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COMBINED COMPETITIVE (PRELIMINARY) EXAMINATION, 2010

Serial No.

ECONOMICS

Code No. 07



Time Allowed : Two Hours

Maximum Marks : 300

INSTRUCTIONS

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ROUGH WORK

1. A temporary leakage from the circular income flow could take the form of :

(A) wages	(B) depreciation reserves
(C) distributed profits	(D) interest

2. Which one of the following is a transfer income ?

(A) The salary of a member of parliament	(B) Company dividends to shareholders
(C) Rent from house property	(D) Unemployment allowance

3. Which one of the following will directly increase the GNP ?

(A) A rise in interest rate	(B) A surplus in budget
(C) A fall in national debt	(D) An increase in investment

4. Consider the following types of income :
 1. Personal income
 2. Private income
 3. Disposable income
 4. National income
 The correct sequence in descending order of their magnitude is

(A) 4, 2, 1, 3	(B) 4, 2, 3, 1
(C) 2, 4, 3, 1	(D) 2, 4, 1, 3

5. Value added means value of :

(A) output at market prices	(B) goods and services less depreciation
(C) goods and services less cost of inputs	(D) output at factor cost

6. NNP at market prices and NNP at factor costs will be equal when there is :

(A) no direct tax	(B) no indirect tax
(C) no subsidy	(D) no indirect tax and no subsidy

7. The total income earned in any given year by resource suppliers is measured by :

(A) GNP	(B) GDP
(C) Personal Income	(D) National Income

8. The difference between Net National Product and Net Domestic Product is :

(A) Net exports	(B) Net income from abroad
(C) Net foreign aid	(D) Net borrowing from abroad

9. The GNP of an economy at market prices is Rs. 10,000, Net factor income from abroad is Rs. 1,000, indirect taxes Rs. 800, subsidies Rs. 500 and depreciation Rs. 1,000. What is the GDP at market prices ?
- (A) Rs. 9,000 (B) Rs. 7,700
(C) Rs. 11,000 (D) Rs. 13,300
10. The total sales of all firms in an economy in a given year is :
- (A) less than gross national product (B) equal to that of national income
(C) more than gross national product (D) the same as gross national product
11. One purpose of advertisement for the goods produced is to :
- (A) shift the demand curve for the good to the right
(B) shift the demand curve for the good to the left
(C) shift the supply curve for the good to the left
(D) shift the supply curve for the good to the right
12. Expansion in demand is concerned with :
- (A) movement along with demand curve
(B) shift in the demand curve
(C) upward shift in supply curve
(D) none of the above
13. Which of the following is true in a perfectly competitive market ?
- (A) Total revenue rises continuously at a constant rate
(B) Average revenue is constant at all levels of output
(C) Marginal revenue is constant at all levels of output
(D) All of the above
14. Which of the following is the factor responsible for price discrimination ?
- (A) Different price elasticities in different market
(B) Control over supply
(C) Possible segregate market
(D) All of the above
15. AR and MR curve are equal and constant under :
- (A) Monopoly (B) Duopoly
(C) Oligopoly (D) Perfect competition

16. As a household's average income rises, we usually expect :
- (A) the proportion of its income allocated to food to increase, as food is a necessity
 - (B) its expenditure habits to remain constant, as income changes have no effect on demand
 - (C) its demand for goods to increase because the price of these goods will decline
 - (D) its demand for luxuries to increase
17. Identify the truthfulness of the following statements :
- I. Ordinal utility gives us information about which basket the consumer prefers and the magnitude of the preference.
 - II. Cardinal utility gives us information about which basket the consumer prefers but not about the intensity of those preferences.
- (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
18. In a pure monopoly which of the following would be true ?
- (A) There would be no abnormal profits
 - (B) There would be no barriers to entry
 - (C) There would be no spending on advertising
 - (D) The monopolist would be a price taker
19. Which of the following is NOT a necessary condition for perfect competition to exist ?
- (A) Everyone must have perfect information
 - (B) The product must be homogeneous
 - (C) There must be perfect mobility of the factors of production
 - (D) There must be barrier to entry in the market
20. Evaluate the truthfulness of the following statements :
- I. The budget constraint is a function of consumer preferences.
 - II. The budget constraint defines the set of baskets that a consumer can purchase with a specific level of income.
- (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. The long run average cost curve slopes upwards because of :
- (A) economies of scale
 - (B) diseconomies of scale
 - (C) barriers to entry
 - (D) high demand for the product
22. Which of the following is not a characteristic of a monopolistically competitive market ?
- (A) Free entry and exit
 - (B) Long-run economic profits
 - (C) Differentiated products
 - (D) Many sellers

23. An Engel curve for good x describes :
- (A) how the consumption of good x varies as the consumer's income changes
 - (B) how the consumption of good x varies as the price of good x changes
 - (C) how the consumption of good x varies as the consumption of good y changes
 - (D) how the consumption of good x varies as price-consumption curve changes
24. Consumer surplus is defined as :
- (A) the difference between the discounted amount and the original amount
 - (B) the difference between the maximum amounts a consumer is willing to pay for a good and the amount he or she must actually pay when purchasing
 - (C) the difference between the actual cost of the good and the negotiated price
 - (D) both (A) and (B)
25. The production set represents :
- (A) the set of all technically feasible combinations of inputs and outputs
 - (B) the technically efficient combinations of inputs and outputs
 - (C) the maximum output the firm can produce from a given level of inputs
 - (D) the minimum amounts of inputs necessary to produce a given level of output
26. The rate at which one input can be exchanged for another input without altering the level of output is called the :
- (A) Marginal product curve
 - (B) Average product curve
 - (C) Marginal rate of technical substitution
 - (D) Law of diminishing marginal productivity
27. When a firm uses inputs in a fixed proportion, the cost minimizing combination of capital and labor :
- (A) occurs when the firm uses either all workers or all machines
 - (B) occurs when the firm uses equal amounts of workers and machines
 - (C) occurs where the ratio of marginal productivities equals the ratio of the input prices
 - (D) occurs at the corner point on the isoquant
28. Identify the truthfulness of the following statements :
- I. Marginal cost can be measured as the slope of the total cost curve.
 - II. Average cost can be measured as the slope of the ray from the origin to the total cost curve.
- (A) I is true; II is false
 - (B) Both I and II are false
 - (C) Both I and II are true
 - (D) I is false; II is true

29. A long-run total cost curve :
- (A) must be equal to zero when the level of output is zero
 - (B) may be greater than or equal to zero when the level of output is zero
 - (C) must be decreasing when the level of output is zero
 - (D) will be equal to fixed cost, which is greater than zero, when the level of output is zero
30. Suppose a firm's production technology exhibits constant returns to scale. The firm's long-run average cost curve will :
- (A) be U-shaped
 - (B) exhibit economies of scale
 - (C) exhibit diseconomies of scale
 - (D) be a horizontal straight line
31. The competitive firm maximizes profit when it produces output up to the point where :
- (A) marginal cost equals total revenue
 - (B) marginal revenue equals average revenue
 - (C) price equals average variable cost
 - (D) marginal cost equals marginal revenue
32. Which of the following statements regarding a monopolist's profit maximizing condition is false ?
- (A) The monopolist's profit maximizing price will be greater than marginal cost for the last unit supplied
 - (B) A monopolist can earn positive economic profit
 - (C) Because monopoly price is above marginal cost and a monopoly earns positive Economic profit, there are no benefits to consumers in the monopoly market
 - (D) Price equal to average revenue at the profit maximizing quantity of output
33. With first-degree price discrimination, the marginal revenue curve :
- (A) is the same as the demand curve
 - (B) is below the demand curve, with slope equal to twice the slope of demand
 - (C) is above the demand curve
 - (D) is below the demand curve, with slope equal to one-half the slope of demand
34. What is the difference between uniform pricing and price discrimination ?
- (A) Uniform pricing and price discrimination are the same thing
 - (B) With uniform pricing firms charge the same price for each unit of output and with price discrimination firms charge different prices for each unit
 - (C) With uniform pricing firms charge different prices for each unit of output and with price discrimination firms charge the same price for each unit
 - (D) The uniform price is always higher than the discriminatory price
35. An individual demand curve slopes downward to the right because of :
- (A) income effect of fall in prices
 - (B) substitution effect of decrease in price
 - (C) diminishing marginal utility
 - (D) conditions (A), (B), and (C) hold

36. One of the major reasons why people move from money into bonds is their belief that :
 (A) the price of bond is about to fall (B) the rate of interest is about to fall
 (C) the rate of interest is about to rise (D) the price of mortgages is about to increase
37. When the commercial banks create credit they are, in effect, increasing :
 (A) the real national income (B) the national debt
 (C) the supply of money (D) the real wealth of the country
38. Keynes termed as “active balances” the money held for :
 (A) the transactions motive only
 (B) the precautionary motive only
 (C) the transactions and precautionary motives
 (D) the speculative motive only
39. “Fiat money” is that which is :
 (A) backed by gold or silver (B) decreed as money by the government
 (C) accepted by overseas banks only (D) accepted temporarily in lieu of gold
40. A large speculative demand for money is likely to exist when :
 (A) people wish to borrow money in order to speculate on the stock exchange
 (B) the current rate of interest is extremely high
 (C) the current rate of interest is extremely low
 (D) the current rate of interest is moderate
41. Which one of the following is NOT an asset of the commercial banks, but in fact a liability ?
 (A) Cash in hand (B) Money at call
 (C) Paid up capital (D) Investment
42. Other things being same, when income increases, the liquidity preference curve :
 (A) shifts to the left (B) does not shift at all
 (C) shifts to the right (D) changes its slope
43. When the intrinsic value of money and its face value are equal, it is called :
 (A) token money (B) full-bodied money
 (C) quasi-money (D) fiat money
44. Portfolio theory of the demand for money assumes that the individual :
 (A) disregards risk (B) is risk neutral
 (C) is risk lover (D) is risk averse

45. "The quantity theory of money is a theory of demand for money and not a theory of fluctuations of income and/or prices." The statement is associated with :

- (A) Robertson (B) Fisher
(C) Keynes (D) Friedman

46. Devaluation results in a :

1. rise in the domestic price of import
2. rise in the domestic price of exports
3. fall in domestic price of imports
4. fall in the foreign price of exports

Which of the above statements are correct ?

- (A) 1 and 2 (B) 2 and 3
(C) 3 and 4 (D) 1 and 4

47. Hot money refers to the :

- (A) short-term capital movements from one country to another seeking either a higher rate of interest or safety of capital irrespective of the rate of interest
(B) long-term capital movements from one country to another seeking higher rate of interest
(C) medium-term capital movements from one country to another
(D) currency which is very much in demand in the foreign exchange market

48. Which one of the following is the major characteristic of foreign direct investment ?

- (A) Capital flows resulting in physical investment
(B) It is portfolio investment in stock market
(C) It is that investment which involves debt servicing
(D) It is investment made by foreign institutional investors in government securities

49. **Assertion (A) :** The Ricardian theory of trade is based on the labour theory of value.

Reason (R) : Labour theory of value holds well in domestic trade, but breaks down when applied to international trade.

- (A) Both A and R are true and R is the correct explanation of A
(B) Both A and R are true but R is not a correct explanation of A
(C) A is true but R is false
(D) A is false but R is true

55. The balance of payments of a country is in equilibrium when :
- (A) the total receipts is equal to total payments
 - (B) the demand for domestic currency is equal to its supply
 - (C) the demand for domestic currency is highest
 - (D) the total receipts is equal to total payments in an accounting year
56. Income elasticity of demand for the exports of underdeveloped countries is usually :
- (A) equal to one
 - (B) more than one
 - (C) zero
 - (D) less than one
57. According to the elasticity approach, for a devaluation to have a positive effect on the trade balance, the sum of the elasticities of demand for exports and imports of the devaluing country has to be equal to :
- (A) unity
 - (B) less than unity
 - (C) zero
 - (D) greater than unity
58. Which one of the following transactions represents a credit entry in the current account of a country's balance of payments ?
- (A) Merchandise imports
 - (B) Transportation services rendered by foreign companies
 - (C) Expenditure of foreign tourists in a country
 - (D) Payments to foreign contractors and engineers
59. The scope of international trade and division of labour is limited by :
- (A) availability of technology
 - (B) size of the international market
 - (C) availability of capital
 - (D) surplus production of capital exports
60. In Heckscher-Ohlin theory of international trade, the most important source of difference in relative commodity prices between nations is a difference in :
- (A) factor endowments
 - (B) technology
 - (C) tastes
 - (D) demand conditions
61. **Assertion (A):** Devaluation leads to expenditure switching.
Reason (R): Devaluation makes imports relatively costlier than domestic goods.
- (A) Both A and R are true and R is the correct explanation of A
 - (B) Both A and R are true but R is not a correct explanation of A
 - (C) A is true but R is false
 - (D) A is false but R is true

62. Which one of the following pairs is not correctly matched ?
- (A) Depreciation Market mechanism
 - (B) Devaluation Policy action of the government
 - (C) Incomplete specialization Comparative cost advantage theory
 - (D) Exchange control Foreign exchange rationing
63. The word 'Balance' in the balance of payments refers to :
- (A) a situation of comfortable equilibrium
 - (B) no accommodating transaction
 - (C) an accounting balance
 - (D) automatic real balance
64. A deficit in a country's balance of payments refers to the difference between :
- (A) autonomous receipts and autonomous payments
 - (B) accommodating receipts and autonomous payments
 - (C) accommodating receipts and accommodating payments
 - (D) autonomous receipts and accommodating payments
65. The size of foreign trade multiplier depends on :
- (A) marginal propensity to consume (B) marginal propensity to import
 - (C) repercussion (D) all of the above
66. Structural changes in GDP are mainly associated with :
- (A) growth of per capita income (B) development with trickle-down benefit
 - (C) development of primary sector (D) economic development
67. Which one of the following is NOT related with economic growth ?
- (A) Distribution of GDP in an economy
 - (B) Efficiency of raising output
 - (C) Technological changes in production
 - (D) Human resource development
68. With economic development the share of service sector in the national economy normally :
- (A) declines (B) increases
 - (C) remains constant (D) becomes unstable
69. Which one of the following does NOT measure 'income inequalities' ?
- (A) Lorenz curve (B) Gini coefficient
 - (C) Per capita income (D) Relative poverty

70. "Poor countries are trapped in a vicious circle of poverty." The statement is associated with :
- (A) Arthur Lewis (B) R.F. Harrod
(C) E. Domar (D) Ragner Nurkse
71. Which one of the following was NOT considered in the Physical Quality of Life Index ?
- (A) Per capita income (B) Literacy percentage
(C) Infant mortality (D) Life expectancy
72. Human Development Index is prepared regularly by :
- (A) The World Bank (B) United Nations Development Programme
(C) United Nation Organization (D) Asian Development Bank
73. Which one of the following is a feature of only an underdeveloped country ?
- (A) Inflation and unemployment (B) Import of consumers' goods
(C) Underutilization of resources (D) Economic fluctuations
74. The concept of 'stationary state' was given for the first time by :
- (A) David Ricardo (B) Adam Smith
(C) J.S. Mill (D) J.B. Say
75. J. Schumpeter assigned the role of innovation to :
- (A) scientists inventing new things
(B) organizers mobilising factors of production
(C) entrepreneurs taking risk in production
(D) producers
76. Which one of the following is NOT a characteristic of modern economic growth as identified by Simon Kuznets ?
- (A) Capital accumulation (B) National product and its components
(C) Population and labour force (D) Sustained increase in the supply of goods
77. Sustainable development is best defined as :
- (A) sustained growth of GDP for a longer period
(B) meeting the needs of the present generation without compromising the needs of future generation
(C) having low poverty ratio and high standard of living for a long period
(D) high savings and capital formation resulting in high rate of growth
78. Which one of the following is NOT an obstacle to economic growth ?
- (A) Market imperfections (B) Vicious circle of poverty
(C) Backwash effect (D) Backward and forward linkages

79. Consider the following :
1. Increase in population
 2. Improvement in health, education and housing
 3. Migration of workers to more productive areas
 4. Capital accumulation

Of the above, human capital formation includes

- (A) 2, 3 and 4
 (B) 1, 2 and 3
 (C) 2 and 3 only
 (D) 2 and 4 only

80. List I includes some concepts and List II their authors. Matching the two lists select the correct answer from the codes given below the lists :

List I	List II
a. Division of labour	1. R. Rodan
b. Demonstration effect	2. Karl Marx
c. Big push	3. Adam Smith
d. Surplus value	4. J.S. Duesenberry

Codes :

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

81. In which one of the following areas the policies of the British rulers in India did not help in the economic development of the country ?

- (A) Cottage and small scale industries (B) Jute industry
 (C) Plantation (D) Transport and communication

82. The extent of poverty in India was revealed for the first time by :

- (A) Govind Ranadey (B) K.T. Shah
 (C) Dadabhai Naoroji (D) None of the above

83. Which one of the following was NOT true about Indian economy at the time of independence ?

- (A) Predominance of agriculture (B) Large service sector
 (C) Disguised unemployment (D) Lack of entrepreneurs

84. Which one of the following is correct about birth and death rates in India at present ?

- (A) Both birth and death rates are high
 (B) Since 1951 both have declined in the same ratio
 (C) While death rate has declined there is little change in the birth rate
 (D) Birth rate has declined slower while death rate decreased fast

85. Which one of the following is NOT a target of the National Population Policy 2000 ?
(A) Reduce maternity mortality ratio to 50 per lakh live births
(B) Lower down total fertility rate to the replacement level by 2010
(C) To achieve stable population by 2045
(D) Reduce infant mortality rate to below 30 per one thousand live births.
86. Which one of the following has been ignored in the family planning programme in India ?
(A) Better rural health services (B) Availability of contraceptives
(C) Family planning insurance schemes (D) Changing social environment
87. Consider some of the facts about hydel power in India :
1. These resources are evenly distributed in the country
2. 15-20 percent of the total electricity generation comes from this source
3. Since independence share of this source of energy is declining
Of the above
(A) Only 1 and 3 are correct (B) Only 2 and 3 are correct
(C) Only 1 and 2 are correct (D) All are correct
88. Which one of the following does NOT help in maintaining ecological balance ?
(A) Afforestation (B) Prohibition of hunting animals
(C) Deforestation (D) Rainwater harvesting
89. In which State of India sex ratio exceeds 1000 ?
(A) Tamil Nadu (B) Andhra Pradesh
(C) Orissa (D) Kerala
90. In 2004-05 incidence of poverty on all India basis was estimated to be :
(A) 27.5 percent
(B) 21.8 percent
(C) Both (A) and (B) by using two different methods
(D) None of the above
91. From the point of growth of GDP in Indian economy, the break-even year may be :
(A) 1971 (B) 1981
(C) 1991 (D) 2001
92. Base year for estimating New series of national product at constant prices is :
(A) 2005-2006 (B) 2003-2004
(C) 2001-2002 (D) 1999-2000
93. The largest source of gross capital formation in India is in :
(A) Private sector (B) Corporate sector
(C) Household sector (D) Public sector

94. India's ranking in Human Development Index in recent years (mention year) out of 177 countries remains between :
- (A) 116 and 121 (B) 121 and 125
(C) 125 and 130 (D) 130 and 135
95. Which one of the following is NOT a feature of economic planning in India ?
- (A) Totalitarian planning (B) Democratic planning
(C) Perspective planning (D) Financial planning
96. In the early phase of economic planning in India, out of the following, the main strategy was :
- (A) export promotion (B) import substitute industrialization
(C) consumerism (D) price control and rationing
97. The strategy of the Eleventh Five-year Plan is :
- (A) the first priority to agricultural development
(B) more production of foodgrains
(C) rapid industrialization
(D) faster and more inclusive growth
98. The base year of the All India Index of Industrial Production (IIP) at present is :
- (A) 1993-94 (B) 1998-99
(C) 2003-04 (D) 2007-08
99. In India, industries are classified as :
- (A) cottage, small and large (B) cottage, micro and large
(C) micro, small, medium and large (D) micro, small and large
100. In the year 2008-09 the largest amount of foreign direct investment was received in :
- (A) telecommunication (B) housing and real estate
(C) computers and accessories (D) automobiles
101. Which one of the following was NOT an objective of land reforms in India ?
- (A) Institutional changes in agriculture
(B) Eliminating all forms exploitation of farmers
(C) Security of tillers of agricultural land
(D) Technological changes to improve productivity of land

102. List I includes some aspects of economic development in India and List II items related to them :

List-I		List-II	
a. Decentralized planning		1. Green revolution	
b. Community Development Projects		2. New Agricultural Strategy	
c. Intensive Area Development Programme		3. Panchayat Raj	
d. High yielding varieties		4. Block Development	

Matching items of List-I with those of List-II, select correct answer from the codes given below :

Codes :

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

103. Consider some of the facts about National Food Security Mission :

1. It is Centrally sponsored scheme
2. Better food grain management is the main objective of the scheme
3. It aims at increasing production of rice, wheat and pulses
4. Area expansion, productivity enhancement and improved technology are the main tools of the programme.

Of the above

- (A) Only 3 and 4 are correct
- (B) Only 1 and 3 are correct
- (C) 1, 3 and 4 are correct
- (D) 2, 3 and 4 are correct

104. Which one of the following is NOT correct about minimum support prices of agricultural products ?

- (A) Commission for Agricultural Costs and Prices fixes these prices
- (B) Prices are announced only for wheat, rice and sugarcane
- (C) Government procures foodgrains on these prices
- (D) Demand-supply gap and price situation in the country are taken into account in determining these prices.

105. Which one of the following is NOT true about procurement of foodgrains ?

- (A) It is done in crops like wheat, rice and coarse grains
- (B) Foodgrains are purchased on minimum support prices
- (C) Larger part of foodgrains is distributed through Public Distribution System
- (D) Food Corporation of India is the only agency for procuring foodgrains

106. The 'Golden Quadrilateral' is a programme related to :
- (A) National highways (B) Power transmission lines
(C) State roads (D) Railway network
107. For financing infrastructure projects during the Eleventh Plan emphasis has been given on :
- (A) larger investment in public sector (B) larger investment in private sector
(C) public-private partnership (D) external financial resources
108. The nature of unemployment in India is :
- (A) Cyclical (B) Structural
(C) Seasonal (D) Frictional
109. Employment in organized sector in India at present is between :
- (A) 11 and 15 percent (B) 9 and 11 percent
(C) 7 and 11 percent (D) 4 and 7 percent
110. Consider some of the facts about National Rural Employment Guarantee Scheme :
1. The scheme was started in February 2006
 2. National Rural Employment Programme (NREP) was merged into the scheme
 3. The basic framework of the scheme was provided by the Maharashtra Employment Guarantee Act
 4. The scheme now covers all the districts of the country
- Of the above
- (A) only 1 and 4 are correct (B) only 2 and 4 are correct
(C) 2, 3 and 4 are correct (D) 1, 3 and 4 are correct
111. Which one of the following is NOT recommended by a Finance Commission ?
- (A) Plan grant to States
(B) Non-plan grants to States
(C) Share of the Central taxes to States
(D) Grant for funding natural calamities in States
112. Target of fiscal deficit in ease of the Union budget for 2008-09 could not be achieved due to :
- (A) no check on non-essential expenditure
(B) slow growth in tax revenue
(C) larger plan expenditure
(D) larger capital expenditure
113. The largest item of public expenditure in the Union budgets in recent years is :
- (A) defence expenditure (B) oil-pool deficit
(C) major subsidies (D) interest payments

ROUGH WORK