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COMBINED COMPETITIVE (PRELIMINARY) EXAMINATION, 2011

Serial No. 000009 **ECONOMICS** A
Code No. 07

Time Allowed : Two Hours Maximum Marks : 300

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SEAL

- If for the year 2000-01, the GNP at factor cost at 1993-94 prices was Rs. 11,86,438 Cr and the GDP at factor cost at 1993-94 prices was Rs. 11,98,592 Cr, the net factor income from abroad :
(A) was negative (B) was positive
(C) was nil (D) cannot be inferred
- If we divide NNP in current prices by NNP in constant prices, keeping other factors same, what do we obtain ?
(A) An index of money (B) An index of price
(C) An index of quantity (D) An index of volume
- William Nordhaus and James Tobin introduced the :
(A) Measure of Economic Welfare (B) Measure of Social Welfare
(C) Measure of Total Welfare (D) Measure of Gross Welfare
- National income is a in the nation.
(A) cost measure of all activities (B) cost measure of economic activities
(C) value measure of all activities (D) welfare measure of economic activities
- If amount of net indirect tax and consumption of fixed capital is deducted from GDP at market prices, what do we obtain ?
(A) NNP at market prices (B) NDP at factor cost
(C) GNP at market prices (D) GNP at factor cost
- If I have sold my second hand car at Rs. 1,00,000 through a second hand car dealer who charged 5% as the commission, while I had bought it at Rs. 1,50,000, the national income will :
(A) Increase by Rs. 1,00,000 (B) Decrease by Rs. 50,000
(C) Increase by Rs. 5,000 (D) Decrease by Rs. 45,000
- In economic theory, the behavioral assumptions of consistent behavior and maximization of satisfaction or profit are applied to :
(A) households, firms, and governments (B) households and firms
(C) governments only (D) households only

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8. By convention, expenditure on TV and that on a kutchra house, both lasting for the period, are treated in the national income accounts in the following way :
- (A) Both expenditure as investment
(B) Both expenditure as expenditure on consumer durable
(C) Expenditure on TV as investment, that on house as expenditure on a consumer durable
(D) Expenditure on TV as expenditure on a consumer durable and that on house as investment
9. Investment multiplier is equal to :
- (A) Marginal propensity to consume (B) Marginal propensity to save
(C) $1/\text{Marginal propensity to consume}$ (D) $1/\text{Marginal propensity to save}$
10. Which of the following is not a unilateral flow (transfer payment) ?
- (A) Pocket money given by a parent to a child
(B) Fee concession given by a school
(C) Free mid-day meals
(D) Salary received by a government employee
11. Law of demand examines :
- (A) the effect of demand on output (B) the effect of price change on demand
(C) the effect of demand on price (D) A and B both
12. Transfer payments are included in :
- (A) Net National Product (B) Gross National Product
(C) Personal Income (D) National Income
13. A statement saying 'price rose because of increase in demand' is suggesting :
- (A) rightward shift of demand curve with no shift in supply curve
(B) rightward shift of both demand and supply curves
(C) movement of supply curve for a given demand curve
(D) leftward movement of supply curve for a given demand curve
14. While market demand may have elasticity less than unity, the demand curve faced by a competitive firm is infinity because :
- (A) the firm has no control on elasticity (B) the firm has no control on price
(C) the firm has no control on quantity (D) the firm has no control on buyers

15. Which one of the following is NOT true about economic development ?
- (A) It is known by structural changes in GDP
(B) It is a part of economic growth
(C) It includes economic growth
(D) Urbanization is the result of economic development
16. In the case of perfectly inelastic demand curve, average revenue is equal to price, but marginal revenue is equal to :
- (A) One (B) Zero
(C) Infinity (D) Indefinite
17. Upward shift in demand curve is likely due to :
- (A) decrease in income (B) increase in income
(C) decrease in price (D) increase in price
18. We all know use of bicycle as a mode of commutation is non-polluting. If tastes change in its favour, this will mean :
- (A) Shift in the demand curve for bicycles to the right
(B) Shift in the demand curve for bicycles to the left
(C) A movement along the curve
(D) No change in demand curve
19. Demand curve shows :
- (A) as demand goes up, price goes up
(B) as demand goes down, price goes down
(C) as price goes down, demand goes down
(D) as price goes down, demand goes up
20. Identify the truthfulness of the following statements :
- (I) A monopoly market consists of a single seller facing many buyers.
(II) Because the monopolist is the only seller of her product, she may sell any quantity that she chooses for any given price .
- (A) Both (I) and (II) are true (B) Both (I) and (II) are false
(C) (I) is true; (II) is false (D) (I) is false; (II) is true
21. Which one of the following is NOT included while estimating national income through income method ?
- (A) Rental income (B) Undistributed profits
(C) Mixed income (D) Pensions

22. List I includes some books and List II their author. Matching the two lists select the correct answer from the codes given below the lists :

List I		List II	
(a) Problem of Capital Formation in Underdeveloped Countries	1.	Gunnar Myrdal	
(b) Das Kapital	2.	W.A. Lewis	
(c) Asian Drama	3.	R. Nurkse	
(d) Economic Development with unlimited Supply of Labour	4.	Karl Marx	

Codes:

	(a)	(b)	(c)	(d)
(A)	4	3	1	2
(B)	3	1	4	2
(C)	3	4	1	2
(D)	1	4	3	2

23. The Central Bank of our country is :

- | | |
|---------------------------|-------------------------|
| (A) Central Bank of India | (B) State Bank of India |
| (C) Reserve Bank of India | (D) Unit Trust of India |

24. Reserve Bank of India is *not* :

- | | |
|------------------------------|--------------------------------|
| (A) Banker to the Government | (B) Bankers' Bank |
| (C) Commercial Bank | (D) Controller of Money Supply |

25. M_2 is M_1 plus :

- | | |
|---------------------------------------|---|
| (A) Fixed deposits with post office | (B) Recurring deposits with post office |
| (C) Savings deposits with post office | (D) All deposits with post office |

26. M_3 is M_1 plus :

- | | |
|--|--|
| (A) All deposits with banking system | (B) Recurring deposits with banking system |
| (C) Fixed deposits with banking system | (D) Time deposits with banking system |

27. According to Keynes there are three motives for people to demand money. One of the following is *not* included in those three :

- | | |
|-------------------------|--------------------------|
| (A) Transactions Motive | (B) Precautionary Motive |
| (C) Liquidity Motive | (D) Speculative Motive |

28. In the liquidity trap portion of demand for money, elasticity is :

- | | |
|-------------------------|------------------------|
| (A) perfectly inelastic | (B) uniquely inelastic |
| (C) perfectly elastic | (D) unitary in value |

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29. Bank rate is :

- (A) a rate people can bank upon
 (B) a rate of interest at which a bank lends to business
 (C) a rate of interest at which the central bank lends to banks
 (D) a rate of interest operating between commercial banks

30. Theory of Comparative Costs in international trade was propounded by :

- | | |
|-------------------|-------------------|
| (A) Richard Kahn | (B) Adam Smith |
| (C) David Ricardo | (D) Joan Robinson |

31. Balance of Payments does not consider :

- (A) Import by a Resident Indian
 (B) Export by a Resident Indian
 (C) Purchase in Washington by a Non-Resident Indian
 (D) Money sent to his brother in India by a Non-Resident Indian

32. In the original Ricardian Theory, the costs are measured in terms of :

- | | |
|-------------------|------------------|
| (A) wage units | (B) rent units |
| (C) capital units | (D) labour units |

33. Current account balance will not include :

- | | |
|----------------------------|---------------------------|
| (A) Balance of trade | (B) Receipt from services |
| (C) Loan repayments abroad | (D) Private transfers |

34. Capital account balance will not include :

- | | |
|-------------------------------------|-----------------------------|
| (A) Direct foreign investment | (B) Private loans received |
| (C) Grants from foreign governments | (D) Short term capital flow |

35. Heckscher-Ohlin theorem is about :

- | | |
|---------------------------------|-----------------------|
| (A) Human endowment | (B) Capital endowment |
| (C) Natural resources endowment | (D) Factor endowment |

36. Foreign assistance is usually understood as :

- (A) Concessional grant and commercial loan
 (B) Grant and commercial loan
 (C) No grant but concessional loan
 (D) Grant and concessional loan

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37. Block development schemes in India are part of :
- (A) poverty alleviation programmes (B) integrated rural development
(C) community development projects (D) national extension service
38. According to Stolper and Samuelson theorem, Trade leads to equalisation of :
- (A) goods and services across countries (B) factors across countries
(C) factor prices across countries (D) goods prices across countries
39. Adam Smith's analysis of international trade is based on :
- (A) Absolute advantage (B) Comparative advantage
(C) Comparative cost (D) Opportunity cost
40. Terms of trade in the parlance of international trade refer to :
- (A) Conditions laid down in agreement between importers and exporters
(B) Terms set by the governments for importers and exporters
(C) Ratio of export prices to import prices, expressed through indices
(D) None of the above
41. What does the foreign exchange market do ?
- (A) Transfer of purchasing power between countries
(B) Conversion of one currency into another
(C) Hedge the risk of those who hold foreign exchange
(D) Provision of short-term liquidity to exporters
42. Finance Commission is supposed to :
- (A) arbitrate between States and Union
(B) arbitrate between States
(C) recommend devolution of tax revenue between Union and States
(D) recommend devolution of tax revenue between Union and States and the State's share among States as well as grants from Union to the States
43. Who was the Chairman of the Twelfth Finance Commission ?
- (A) K.C. Pant (B) C. Rangarajan
(C) A.M. Khusro (D) N.K.P. Salve

44. Knife-edge problem is associated with :
- (A) Solow-Swan Model of growth
(B) Harrod-Domar Model of growth
(C) Joan Robinson's Model of accumulation
(D) Lewis' model of development
45. Sex Ratio of Indian population in 2001 was :
- (A) 930 (B) 933
(C) 927 (D) 917
46. If value added at different stages are added, the total will :
- (A) equal the value of the final product
(B) overestimate the value of the final product
(C) underestimate the value of the final product
(D) misrepresent the value of the final product
47. If a certain number of hands can be withdrawn without diminution in output; they are said to have been :
- (A) actually unemployed (B) substantially unemployed
(C) marginally employed (D) disguisedly unemployed
48. Vakil-Brahmananda model propounded at the time of formulation of the Second Five Year Plan is named as :
- (A) heavy investment model (B) heavy savings model
(C) wage-goods model (D) capital good model
49. The strategy of the Second Five-Year Plan in India was based on :
- (A) the economic vision of Jawahar Lal Nehru
(B) the economic model of P.C. Mahalanobis
(C) the plan strategy of V.K.R.V. Rao
(D) the findings of Planning Commission
50. A fall in the price of raw milk, used in the production of ice cream, will :
- (A) decrease the supply of ice cream
(B) increase the quantity supplied of ice cream
(C) have no effect on the supply of ice cream
(D) decrease the price while increasing the quantity demanded of ice cream

51. Poverty ratio for the country as a whole in 1999-2000 was :
(A) 26 percent (B) 55 percent
(C) 36 percent (D) 44 percent
52. Schumpeter is known for his contribution on :
(A) role of savings (B) role of technology
(C) role of innovations (D) role of inventions
53. The demand for money in an economy is :
(A) positively related to the level of income but negatively related to the rate of interest
(B) positively related to the rate of interest but negatively related to the level of income
(C) positively related to both the level of income and rate of interest
(D) negatively related to both the level of income and rate of interest
54. Mineral oil is actually :
(A) Petroleum
(B) Any oil having mineral salts as mineral water does
(C) Oil found in coal mines
(D) Oil found by mining rather than drilling
55. Sustainable development means :
(A) Sustained growth rate
(B) A level of development that can be sustained across generations
(C) Stagnating growth rate
(D) Acceleration in growth rate that can be sustained
56. Take-off stage is a term in growth theory given by :
(A) J.S. Mill (B) Simon Kuznets
(C) Colin Clark (D) W.W. Rostow
57. 'Limits to growth' was a study conducted by :
(A) Club of Rome (B) Washington Consensus
(C) New York Club (D) Malthusian Society
58. Where is the phenomenon of disguised unemployment considered to be occurring ?
(A) Private corporate factories (B) Wage employed farm sector
(C) Self-employed peasant farms (D) Multinational corporations

59. Dual economy denotes :
(A) existence of agriculture sector and industry sector
(B) existence of domestic sector and foreign sector
(C) existence of rural sector and urban sector
(D) existence of modern capitalistic sector and traditional subsistence sector
60. Neoclassical growth models consider the possibility of :
(A) intersectoral substitution (B) interfactoral substitution
(C) inter-process substitution (D) inter-generational substitution
61. Identify which one is a non-renewable resource :
(A) Forests (B) Animals
(C) Water (D) Gas
62. Human Development Index is an average of three indices which do not consider :
(A) Life Expectancy (B) Literacy
(C) Real Per Capita Income (D) Infant Mortality
63. Literacy rate in Jammu & Kashmir for 2001 was :
(A) Below 40 percent
(B) Between 40 percent and 50 percent
(C) Above 50 percent but below 60 percent
(D) Above 60 percent
64. Contribution of agriculture to our GDP is now :
(A) above 60 percent (B) between 50 percent and 60 percent
(C) between 30 percent and 40 percent (D) below 25 percent
65. GNP exceeds NNP by :
(A) the amount of total taxes
(B) government expenditure
(C) transfer payments
(D) the difference between gross investment and net investment
66. Primary sector in India still employs about of all the workers.
(A) 50 percent (B) 60 percent
(C) 70 percent (D) 40 percent

67. "Money is anything which is widely accepted in payment for goods; or in discharge of the other kinds of business obligation." This definition of money was given by :
- (A) Robertson (B) Marshall
(C) Mill (D) Keynes
68. In 1991 we faced a deep crisis which was mainly in terms of :
- (A) low electricity generation
(B) great fall in agricultural production
(C) almost nil foreign exchange reserves
(D) private sector backing out support to government
69. Sex ratio in 0-6 age group has decreased from 945 in 1991 to in 2001.
- (A) 927 (B) 943
(C) 900 (D) 915
70. What is known as demographic dividend ?
- (A) Having a young population with energy
(B) Having a youthful population with knowledge
(C) Having an old population with wisdom
(D) Having a large population
71. Total fertility rate of our country has come down to :
- (A) around 3.0 (B) around 4.0
(C) around 5.0 (D) around 6.0
72. If the sum of the elasticities of the exports and imports is less than one, any devaluation will further aggravate the deficit in the balance of payments. The statement is associated with :
- (A) Marshall and Lerner (B) Prebisch and Singer
(C) Solow and Swan (D) Heckscher and Ohlin
73. Which one of the following is **NOT** a characteristic of the modern economic growth explanation as given by Kuznets ?
- (A) Migration of workers (B) High rate of structural transformation
(C) Rise in productivity (D) Outward expansion of developed countries

74. What is 'Laissez-faire' ?
- (A) non-interference of government in economic affairs
(B) mixed economy
(C) partial interference of government
(D) controlled economy
75. Consider some of the following factors :
1. Deforestation, afforestation
 2. Per capita income and high GDP growth
 3. Social discount rate
 4. Environmental values
- Of the above, sustainable development is related with :
- (A) Only 3 and 4 (B) Only 2 and 4
(C) 2, 3 and 4 (D) 1, 3 and 4
76. Current literacy rate in India is about :
- (A) a half (B) two-thirds
(C) three-fourths (D) four-fifths
77. We prefer foreign direct investment because :
- (A) we are short of foreign exchange
(B) they bring foreign experts
(C) these add into domestic investment
(D) they have pressurised us to permit them to come
78. WTO came into being on :
- (A) 1st January, 1994 (B) 1st April, 1994
(C) 1st January, 1995 (D) 1st April, 1995
79. Intellectual properties do not consist in :
- (A) Goodwill (B) Patents
(C) Copyright (D) Industrial Design
80. Foreign exchange reserves do not consist of :
- (A) SDRs (B) Gold
(C) Foreign Currency Assets (D) Diamond

81. Estimates of national income in India are made by :
(A) National Accounts Services (B) National Sample Survey Organization
(C) Planning Commission (D) Central Statistical Organization
82. Revenue expenditure is defined as :
(A) Current expenditure (B) Non-recurring type of expenditure
(C) Expenditure on creating of assets (D) Development expenditure
83. Service tax was introduced in :
(A) 1994-95 (B) 2001-02
(C) 2004-05 (D) none of the above years
84. Fertilizer subsidy is finally shared between the farmers and the industry, according to NIPFP studies, in the proportion of :
(A) 60 : 40 (B) 40 : 60
(C) 50 : 50 (D) 25 : 75
85. The Physical Quality of Life Index was prepared for the first time by :
(A) Morris D. Morris (B) B. Higgins
(C) A. Lewis (D) Michael P. Todaro
86. According to the Twelfth Finance Commission, share of States in the net proceeds of shareable Central taxes has been fixed at :
(A) 28.5 percent (B) 29.5 percent
(C) 30.5 percent (D) 31.5 percent
87. Major item of our imports is :
(A) Electronic goods (B) Gold
(C) Gems and Stones (D) Petroleum products
88. Our three major trading partners in foreign trade are now :
(A) U.S., UAE and China (B) U.S., U.K. and China
(C) U.S., Switzerland and China (D) U.S., U.K. and Belgium
89. India has recently adopted a policy of of costly external loans.
(A) non-payment (B) pre-payment
(C) post-payment (D) deferred payment

90. Quota on textiles and clothings have been done away with :
(A) since 1st January, 1995 (B) since 1st January, 2000
(C) since 1st January, 2005 (D) since 1st April, 2005
91. India has introduced new patents regime from :
(A) 1st January, 2005 (B) 1st January, 2000
(C) 1st January, 1994 (D) 1st April, 2005
92. The long-term objective of Population Policy 2000 is to achieve stable population by :
(A) 2020 (B) 2030
(C) 2035 (D) 2045
93. Which one of the following explains 'Personal Income' ?
(A) Private income - corporate taxes - undistributed corporate profits
(B) Net national income + undistributed profit + foreign income - imports
(C) NNP-depreciation + transfer earnings - taxes
(D) NNP - payment for imports
94. In national income terms, which one of the following plays an important role in the whole economic activity ?
(A) Level of taxation (B) Realized investment
(C) Planned saving (D) Factor mobility
95. The life cycle hypothesis of Albert Ando and Franco Modigliani explains the difference between :
(A) cyclical and long run investment function
(B) current income and current saving
(C) short-run and long run consumption function
(D) current income and current investment
96. The production possibility curve is based on :
(A) principle of marginal utility
(B) principle of diminishing returns or increasing cost
(C) downward sloping demand curve
(D) equilibrium position
97. In case of two or more goods a consumer will get maximum satisfaction when :
(A) price is equal to marginal utility of money
(B) marginal utility of goods is equal to price
(C) ratio of marginal utility of goods to price is equal to marginal utility of money
(D) none of the above

98. Principle of maximum satisfaction is also called :
- (A) law of constant marginal utility of money
 - (B) law of diminishing returns
 - (C) law of equi-marginal utility
 - (D) none of above
99. Concept of diminishing marginal rate of substitution is associated with :
- (A) A. Marshal
 - (B) J.R. Hicks
 - (C) E.E. Slutsky
 - (D) J.M. Keynes
100. External economies or diseconomies are outside the control of the firm and these :
- (A) affect the cost of the firm
 - (B) do not affect the cost of the firm
 - (C) increase output
 - (D) none of the above
101. Monopolistic competition has features of :
- (A) monopoly but not competition
 - (B) monopoly and competition, with features of competition pre-dominating
 - (C) monopoly and competition with features of monopoly pre-dominating
 - (D) none of the above
102. As per provisions of the Union Budget 2010-11 consider the following rates of tax :
- | | | |
|---------------------------------|---|--------------|
| 1. Service tax | - | 10 percent |
| 2. CENVAT | - | 8 percent |
| 3. Peak rate of custom | - | 10 percent |
| 4. Surcharge on corporation tax | - | 7.5 per cent |
- Of the above :
- (A) Only 1 and 3 are correct
 - (B) Only 3 and 4 are correct
 - (C) 1, 2 and 3 are correct
 - (D) 1, 3 and 4 are correct
103. Gresham's law states that :
- (A) good money drives bad money out of circulation
 - (B) bad money drives good money out of circulation
 - (C) good money promotes good money in the system
 - (D) bad money promotes good money in the system

104. If there is a balance of payments deficit then in a floating exchange rate system :
- (A) the external value of the currency would tend to fall
 - (B) the external value of the currency would tend to rise
 - (C) the injections from trade are greater than the withdrawals
 - (D) aggregate demand is increasing
105. To prevent the external value of the currency from falling, the government might :
- (A) reduce interest rates
 - (B) sell its own currency
 - (C) buy its own currency with foreign reserves
 - (D) increase its own spending
106. Consider some of the indicators which were taken into account while calculating PQLI :
1. Life expectancy
 2. Infant mortality
 3. Per capita income
 4. Literacy
- Of the above :
- (A) 1, 2 and 4 are correct
 - (B) 1, 3 and 4 are correct
 - (C) 2, 3 and 4 are correct
 - (D) All are correct
107. Consider the following :
1. Accumulation of tangible wealth
 2. Accumulation of intangible wealth
 3. Higher skill and efficiency
 4. Higher saving-income ratio
- Of the above, human capital formation includes :
- (A) 2, 3 and 4
 - (B) 1, 2 and 3
 - (C) 2 and 3 only
 - (D) 3 and 4 only
108. Which one of the following is **NOT** included in Human Development Index prepared by the UNDP ?
- (A) Life expectancy at birth
 - (B) Educational and health facilities
 - (C) Adjusted per capita income
 - (D) Literacy and enrolment percentage

109. Which one of the following is the greatest obstacle to growth and development ?

- (A) Lack of natural resources (B) Large population
(C) Lack of capital (D) Poor entrepreneurship

110. Which one of the following is *NOT* a measure of distribution of income ?

- (A) Absolute poverty (B) Relative poverty
(C) Lorenz curve (D) Gini coefficient

111. Incidence of poverty in India is estimated on the basis of data provided by :

- (A) Planning Commission (B) National Sample Survey Organization
(C) Central Statistical Organization (D) National Statistical Institute

112. Which one of the following is wrong/irrelevant with public sector in India ?

- (A) Now only 8 industries are reserved for public sector
(B) Memorandum of Understanding
(C) Policy of 'Navratnas'
(D) Disinvestment of shares

113. Which one of the following is *NOT* correct about Sensitive Index in India ?

- (A) The term stands for sensitive index
(B) It is based on shares of 30 leading companies
(C) It deals only in primary capital market
(D) It is an indicator of Bombay Stock Exchange

114. In the new series of national income in India the base year is :

- (A) 1999-2000 (B) 2000-2001
(C) 2001-2002 (D) 2002-2003

115. Economists make all of the following assumptions about business firms except :

- (A) firms are the principal owners of factors of production
(B) firms generally make consistent decisions
(C) firms seek to maximize profits
(D) firms employ factors of production to produce commodities

116. Economic planning in India is :

- (A) Physical planning only (B) Financial planning only
(C) Both (A) and (B) (D) Totalitarian planning

117. In India, Special Economic Zones (SEZs) are the latest version of the earlier :

- (A) Regional Development Zones (B) Export Processing Zones
(C) Economic Development Zones (D) Special Category States

118. Minimum support prices of agricultural products are announced by the Government to :

- (A) assure reasonable prices to farmers
(B) protect interest of consumers
(C) check inflation
(D) provide cheap food grains to persons below poverty line

119. Green revolution is concerned with :

- (A) making the country green
(B) to increase forest area
(C) to increase agricultural production/productivity
(D) to mechanise agriculture

120. Which one of the following is *NOT* relevant with the policy of privatisation ?

- (A) Disinvestment
(B) Foreign Direct Investment
(C) Public private partnership in infrastructure
(D) Foreign aid