

Section : Economics

Q.1 Match List-I with List-II

List-I

(A) Marginal rate of substitution

(B) $MU_x/MU_y = P_x/P_y$

(C) $-(P_x/P_y)$

(D) Monotonic Preferences

List-II

(I) Slope of Budget line

(II) more of at least one good and no less of the other good

(III) Law of equi marginal utility

(IV) Slope of indifference curve

Choose the correct answer from the options given below:

1. (A) – (I), (B) – (II), (C) – (III), (D) – (IV)
2. (A) – (I), (B) – (III), (C) – (IV), (D) – (II)
3. (A) – (I), (B) – (II), (C) – (IV), (D) – (III)
4. (A) – (IV), (B) – (III), (C) – (I), (D) – (II)

Options 1. 1

2. 2
3. 3
4. 4

Q.2 According to the law of variable proportions, Which among the the following option is correct?

1. The marginal product of an input initially rises and then, it starts falling.
2. The marginal product of an input initially falls and then, it starts rising.
3. The marginal product of an input throughout falls.
4. The marginal product remains constant throughout.

Options 1. 1

2. 2
3. 3
4. 4

Q.3 Anand consumes lesser units of good X when its price falls but more units of X when his income rises. Which of the following statements is true about good X.

1. Good X is an inferior good for Anand but not a Giffen good.
2. Good X is a Giffen good for Anand but not inferior.
3. Good X is normal good for Anand.
4. Good X is both inferior and Giffen good for Anand.

Options 1. 1

2. 2
3. 3
4. 4

Q.4 A profit-maximizing firm will attain its equilibrium at that level of output where?

1. The excess of total revenue over total cost is maximum.
2. Where the excess of total cost over total revenue is maximum.
3. Where the excess of marginal revenue over marginal cost is maximum.
4. Where the excess of marginal cost over marginal revenue is maximum.

Options 1. 1

2. 2
3. 3
4. 4

Q.5 Which of the following statements is true?

1. Gross domestic income is a subset of national income.
2. Corporate profit tax is a factor in income earned by the government.
3. The production of wheat by a farmer retained by himself for his self-consumption will be included in the national income of the country.
4. All capital goods are producer goods, but all producer goods are not necessarily capital goods.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.6 The RBI can influence money supply by changing the rate at which it gives long term loans to the commercial banks. This rate is called?

1. Bank rate.
2. Repo.
3. Reverse repo.
4. Margin requirements.

Options 1. 1

2. 2
3. 3
4. 4

Q.7 In an imaginary economy, the planned spending falls short of planned output at a certain level of employment.

Arrange the following consequences of the same in sequential order.

1. Unintended accumulation of inventories.
2. The employment level falls.
3. The output and income fall and the equilibrium is restored.
4. Producers plan to produce less in the next period.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.8 Full employment, in context of determination of income, implies?

1. Absence of voluntary unemployment.
2. Absence of involuntary unemployment.
3. Absence of frictional unemployment.
4. Everyone in the economy is employed.

Options 1. 1

2. 2
3. 3
4. 4

Q.9 Arrange the following in chronological order, starting from the earliest.

1. Publishing of 'An inquiry into the Nature and Cause of the Wealth of Nations'.
2. The Great Depression.
3. Publishing of 'The Economic consequences of the Peace'.
4. Publishing of 'General Theory of Employment, Interest and Money'.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.10 The value of the nominal GNP of an economy was Rs 5000 crores in a particular year. The value of GNP of that country during the same year, evaluated at the prices of same base year, was Rs 6000 crores. What is the value of the GNP deflator of the year.

1. 120
2. 83.33
3. 100
4. 125

Options 1. 1

2. 2
3. 3
4. 4

Q.11 Suppose an initial cash deposit of INR 100 crores has been made in a commercial bank where a total credit of IN 500 crores has been created in the economy. The required reserve ratio in this country is.....

1. 5%
2. 10%
3. 20%
4. 25%

Options 1. 1

2. 2
3. 3
4. 4

Q.12 A consumer spends all his income of Rs 6000 on two goods - Food and clothing and is buying 12 units each of both the goods. At the present level of consumption, the marginal rate of substitution of clothing for food is 3. The price of food per unit is Rs. 400 whereas that of clothing is Rs. 100. What should the consumer do to attain the equilibrium?

1. He should reduce the consumption of food and increase the consumption of clothing.
2. He should increase the consumption of food and reduce the consumption of clothing.
3. He should reduce the consumption of both the goods.
4. He shouldn't change his consumption level as he is already at equilibrium.

Options 1. 1

2. 2
3. 3
4. 4

Q.13 Which of the following is/are a qualitative tool of credit control adopted by the central bank of a country?

- Repurchase agreement.
- Moral suasion.
- Open market operations.
- Margin requirements.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.14 Match List I with List II in the context of the Government Budget:

List-I

(A) Purchase of stocks of a private company by the general government

(B) Sale of equity of a public sector enterprise to private sector

List-II

(I) Capital receipts

(II) Revenue receipts

List-I

(C) Payment of interest by the government on loans from financial institutions

(D) Stamp duty received by the government on property transactions in the country

List-II

(III) Capital expenditure

(IV) Revenue expenditure

Choose the correct answer from the options given below:

1. (A) – (II), (B) – (I), (C) – (III), (D) – (IV)
2. (A) – (III), (B) – (I), (C) – (IV), (D) – (II)
3. (A) – (IV), (B) – (I), (C) – (II), (D) – (III)
4. (A) – (III), (B) – (IV), (C) – (I), (D) – (II)

Options 1. 1

2. 2
3. 3
4. 4

Q.15 The increase in income in an economy is four times more than the increase in investment. What is the value of marginal propensity to consume in this economy?

1. 0.5
2. 0.75
3. 0.8
4. 1

Options 1. 1

2. 2
3. 3
4. 4

Q.16 The total revenue of a firm is increasing at a constant rate. Which of the following is true about this firm?

1. It is operating in an imperfect market and can sell any quantity of the good at given price.
2. It is operating in a perfect market and can sell any quantity of the good at given price.
3. It is operating in an imperfect market and can sell more only by lowering the price.
4. It is operating in a perfect market and can sell more only by lowering the price.

Options 1. 1

2. 2
3. 3
4. 4

Q.17 Delhi has become the most polluted city in India. Due to this, how will the production possibility curve of Delhi be affected?

1. Will shift to the left.
2. No effect on the production possibilities curve.
3. Downward movement along the same production possibilities curve.
4. Upward movement along the same production possibilities curve.

Options 1. 1

2. 2
3. 3
4. 4

Q.18 In a particular country, there was a severe heatwave. Arrange the following in the sequence of order in context of the market of ice-creams.

1. Rise in the price of ice cream.
2. Supply will remain the same.
3. Competition among the buyers of ice cream increases.
4. The demand for ice cream increases.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.19 A firm is operating in a market where it can sell more only by lowering the price of the good. Arrange the changes in total revenue of this firm in a sequential order.

1. Total revenue falls.
2. Total revenue starts from origin.
3. Total revenue increases at a diminishing rate.
4. Total revenue reaches its maximum.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.20 The progressive taxation system seeks to achieve which of the following objectives of the government budget?

1. Reallocation of resources.
2. Economic Stability.
3. Balanced regional development.
4. Redistribution of income.

Options 1. 1

2. 2
3. 3
4. 4

Q.21 Which of the following statements is true about public goods?

1. Public goods are non rival in nature.
2. Public goods are non-excludable in nature.
3. Public goods may be produced by the government or the private sector.
4. Public goods and public production can be used interchangeably.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.22 Which of the following is a quantitative tool of credit control by the reserve bank of India?

1. Open market operations.
2. Margin requirements.
3. Moral suasion.
4. Direct Action.

Options 1. 1

2. 2
3. 3
4. 4

Q.23 If the entire additional income is saved in an economy, the value of investment multiplier will be

1. 0
2. 1
1. More than 1 but finite.

2. Infinite.

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

Q.24 Deficient demand is said to exist in the economy when-

- 1. Aggregate demand exceeds aggregate supply at full employment.
- 2. Aggregate demand falls short of aggregate supply at any level of employment.
- 3. Aggregate demand exceeds aggregate supply at any level of employment.
- 4. Aggregate demand falls short of aggregate supply at full employment.

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

Q.25 Which of the following are correct about the short run cost concepts?

- 1. Both the average cost and average variable cost curves are U-shaped.
- 2. Average cost and average variable cost curves are parallel to each other.
- 3. Marginal cost is equal to both average cost and average variable costs at their respective minimum levels.
- 4. Average cost and average variable cost can never be equal to each other.

Choose the correct answer from the options given below:

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

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

Q.26 What is required to be subtracted from personal income in order to obtain personal disposable income?

- 1. Net current transfers by the government to the households.
- 2. Net remittances received by households from rest of the world.
- 3. Net tax payments by the households.
- 4. Nothing is to be subtracted as personal income is same as personal disposable income.

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

Q.27 There may be times when demand exceeds available output under conditions of high employment and thus may give rise to inflation. In such situations, restrictive conditions may be needed to reduce demand. This intervention by the government is considered as

- 1. Allocation function of the government.
- 2. Redistribution function of the government.
- 3. Stabilisation function of the government.
- 4. Public provision by the government.

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

Q.28 The saving function of a two sector economy is given as $S = (-)100 + 0.2Y$. The equilibrium level of income of this economy is 1000, then calculate the value of consumption at equilibrium?

- 1. 100
- 2. 500
- 3. 900

4. 1000

Options 1. 1

2. 2

3. 3

4. 4

Q.29 Match List-I with List-II

List-I

(A) Non-monetary exchanges

(B) Externalities

(C) Per capita income

(D) GDP deflator

List-II

(I) Can be positive or negative

(II) Price Index

(III) Domestic services by housewives

(IV) Total income/Population

Choose the correct answer from the options given below:

1. (A) – (I), (B) – (II), (C) – (III), (D) – (IV)

2. (A) – (I), (B) – (III), (C) – (II), (D) – (IV)

3. (A) – (III), (B) – (I), (C) – (IV), (D) – (II)

4. (A) – (III), (B) – (IV), (C) – (I), (D) – (II)

Options 1. 1

2. 2

3. 3

4. 4

Q.30 Which of the following central problems deals with the choice of technique of production?

1. What to Produce?

2. How to produce?

3. For whom to produce?

4. Problem of full employment of resources.

Options 1. 1

2. 2

3. 3

4. 4

Q.31 There are 2496 students in a school as on 1st April 2023. During the session, there were 186 new admissions whereas 43 students withdrew from the school. At the end of the session, there were 2539 students in the school, out of whom 1800 were boys and the rest were girls. In this case, which of the following figures represent a flow variable?

1. 186

2. 1800

3. 2496

4. 2539

Options 1. 1

2. 2

3. 3

4. 4

Q.32 Lata likes to eat burgers and has already eaten two. Her marginal utility from the last burger she consumes is 90 utils. If the price of burger is Rs. 25 per unit and marginal utility of a rupee is 3 utils, then?

1. Lata should increase the consumption of burgers to attain equilibrium.

2. Lata should have consumed lesser burgers to attain equilibrium.

3. Lata is in equilibrium so she should not change the level of consumption.

4. The given information is insufficient to determine the consumption behaviour of Lata.

Options 1. 1

2. 2

3. 3

4. 4

Q.33 During the period of COVID, there was an apprehension that the Indian economy might slip into recession. Therefore, to combat the situation, the Reserve bank of India reduced the Repo rate by 110 basis points. Arrange the consequences of the same in sequential order.

1. Increase in aggregate demand.
2. Reduction in the market lending rate by commercial banks.
3. Increase in money supply.
4. Increase in borrowings by the public.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.34 M3 is the most commonly used measure of money supply. It is also known as aggregate monetary resources. Which of the following is not a component of M3?

1. Currency held by public.
2. Demand deposits by people with commercial banks.
3. Savings deposits with Post Office savings banks.
4. Net time deposits of commercial banks.

Options 1. 1

2. 2
3. 3
4. 4

Q.35 Match List-I with List-II

List-I

(A) Decrease in consumer's income

(B) Increase in price of Good X

(C) Equal reduction in price of both goods X and Y

(D) Increase in price of Good Y

List-II

(I) Budget line becomes steeper

(II) Parallel and leftward shift in the budget line

(III) Budget line becomes flatter

(IV) No change in the slope of the budget line

Choose the correct answer from the options given below:

1. (A) – (II), (B) – (I), (C) – (III), (D) – (IV)
2. (A) – (II), (B) – (III), (C) – (I), (D) – (IV)
3. (A) – (II), (B) – (I), (C) – (IV), (D) – (III)
4. (A) – (II), (B) – (IV), (C) – (I), (D) – (III)

Options 1. 1

2. 2
3. 3
4. 4

Q.36 If the average fixed cost of production is the fixed cost per unit of output produced. Then it will

1. Remains same at all levels of output.
2. Increases with increase in the level of output.
3. Decreases with increase in level of output.
4. First increases and then decreases as the output is increased.

Options 1. 1

2. 2
3. 3
4. 4

Q.37 Which of the following are included while calculating national income by expenditure method?

1. Expenditure on single-use producer goods purchased by firms.

2. Expenditure incurred by a private trust running an orphanage on the education of the children.
 3. Expenditure incurred by the government on building dams and bridges across the nation.
 4. Expenditure by foreigners on the final goods produced in the country.
- Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.38 Match List-I with List-II

List-I

(A) Increase in demand > Increase in Supply

(B) Increase in demand < Increase in Supply

(C) Increase in demand = Increase in Supply

(D) Decrease in demand < Decrease in supply

List-II

(I) Increase in both equilibrium price and quantity.

(II) Decrease in both equilibrium price and quantity.

(III) Decrease in equilibrium price but increase in equilibrium quantity.

(IV) Increase in equilibrium quantity but no change in equilibrium price.

Choose the correct answer from the options given below:

1. (A) – (I), (B) – (II), (C) – (IV), (D) – (III)
2. (A) – (I), (B) – (III), (C) – (IV), (D) – (II)
3. (A) – (II), (B) – (I), (C) – (IV), (D) – (III)
4. (A) – (III), (B) – (I), (C) – (IV), (D) – (II)

Options 1. 1

2. 2
3. 3
4. 4

Q.39 The ratio of increase in income to increase in investment is termed as

1. Marginal propensity to save.
2. Marginal propensity to consume.
3. Marginal propensity to invest.
4. Investment Multiplier.

Options 1. 1

2. 2
3. 3
4. 4

Q.40 Which of the following represents the borrowing requirements of the government for the purposes other than interest payments?

1. Revenue deficit.
2. Fiscal deficit.
3. Primary Deficit.
4. Budgetary deficit.

Options 1. 1

2. 2
3. 3
4. 4

Q.41 Read the passage carefully and answer the questions based on the passage:

Income and the Exchange Rate

When income of a country increases, consumer spending increases.

Spending on imported goods is also likely to increase.

When imports increase, the demand curve for foreign exchange shifts to the right. There is a depreciation of the domestic currency. If there is an increase in income abroad as well, domestic exports will rise and the

supply curve of foreign exchange shifts outward. On balance, the domestic currency may or may not depreciate. What happens will depend on whether exports are growing faster than imports. In general, other things remaining equal, a country whose aggregate demand grows faster than the rest of the world's normally finds its currency depreciating because its imports grow faster than its exports. Its demand curve for foreign currency shifts faster than its supply curve.

A country whose aggregate demand grows faster than the rest of the world's normally finds its currency

1. Appreciating.
2. Depreciating.
3. Initially appreciating and then depreciating.
4. Initially depreciating and then appreciating.

Options 1. 1

2. 2
3. 3
4. 4

Q.42 Read the passage carefully and answer the questions based on the passage:

Income and the Exchange Rate

When income of a country increases, consumer spending increases.

Spending on imported goods is also likely to increase.

When imports increase, the demand curve for foreign exchange shifts to the right. There is a depreciation of the domestic currency. If there is an increase in income abroad as well, domestic exports will rise and the supply curve of foreign exchange shifts outward. On balance, the domestic currency may or may not depreciate. What happens will depend on whether exports are growing faster than imports. In general, other things remaining equal, a country whose aggregate demand grows faster than the rest of the world's normally finds its currency depreciating because its imports grow faster than its exports. Its demand curve for foreign currency shifts faster than its supply curve.

A decrease in income of a country leads to?

1. Leftward shift in the demand curve of foreign exchange.
2. Rightward shift in the demand curve of the foreign exchange.
3. Depreciation of domestic currency.
4. Appreciation of foreign currency.

Options 1. 1

2. 2
3. 3
4. 4

Q.43 Read the passage carefully and answer the questions based on the passage:

Income and the Exchange Rate

When income of a country increases, consumer spending increases.

Spending on imported goods is also likely to increase.

When imports increase, the demand curve for foreign exchange shifts to the right. There is a depreciation of the domestic currency. If there is an increase in income abroad as well, domestic exports will rise and the supply curve of foreign exchange shifts outward. On balance, the domestic currency may or may not depreciate. What happens will depend on whether exports are growing faster than imports. In general, other things remaining equal, a country whose aggregate demand grows faster than the rest of the world's normally finds its currency depreciating because its imports grow faster than its exports. Its demand curve for foreign currency shifts faster than its supply curve.

If the income of the country and income abroad increase simultaneously, then the domestic currency will.....

1. Depreciates.
2. Appreciates.
3. May or may not depreciate.
4. Initially appreciates and then depreciate.

Options 1. 1

2. 2
3. 3

Q.44 Read the passage carefully and answer the questions based on the passage:

Income and the Exchange Rate

When income of a country increases, consumer spending increases.

Spending on imported goods is also likely to increase.

When imports increase, the demand curve for foreign exchange shifts to the right. There is a depreciation of the domestic currency. If there is an increase in income abroad as well, domestic exports will rise and the supply curve of foreign exchange shifts outward. On balance, the domestic currency may or may not depreciate. What happens will depend on whether exports are growing faster than imports. In general, other things remaining equal, a country whose aggregate demand grows faster than the rest of the world's normally finds its currency depreciating because its imports grow faster than its exports. Its demand curve for foreign currency shifts faster than its supply curve.

the volume of imports of a country are growing faster than its volume of exports, its gross domestic product

1. Will Fall.
2. Will Rise.
3. Remains unaffected.
4. May rise or fall.

Options 1. 1

2. 2
3. 3
4. 4

Q.45 Read the passage carefully and answer the questions based on the passage:

Income and the Exchange Rate

When income of a country increases, consumer spending increases.

Spending on imported goods is also likely to increase.

When imports increase, the demand curve for foreign exchange shifts to the right. There is a depreciation of the domestic currency. If there is an increase in income abroad as well, domestic exports will rise and the supply curve of foreign exchange shifts outward. On balance, the domestic currency may or may not depreciate. What happens will depend on whether exports are growing faster than imports. In general, other things remaining equal, a country whose aggregate demand grows faster than the rest of the world's normally finds its currency depreciating because its imports grow faster than its exports. Its demand curve for foreign currency shifts faster than its supply curve.

ther things remaining same, If the income abroad increases, what is the likely effect of the same on national income of the domestic economy?

1. National income is likely to fall.
2. National income is likely to rise.
3. National income will remain unaffected.
4. National income will initially fall and then rise.

Options 1. 1

2. 2
3. 3
4. 4

Q.46 Read the passage carefully and answer the questions based on the passage:

Concept of Price Ceiling

It is not very uncommon to come across instances where the government fixes a maximum allowable price for certain goods.

The government-imposed upper limit on the price of a good or service is called a price ceiling. A price ceiling is generally imposed on necessary items like wheat, rice, kerosene, sugar etc. The objective of the price ceiling is to restrict the price of a good so that it becomes affordable for consumers to buy. However, it does not always generate the desired results. Most of the time, intervention by the government in the form of a price ceiling leads to various socio-problems.

Price ceilings are also known a.....

1. Price floor.

2. Random price fixation.
3. Maximum price fixation.
4. Minimum Support price.

Options 1. 1

2. 2
3. 3
4. 4

Q.47 Read the passage carefully and answer the questions based on the passage:

Concept of Price Ceiling

It is not very uncommon to come across instances where the government fixes a maximum allowable price for certain goods.

The government-imposed upper limit on the price of a good or service is called a price ceiling. A price ceiling is generally imposed on necessary items like wheat, rice, kerosene, sugar etc. The objective of the price ceiling is to restrict the price of a good so that it becomes affordable for consumers to buy. However, it does not always generate the desired results. Most of the time, intervention by the government in the form of a price ceiling leads to various socio-problems.

In order to be effective, the price ceiling should be determined

1. Below the market determined price.
2. Above the market determined price.
3. At the same level as of the market determined price.
4. Either above or below the market determined price.

Options 1. 1

2. 2
3. 3
4. 4

Q.48 Read the passage carefully and answer the questions based on the passage:

Concept of Price Ceiling

It is not very uncommon to come across instances where the government fixes a maximum allowable price for certain goods.

The government-imposed upper limit on the price of a good or service is called a price ceiling. A price ceiling is generally imposed on necessary items like wheat, rice, kerosene, sugar etc. The objective of the price ceiling is to restrict the price of a good so that it becomes affordable for consumers to buy. However, it does not always generate the desired results. Most of the time, intervention by the government in the form of a price ceiling leads to various socio-problems.

Suppose the market determined rent for apartments is 200 per month. The government intervenes and sets the rent control at 250 per month. What is the likely impact of this intervention on market of apartments?

1. There will now be excess supply of apartments
2. There will now be excess demand for apartments
3. The market determined rent will now rise above 200 per month
4. There will be no impact of this intervention on the market of apartments

Options 1. 1

2. 2
3. 3
4. 4

Q.49 Read the passage carefully and answer the questions based on the passage:

Concept of Price Ceiling

It is not very uncommon to come across instances where the government fixes a maximum allowable price for certain goods.

The government-imposed upper limit on the price of a good or service is called a price ceiling. A price ceiling is generally imposed on necessary items like wheat, rice, kerosene, sugar etc. The objective of the price ceiling is to restrict the price of a good so that it becomes affordable for consumers to buy. However, it does not always generate the desired results. Most of the time, intervention by the government in the form of a price ceiling leads to various socio-problems.

Imposition of price ceilings usually results into?

1. Excess demand for the good in the market.
2. Excess supply of the good in the market.
3. Surplus availability of the good in the market.
4. No effect on the market.

Options 1. 1

2. 2
3. 3
4. 4

Q.50 Read the passage carefully and answer the questions based on the passage:

Concept of Price Ceiling

It is not very uncommon to come across instances where the government fixes a maximum allowable price for certain goods.

The government-imposed upper limit on the price of a good or service is called a price ceiling. A price ceiling is generally imposed on necessary items like wheat, rice, kerosene, sugar etc. The objective of the price ceiling is to restrict the price of a good so that it becomes affordable for consumers to buy. However, it does not always generate the desired results. Most of the time, intervention by the government in the form of a price ceiling leads to various socio-problems.

The market determined price of a good is Rs. 40. The government determines the price ceiling on the good as Rs. 25.

Calculate the excess demand/excess supply it will cause if the demand and supply functions are $Q_d = 200 - p$ and $Q_s = 120 + p$ respectively.

1. Excess demand of 25 units.
2. Excess supply of 25 units.
3. Excess demand for 30 units.
4. Excess supply of 30 units.

Options 1. 1

2. 2
3. 3
4. 4