizers and pesticides
- C. Irrigation
- D. All the above

34. India opted for 'Mixed Economy' in _____.

- A. First Five Year Plan
- B. Industrial Policy of 1948
- C. The first Fiscal Policy
- D. Planning Commission

35. Indian agriculture is typically characterized as?

- A. land surplus, labour scare economy
- B. land surplus, labour surplus economy
- C. land scare, labour surplus economy
- D. land scare, labour scare economy

36. The value of national income adjusted for inflation is called

- A. Per capita income
- B. Disposable income
- C. Inflation rate
- D. Real national income

37. The national income estimation is the responsibility of

- A. NSSO
- B. CSO
- C. Finance Ministry
- D. National Income Committee

38. Estimates of national income in India are prepared by the?

- A. Ministry of Finance
- B. Reserve Bank of India
- C. Central Statistical Organization
- D. Planning Commission

39. In which of the Five Year Plans, preference was given to the weaker sections of the society?

- A. Second
- B. Third
- C. Fourth
- D. Fifth

40. Which of the following institutions is not part of the World Bank community?

- A. IBRD
- B. WTO
- C. IDA
- D. IFC

41. When poverty is taken in relative term and is related to the distribution of income consumption expenditure it is called:

- A. Law line poverty
- B. Absolute poverty
- C. Relative poverty
- D. None

42. Which is the method to estimate the poverty?

- A. Investment Method
- B. Income Method
- C. Capital Method
- D. Human Method

43. A stationary population is when population growth is

- A. increasing at an increasing rate.
- B. decreasing.
- C. zero.
- D. 100%.

44. The greenhouse effect is the phenomenon by which

- A. biological diversity is dominant in agricultural production.
- B. the globe's water pollution affects plankton.
- C. the earth's atmosphere traps infrared radiation.
- D. climatic changes occur naturally in the forest.

45. Which of the following conditions specify the least cost-output combination?

- A. $P_L/P_K = MRTS$
- B. $P_L/P_K = MP_L/MP_K$
- C. $MP_K/MP_L = dL/dK$
- D. All the above

46. Which of the following is disadvantageous to developing countries' international trade?

- A. Protection
- B. Free trade
- C. Exports of primary and import of manufactured goods
- D. None of the above

47. Which base year is used to calculate per capita income in India?

- A. 2004-05
- B. 2011-12
- C. 2001-2002
- D. 2014-15

48. ——— defined economics as a study of mankind in the ordinary business of life.

- A. Adam Smith
- B. Lionel Robbins
- C. Samuelson
- D. Alfred Marshall

49. Currency notes and coins are called Fiat money because

- A. they do not have intrinsic value like gold or silver
- B. made on special imported paper
- C. they are printed by government
- D. exchanged for goods and services

50. GNP minus depreciation is

- A. GDP
- B. NNP
- C. NDP
- D. per capita income

PART – II

Attempt ANY TWO questions.

(25X2=50)

1. What is national income and why is it calculated? Explain the three main methods of computing national income?
2. "Industrial growth rate has lagged behind in the overall growth of Gross Domestic-Product (GDP) in the post-reform period" Give reasons.
3. Elaborate the policy taken by the Government of India to meet the challenges of the food processing sector.
4. How has globalization led to the reduction of employment in the formal sector of the Indian economy? Is increase in formalization detrimental to the development of the country?
5. What is sterilization and how does it affect the supply of money in the economy?

PART - III

Attempt any ANY FIVE question.

(10 X 5 = 50)

1. A. What is Kuznet's hypothesis? What are its implications for a developing economy?
B. Describe the salient features of Trade Related Investment Measures (TRIMs).
 2. A. Why is the demand curve more elastic under monopolistic competition than under monopoly? Explain.
B. What are the three basic goals of public finance?
 3. A. Examine the role of indirect taxes in India's Economic Development.
B. Name the different theories of Interest rate determination.
 4. A. Explain H-theory of money supply
B. Explain the Trade Related Investment Measures (TRIMs) of World Trade Organization(WTO).
 - 5.. A. Mention the different components of supply of money as specified by the Reserve Bank of India
B. Is rent a surplus? Give reasons
 - 6.. A. Explain the Harrod Domar Model and the reason for the knife edge equilibrium of growth in the long run
B. What do you understand by shifting of a tax?
 7. A. Explain Keynes 'Absolute Income hypothesis. Give a critical evaluation of this theory.
B. Examine the effects of quota and tariffs on terms of trade.
 - 8.. A. What is the difference between fixed and floating interest rates?
B. State five reasons that support government intervention in agricultural markets?
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