

NTA UGC NET ECONOMICS – ANSWER KEY 2020 SEPTEMBER

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Q1. Match List – I with List – II

List – I

- A. Effectiveness in private market in dealing with externalities
- B. Relationship between increase in tax rate and tax revenue
- C. Dominant strategy
- D. Controlling prices through effective price ceiling and a price floor

List – II

- I. Laffer curve
- II. Deadweight Loss
- III. Coase Theorem
- IV. Game Theory

Options

1. A-III, B-I, C-IV, D-II
2. A-IV, B-I, C-II, D-III
3. A-I, B-III, C-II, D-IV
4. A-III, B-I, C-II, D-IV

ANS:1

Q2. The number of districts initially selected from the states under the Intensive Area Development Programme (1960)

1. One district from each state
2. Three districts from three states
3. Five districts from five states
4. Seven districts from seven states

ANS: 4

Q3. Arrange the following growth economists in chronological order of when they proposed their theories

- A. Harod
- B. Schumpeter
- C. Rostow

D. Solow

Options

1. B A C D
2. C D B A
3. A C D B
4. D B A C

ANS: 1

Q4. What is the maximum penalty to be imposed under the Negotiable Instrument Act for bouncing of a cheque?

1. 6 months
2. One year
3. 2 years
4. 5 years

ANS:3

Q5. Given the total revenue function, $TR = 1400Q - 6Q^2$ and total cost function, $TC = 1500 + 80Q$ at $Q = 100$ units (where Q is the amount of output), which one of the following is correct ?

- A. $MR > MC$
- B. $MC = 80$
- C. $MR < MC$
- D. $MR = MC$

Options

1. A and B are true only
2. B and C are true only
3. B and D are true only
4. Can't be defined

ANS:1

Q6. Account payee crossing is defined in which section of the Negotiable Instruments (NI) Act?

1. Section 123

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2. Section 124
3. Section 125
4. Not defined in NI act

ANS:4

Q7. Assertion (A) : Compared to a certain point on the contract curve, a point above the contract curve is efficient

Reason (R): The contract curve represent the locus of points where the marginal rate of substitution between two goods is the same for both the individuals

1. Both A and R are correct, R is the correct explanation of A
2. Both A and R are correct, R is not the correct explanation of A
3. A is correct but R is not correct
4. A is not correct but R is correct

ANS:4

Q8. Growth rate of population is

1. Rate at which population increases per 1000 annum
2. Rate at which birth rate increases per annum
3. Rate at which population increases per 10000 annum
4. Rate at which fertility increases per annum

ANS:1

Q9. For the production function $Q = AL^\alpha K^\beta$

- A. The coefficient A shows managerial efficiency
- B. If $\alpha + \beta > 1$, then the production function exhibits increasing returns to scale
- C. Marginal rate of technical substitution of L for K is given by $\beta k / \alpha L$

D. The marginal product of capital is given by $\beta Q/K$

Options

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

ANS: 2

Q10. Labour force participation rate is given by

1. $\frac{\text{Labour force}}{\text{Total population}} * 100$
2. $\frac{\text{No. of labour employed}}{\text{labour force}} * 100$
3. $\frac{\text{Labour force}}{\text{Adult population}} * 100$
4. $\frac{\text{No. of labour employed}}{\text{Adult population}} * 100$

ANS:3

Q11. Banking cash transaction tax (BCTT) was introduced with effect from

1. 1st Jan 2015
2. 1st June 2005
3. 1st Jan 2019
4. 1st June 2009

ANS: 2

Q12. Maximum social welfare is guaranteed where a competitive firm exhibits the following conditions (where $MRPT_{xy}$ is marginal rate of product transformation of x for y)

1. $MRPT_{xy} = \frac{\text{price of } x (px)}{\text{price of } y (py)} = \frac{\text{marginal cost of } x (MCx)}{\text{marginal cost of } y (MCy)}$
2. $MRPT_{xy} = \frac{(px)}{(py)} = \frac{\text{Total cost of } x}{\text{Total cost of } y}$
3. $MRPT_{xy} = \frac{(px)}{(py)} = \frac{\text{Average variable cost of } x}{\text{Average variable cost of } y}$
4. $MRPT_{xy} = \frac{(px)}{(py)} = \frac{\text{Total variable cost of } x}{\text{Total variable cost of } y}$

ANS: 1

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Q13. The cost of holding money by individuals

- A. Loss of real value of money due to deflation
- B. Foregone interest from savings
- C. Utility forgone by not buying goods and services
- D. Returns forgone by not holding other assets

Options

1. B C AND D
2. A B AND C
3. A B AND D
4. A C AND D

ANS: 1

Q14. Match List – I with List – II

List – I

- A. Linear function
- B. Quadratic function
- C. Exponential function
- D. Power function

List – II

- I. $Y = 3x^2 + 2x + 9$
- II. $Y = 5x^3$
- III. $Y = 3e^{2x}$
- IV. $Y = 5x + 3$

Options

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

ANS: 1

Q15. A graph reflecting the relationship between a country's per capita income and its inequality of income distribution is the

1. Lorenz curve
2. Phillips curve
3. Laffer curve
4. Kuznets curve

ANS: 4

Q16. Match List – I with List II

List – I

- A. Rybezynski Theorem
- B. Metzler effect
- C. Stolper Samuelson Theorem
- D. Immiserising growth

List – II

- I. The effect of tariff on factor prices
- II. The effect of factor growth on production and trade
- III. The effect of tariff on domestic prices
- IV. The effects of growth on terms of trade

Options

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

ANS:1

Q17. Statement I: Industrialization strategy advocates trade and development to overcome market failures through government policy

Statement II : It encourages technology transfer and export of progressively more advanced products

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Choose the correct answer:

1. Both the statement are false
2. I is true II is false
3. I is false and II is true
4. Both are true

ANS:4

Q18. Assertion (A) : Marshall – Lerner condition should be fulfilled for the success of devaluation

Reason (R): Devaluation makes exports costly and imports cheaper

1. Both A and R are correct, R is the correct explanation of A
2. Both A and R are correct, R is not the correct explanation of A
3. A is correct but R is not correct
4. A is not correct but R is correct

ANS:3

Q19. Cross elasticity of demand of metro rides is 0.8 and total ridership per day 1.5 lakh. If price of bus ride rises by 5% the change in total metro rides will be

1. 4000
2. 5000
3. 6000
4. 7500

ANS:3

Q20. Match List – I with List – II

List – I

- A. Chamberlin
- B. Sweezy
- C. Stackelberg
- D. Fellner

List – II

- I. Small group model
- II. Kinked demand curve
- III. Price leadership model
- IV. Reaction curves

Options:

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

ANS:4

Q21. Based on the order, state whether the first equation is identified?

Given the following structural model

$$Y_1 = 3Y_2 - 3X_1 + X_2 + u_1$$

$$Y_2 = Y_3 + X_3 + u_2$$

$$Y_3 = Y_1 - Y_2 - 2X_3 + u_3$$

Where y 's are the endogenous variables, x 's are predetermined variables and u 's are random

1. Over identified
2. Under identified
3. Exactly identified
4. Information not sufficient

ANS: 3

Q22. Markowitz theory of portfolio management considers which of the following assumptions?

- A. Investors are pessimistic about start ups but optimistic about an established business
- B. Investors have free access to fair and correct information on return and risk
- C. Investors have a tendency to lean forwards a crypto currencies

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- D. Investors are rational and maximize their utility with a given level of income and money

1. Real GDP
2. Net Domestic Product
3. Nominal GDP
4. Gross National Product

Choose the correct answer

1. A AND B
2. B AND D
3. C AND D
4. A AND C

ANS: 2

Q23. Which of the following statement is wrong

1. 67% of Indian agriculturalists are marginal land holders with less than 1 hector
2. 10% of agriculturalists have 10 hectors or more
3. In the rural sector, land is the principle source of income
4. Due to the high growth of population, the average size of landholdings is small

ANS:2

Q24. Market failure is caused to the presence of

- A. Poverty
- B. Externalities
- C. Market power
- D. Private goods

Choose the correct answer

1. A and B
2. B and C
3. B, C and D
4. B and C

ANS: 2 4

Q25. GDP expresses in the terms of current price is called

ANS:3

Q26. Statement I : The Rybczynski theorem postulates that at constant commodity prices an increase in the endowment of one factor will increase by a greater proportion the output of commodity, intensive in that factor and will reduce the output of the other country

Statement II : The Stolper – Samuelson theorem postulates that an increase in the relative price of a commodity (for example as a result of a tariff) decreases the return or earnings of the factor used intensively in the production of the commodity

Choose the correct answers

1. Both are true
2. Both are false
3. I is true II is false
4. I is correct II is true

ANS: 3

Q27. “The best system of taxation from the economic point of view is that which has the best or the least bad economic effects “. Who said this?

1. Musgrave
2. Marshall
3. Hugh Dalton
4. Pigou

ANS:3

Q28. Overshooting model of exchange rate developed by economists Rudi Dornbush, attempts to establish

1. The fact why the foreign exchange market is never in equilibrium
2. Relationship between sticky prices and volatile exchange rates
3. The fact that forward rates of exchange are no good predictors of future spot rates of exchange
4. No relationship between sticky prices and volatile exchange rates

ANS: 2

Q29. The concept of Good and Services Tax (GST) is originated in

1. Canada
2. Britain
3. Germany
4. USA

ANS: 1

Q30. Which one of the following response is true as a solution for simultaneous equation bias?

- A. OLS method
- B. Principle Component Method
- C. Two – stage Least Square Method (2 SLS method)
- D. Full Information Maximum Likelihood method (FIML)

Choose the correct option

1. A and B are true
2. B and C are true
3. C and D are true
4. A and D are true

ANS:3

Q31. The solution of the following game

		Player B		
		B ₁	B ₂	B ₃
Player A	A ₁	2	4	2
	A ₂	1	-5	-4
	A ₃	2	6	-2

Is given by

1. Value of the game = 2. Best strategy for player A and B are (A₁,B₁) respectively
2. Value of the game = 2. Best strategy for player A and B are (A₁,B₁) or (A₃,B₁) or (A₁,B₃) respectively
3. Value of the game = 2. Best strategy for player A and B are (A₃,B₁) respectively
4. Value of the game = 2. Best strategy for player A and B are (A₁,B₃) respectively

ANS: 2

Q32. Presence of asymmetric information in the market causes which of the following?

- A. Adverse selection
- B. Marginal benefits of an additional unit of resources diminish with an increasing number of unit of resources
- C. Efficiency wages
- D. Principal – agent problem

Choose the correct answer

1. A B and D
2. B C and D
3. A and D
4. A and C

ANS:3

Q33. Seigniorage in banking means

- A. The economic cost of providing a current within a given economy
- B. The difference between the face value of money and the cost of providing it

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- C. The cost involved in running ATM's
- D. The cost of making debit/credit card in the economy

Choose the correct answers

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

ANS: 4

Q34. Statement I : Learning curve effect is related to a firm's long run average cost curve

Statement II : A swapped allocation is one that is Pareto efficient as well as an equitable allocation

Choose the correct answers

- 1. Both are true
- 2. Both are false
- 3. I is correct, II is false
- 4. I is false, II is true

ANS:1

Q35. The share of the service sector in the gross value added of India at current prices during 2018-2019 is between

- 1. 45 to 47 percent
- 2. 50 to 52 percent
- 3. 53 to 55 percent
- 4. 60 to 62 percent

ANS:3

Q36. According to economic survey 2019, the top 5 trading partners of India continue to be USA, China and UAE and

- A. Saudi Arabia
- B. Hong Kong

- C. Singapore
- D. Srilanka

Choose the correct answer

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

ANS:4

Q37. Which of the situations represents an economic investment in the national income calculation?

- A. Buying a newly constructed house for self occupation
- B. Buying of new shares
- C. Buying a new car by a publishing house for delivering books
- D. Buying a new car by a household

Choose the correct answer

- 1. A B and C
- 2. A B C and D
- 3. A C and D
- 4. A and D

ANS:4

Q38. Inadequacy or absence of KYC (know your Customer) standards can subject a bank to serious and counter party risks as follows

- A. Reputation risk
- B. Compliance risk
- C. Legal risk
- D. Bankruptcy risk

Choose the correct answer

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

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4. A C and D

ANS:2

Q39. Assertion (A) : High powered money is the source of all other forms of money that impact money supply

Reason (R): Credit is created by commercial banks

1. Both A and R are correct, R is the correct explanation of A
2. Both A and R are correct, R is not the correct explanation of A
3. A is correct but R is not correct
4. A is not correct but R is correct

ANS:2

Q40. For any two equally likely, exhaustive and independent events A and B, $P(AB)$ will be equal to

1. 0
2. 0.25
3. 0.50
4. 1

ANS: 2

Q41. A growth model in which there are diminishing returns on each factor of production but constant returns to scale and exogenous technological changes that generate long term economic growth is the

1. Leibenstein model
2. A K Sen model
3. Kalecki Model
4. Solow model

ANS:4

Q42. Time series under the condition $(E_{xt}) = \mu$ and $\text{cov}(x_t, x_{t+k}) = \gamma(k)$ is said to be

1. Strictly stationary
2. Non stationary
3. Weakly stationary
4. Can't be defined

ANS: 3

Q43. Which of the following are the three states, which secured the highest percentage state-wiseshare of tax revenue among states, as per recommendations of the 14th finance commission?

- A. Uttar Pradesh
- B. Bihar
- C. Madhya Pradesh
- D. Andhra Pradesh

Choose the most appropriate answer

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

ANS:3

Q44. Assertion (A) : The main cause of commercial bank failure is because of providing inappropriate loans to bank insiders

Reason (R) : Bank employees are provided loans at lower interest rates

Choose the appropriate answer

1. Both A and R are correct, R is the correct explanation of A
2. Both A and R are correct, R is not the correct explanation of A
3. A is correct but R is not correct
4. A is not correct but R is correct

ANS: 2

Q45. Arrange the following in chronological order

- A. Rational expectation Doctrine
- B. Keynesian economics
- C. Monetarism
- D. Classical economics

Choose the correct answer

- 1. B D C A
- 2. A D C B
- 3. A B C D
- 4. D B C A

ANS: 4

Q46. Match List – I with List – II

List – I

- A. Absolute advantage theory of international trade
- B. Factor proportion theory of trade
- C. Offer curve
- D. Opportunity cost

List – II

- I. Heckscher – Ohlin
- II. Marshall
- III. Adam Smith
- IV. Haberler

Choose the correct option

- 1. A I, B III, C II, D IV
- 2. A III, B I, C II, D IV
- 3. A I, B III, C IV, D II
- 4. A III, B I, C IV, D II

ANS:2

Q47. Statement I : The endogenous growth theorists suggest, investment in human capital,

innovation and knowledge leads to economic growth

Statement II : Investment in human capital, innovation and knowledge reduces the diminishing returns on investment

Choose the most appropriate answer

- 1. Both are true
- 2. Both are false
- 3. I is correct, II is false
- 4. I is false, II is true

ANS:1

Q48. Given the total cost $TC = Q^3 - 10Q^2 + 6Q$, what will be the minimum average cost ? At what level of output will the minimum cost occur ? (Q is the level of output)

- 1. Minimum average cost is $AC_{min} = 35$ at $Q=5$
- 2. Minimum average cost is $AC_{min} = 175$ at $Q=5$
- 3. Minimum average cost is $AC_{min} = 170$ at $Q=1$
- 4. Minimum average cost is $AC_{min} = 45$ at $Q=1$

ANS:1

Q49. Statement I : Mrs. Ursula K Hicks stated that, “Private finance whether of firms or individuals, starts with a given income plan as a framework within which expenditure must be planned: public finance, on the contrary, starts with a given expenditure plan and the authorities adjust their income by means of taxes and resources to match the expenditure”

Statement II: Prof. Shiras pointed Out that “public authorities differ from private expenditure in that the former should balance

income and should not necessarily seek a profit in the manner that an individual would”

Choose the correct answer

1. Both are true
2. Both are false
3. I is correct, II is false
4. I is false, II is true

ANS:1

Q50. Assertion (A): According to Walt W Rostow, the principle strategy of development necessary for take-off was the mobilization of domestic and foreign savings

Reason (R): mobilization of domestic and foreign savings is necessary to generate sufficient investment to accelerate economic growth

Choose the correct answer

1. Both A and R are correct, R is the correct explanation of A
2. Both A and R are correct, R is not the correct explanation of A
3. A is correct but R is not correct
4. A is not correct but R is correct

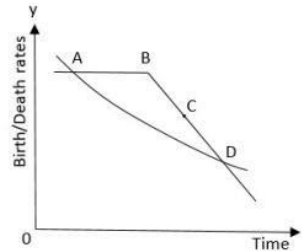
ANS:1

Q51. Given the sample size 400 with the sample mean 99, the population mean 100 and computed value of z statistic at 2.5, the value of population standard deviation will be

1. 59.17
2. 123.46
3. 8
4. Cannot be determined

ANS:3

Q52. Based on the following Blacker’s stages of population growth diagram, the portion between A, B and C implies



1. Stages of low stationary
2. Population declining
3. Early expanding
4. Late expanding

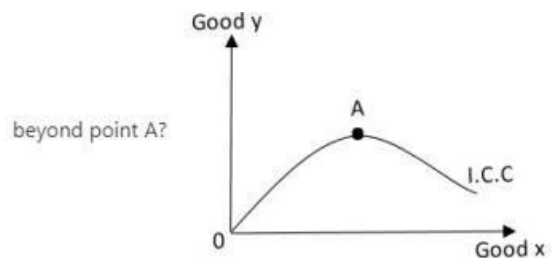
ANS:3

Q53. According to the last census (2011), which Indian State has the minimum sex ratio?

1. Punjab
2. Delhi
3. Bihar
4. Haryana

ANS:4

Q54. For the given income consumption curve in the diagram, which one of the following is correct



1. Good x is inferior and good y is normal
2. Good y is inferior and good x is normal
3. Good x and good y are normal
4. Good x and good y are inferior

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ANS:2

Q55. A decision free framework to identify a country's most binding constraints on economic growth is termed as

1. Growth paradigm
2. Growth diagnostics
3. Growth stimulus
4. Growth paradox

ANS:2

Q56. Who said, "I believe that the objective for disinvestment should be to benefit the public, the consumer and the investor at the same time to improve competitiveness and eliminates monopoly?"

1. Manmohansingh
2. George Fernandes
3. Chidambaram
4. YashwantSinha

ANS:2

Q57. Match List – I with List – II

List – I

- A. Kerala
- B. Punjab
- C. Himachal Pradesh
- D. Madhya Pradesh

List – II

- I. Least urbanized
- II. Highest percentage of S.C's in their population
- III. Highest percentage of S.T's in their population
- IV. Highest sex ratio

Options

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

ANS:1

Q58. Which one of the following price index numbers satisfies the factor reversal test?

1. Lapspeyres price index
2. Paasche's price index
3. Walsh's price index
4. Fisher's price index

ANS:4

Q59. Assertion(A): If A is any Matrix given by A

$$A = \begin{pmatrix} 5 & 0 & 3 \\ -1 & 0 & 2 \\ 1 & 0 & 1 \end{pmatrix}$$

Then $\det A = 0$, since all elements in column II are zero

Reason (R): Laplace expansion permits evaluation of a determinant along any row or column

1. Both A and R are correct, R is the correct explanation of A
2. Both A and R are correct, R is not the correct explanation of A
3. A is correct but R is not correct
4. A is not correct but R is correct

ANS:1

Q60. Forward exchange rates are useful for those who wish is

- A. Protect themselves from the risk that the exchange rate will change before a transaction is completed
- B. Gamble that a currency will rise in value

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- C. Gamble that a currency will false in value
- D. Exchange currencies at a point in time in the future

Choose the correct answer

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

ANS:4

Q61. Harrod – Domar considers a functional economic relationship in which the growth rate of the gross domestic product depends

- A. Directly on the national net savings rate
- B. Inversely on the national capital – output ratio
- C. Directly on industrial growth
- D. Inversely on agricultural growth

Choose the correct answer

- 1. A and B
- 2. A and C
- 3. B and D
- 4. C and D

ANS:1

Q62. What type of relationship exists between two variables, if all points on the scatter diagram appear to fall on a straight line going upward from left to right?

- 1. Positive correlation
- 2. Perfect positive correlation
- 3. Negative correlation
- 4. Perfect positive correlation

ANS:2

Q63. If no industry (sector) draws its own output as input, then the principle diagonal element in the technological coefficient matrix will be

- 1. -1
- 2. +1
- 3. Zero
- 4. Infinity

ANS:3

Q64. The combined liabilities of Centre and states as a percentage of GDP during the two years 2016-2017 and 2017-2018 consolidated is at

- 1. 69 percent
- 2. 67 percent
- 3. 68 percent
- 4. 66 percent

ANS:2

Q65. Which one of the following is not the objective of IMF?

- 1. To promote international monetary cooperation
- 2. To ensure balanced international trade
- 3. To ensure exchange rate stability
- 4. To provide loans to the private sector

ANS:4

Q66. What is the value of the equilibrium level of income for the data given below for an economy?

$$C = 50 + 0.8Y_d$$

$$t = 20\%$$

$$I = 100$$

$$G = 30$$

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1.400

ANS:1

2.300

Q70. Changes in terms of trade typically put less developed countries at a disadvantage, because

3.500

1. They specialize and trade in agricultural goods rather than manufactured goods
2. They have higher labour cost
3. They specialize and trade in services like tourism
4. Industrialized countries practice unfair trade with less developed countries

4.600

ANS: 3

Q67. Given the production function $Q = 10 L^{0.8} K^{0.2}$, the marginal product of labour (MP_L) and capital (MP_K) respectively are given by

- A. $MP_L = 8 (K/L)^{0.2}$
- B. $MP_L = 8 (L/K)^{0.2}$
- C. $MP_K = 2 (L/K)^{0.2}$
- D. $MP_K = 2 (K/L)^{0.2}$

ANS:1

Choose the correct answer

1. A and D are true
2. A and C are true
3. B and C are true
4. B and D are true

Q71. Match List – I with List – II

List – I

- A. Karl Marx theory of population growth
- B. Blacker's theory of population growth
- C. Landry's theory of population growth
- D. Prof. Sidgwick's optimum population theory

ANS:2

Q68. In the study of international economics, we use the tool of

1. Microeconomic theory only
2. Macroeconomic theory only
3. Neither micro nor macro economic theory
4. Both micro and macro economic theory but we all extend, adapt and integrate them

List – II

1. Static interpretation
2. Three stages
3. Four stages
4. Five stages

Choose the correct answer

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

ANS:4

Q69. Absolute income hypothesis explain

1. Consumer behavior
2. Producer behavior
3. Inflation
4. Government expenditure

ANS:3

Q72. A leftward shift in a labour demand curve is caused by

1. Increase in wage rate
2. Decrease in wage rate

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3. Increase in marginal productivity of labour
4. Decrease in marginal productivity of labour

ANS: 4

Q73. The government multiplier is given by (where $c = \text{MPC}$ and $t = \text{tax rate}$)

1. $\frac{1}{1-(c-t)}$
2. $\frac{1}{(c-t)t}$
3. $\frac{1}{1-c-t}$
4. $\frac{1}{1-c(1-t)}$

ANS: 4

Q74. According to traditional neoclassical growth theory, output growth results from

- A. Increase in labour quantity and quality
- B. Increase in capital
- C. Increase in exports
- D. Improvement in technology

Choose the correct answer

1. A B and C
2. A and B
3. B and C
4. A B and D

ANS: 4

Q75. Match List – I with List – II

List – I

List I

Statistic

A. Sample Mean (\bar{x})

B. Sample Variance (s^2)

C. Difference of two independent sample means ($\bar{x}_1 - \bar{x}_2$)

D. Difference of two independent sample standard Deviations ($s_1 - s_2$)

List – II

List II

Standard Error

i. $\sqrt{\left(\frac{\sigma_1^2}{2n_1}\right) + \left(\frac{\sigma_2^2}{2n_2}\right)}$

ii. $\sqrt{\left(\frac{\sigma_1^2}{n_1}\right) + \left(\frac{\sigma_2^2}{n_2}\right)}$

iii. $\frac{\sigma}{\sqrt{n}}$

iv. $\sigma^2 \sqrt{\frac{2}{n}}$

Options

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

ANS: 1

Q76. Match List – I with List – II

List – II

- A. Critical minimum effort theory
- B. Neo classical growth theory
- C. Demographic transition theory
- D. Age of high mass consumption

List – II

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- I. C P Blacker
- II. W W Rostow
- III. R Solow
- IV. H Leibenstein

Options

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

ANS:4

Q77. Which of the following equations represent national income identity?

- A. $Y = C + I + X$
- B. $Y = C + I + G + S$
- C. $Y = C + I + G + (X - M)$
- D. $Y = C + I + G + M$

Choose the correct answer

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

ANS: 2

Q78. Which of the following committee's has been constituted for doubling farmer's income by 2022?

1. Ashok Mehta committee
2. Naresh Chandra committee
3. Rajeev Kumar committee
4. Ashok Dalwai committee

ANS: 4

Q79. Given ' σ ' as the standard deviation of a given series and if to each and every observation of the series is added a constant 'k',

then what will be standard deviation of the new series?

1. $\sigma + k$
2. $\sigma - k$
3. σ
4. σk

ANS:3

Q80. Assertion (A): Chronic poverty is the main problem facing India

Reason (R): British colonial rule has caused unemployment in India

1. Both A and R are correct, R is the correct explanation of A
2. Both A and R are correct, R is not the correct explanation of A
3. A is correct but R is not correct
4. A is not correct but R is correct

ANS:2

Q81. Match List – I with List – II

List – I

- A. Permanent income hypothesis
- B. Relative income hypothesis
- C. Absolute income hypothesis
- D. Life cycle hypothesis

List – II

- I. F Modigliani
- II. J M Keynes
- III. M Friedman
- IV. J Dusenberry

Options

1. A II, B III, C IV, D I
2. A I, B IV, C III, D II
3. A III, B II, C I, D IV

4. A III, B IV, C II, D I

ANS:4

Q82. Which one of the following is a valid objective function as a linear programming problem?

1. $\text{Max } Z = 5x^2y$
2. $\text{Max } Z = 3x + 2y + 8xy$
3. $\text{Max } Z = 2x^2 + 3y^2$
4. $\text{Max } Z = 5x + 2y$

ANS:4

Q83. Population density refers to

1. Number of male persons per square kilometers
2. Number of persons per cubic kilometers
3. Number of persons per square kilometers
4. Number of persons per 10 kilometers

ANS:3

Q84. Statement I: Growth in infrastructure is considered as an essential pre-requisite for stepping up GDP growth

Statement II: It is vitally important to increase capital formation in India

1. Both are not correct
2. I is correct, II is incorrect
3. Both are correct
4. I is incorrect, II is correct

ANS: 3

Q85. If the disturbance term is heteroscedastic, which one of the responses based on given statement is true?

- A. OLS estimators are biased

- B. OLS estimators do not have the minimum variance property
- C. Tests of significance based on OLS estimates will be inaccurate
- D. OLS estimators are inconsistent

Choose the correct options

1. A and B are true
2. A and C are true
3. B and C are true
4. A and D are true

ANS:3

Q86. Transportation cost of trade effects

- A. Pattern of trade
- B. Boundaries between tradable and non – tradable goods
- C. Global supply chain
- D. Boundaries of non-tradable goods

Choose the correct option

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

ANS:2

Q87. IS and LM curve analysis explain

- A. Product market equilibrium
- B. Money market equilibrium
- C. Capital market equilibrium
- D. Foreign trade equilibrium

Choose the correct answers

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

ANS:3

Q88. Which of the following are Hawkins – Simon conditions?

- A. Determinant A should be positive
- B. Determinant (I-A) should be positive
- C. Determinant (I-A) should be negative
- D. Principal diagonal elements of Matrix (I-A) should be positive

Choose the correct answers

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

ANS:3

Q89. Which of the following are forms of government borrowing?

- A. Drawing from treasury
- B. Printing of currency notes
- C. Borrowings from non bank public institutions
- D. Borrowings from banking system

Choose the correct answer

- 1. A B and C
- 2. A B and D
- 3. A B C D
- 4. A and D

ANS:3

Q90. White revolution refers to boost in the production of

- 1. Rice
- 2. Milk
- 3. Egg
- 4. Honey

ANS:2

COMPREHENSION (QS 91-95)

There is considerable evidence that some consumers are willing to pay more for green goods. Green goods are goods that are manufactured in an environmentally friendly way (e.g. wood products from sustainable forests, electricity produced from wind power) without a direct impact on a consumer. These are referred to as impure Public goods - a package of Private good and Public good.

Why consumers are willing to pay more for these goods is complex. Whatever the reason, it is clear some consumers are willing to pay for green actions that do not benefit them directly.

One example of green goods is 'green electricity'. Green power is simply electricity produced using renewable sources of energy. Of course, electricity itself is completely indistinguishable from non-green electricity. There are two ways in which consumers may buy green electricity; either by buying it directly or by contributing to the cost of building green electricity capacity.

Consumers are clearly willing to spend more for green electricity and their preference for green production is indicated by the recent rise in popularity of retail carbon offsets. Offsets of emissions have long been used by firms to buy and sell the obligation to reduce emissions. In the USA, new emitters setting up a business in an urban area have to 'offset' their emission additions by finding (and paying) existing firms to reduce their emissions. In recent years, firms have used offsets to effectively reduce their emissions in order to provide a green image, particularly in the case of carbon emissions.

The purchase of offsets by consumers is different when consumers buy offsets. They are making a purely voluntary contribution to the environment. Retail offsets are a way in which consumers can produce a green product from a brown product. For example, one can make his part of the flight carbon neutral by paying someone else to reduce his or her carbon emission. This is formalized in an offset market whereby sellers of offsets reduce emissions and then sell these 'reductions'.

Q91. Offset of emissions are used

- A. To reduce emissions
- B. To provide green image
- C. For emission addition
- D. To satisfy consumer preferences

Choose the correct options:

- 1. A B C
- 2. A C B
- 3. A B D
- 4. B C D

ANS:3

Q92. Green electricity means

- 1. Electricity produced from renewable sources of energy
- 2. Electricity from thermal plants
- 3. Electricity from gas powered plants
- 4. Hydro power

ANS:1

Q93. Impure public goods are

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1. Private goods
2. Public goods
3. A package of public and private goods
4. Harmful goods for the society

ANS:3

Q94. The way in which consumers can produce a green product from a brown product

1. Monopoly
2. Retail offsets
3. Price discrimination
4. Fiscal deficit

ANS:2

Q95. An example of green good is

- A. White paper
- B. Wind power
- C. Forest products
- D. Solar energy

Choose the correct answer

1. A and B
2. B and C
3. C and D
4. B and D

ANS: 4

COMPREHENSION (QS 96-100)

The objectives of public finance are to ensure macroeconomic stability, achieve the desired state of distribution, provide public services to accelerate growth and development. Fiscal policy has both macro and microeconomic aspects. Further, the objectives include allocating resources for the provision of public services. The important point is that ensuring security and protection of property rights is a basic public good and this can be provided only by the government. The governments have the task of distributing incomes and alleviating poverty. After the Great Depression and influenced by Keynesian economics, public spending was assigned a central role. Thus, the role of public finance is inextricably linked to the role of the state. From merely ensuring safety, security and property rights, governments have expanded their activities to providing a variety of public services with externalities. The expansion has been a subject matter of debate. Musgrave considers that the expansion of the public sector has been a necessary and constructive development and strong public sector is needed along with the capitalist market. In contrast, Buchanan argues that dispute arises when the state expands to areas beyond the realm of boundaries of the protective state into a productive or tax-transfer state.

In India, state intervention through public finance policy has to play an important role besides ensuring the safety and security of people and their property rights. These include the need to overcome large social and physical infrastructure deficit, provide correctives to missing and imperfect markets, introduce measures to reduce acute inequalities and poverty and provide correctives to widespread information asymmetry. Interventions are needed also to provide externalities in terms of market development, irrigation, storage and price support in agriculture to deal with market imperfections and supply volatility. Similarly, generalized externalities have to be ensured for the manufacturing and service sectors through competitive levels of infrastructure. India's public finance policies have enabled the government to play a catalytic role in the development of the economy as a whole. In addition over the years, there has been a significant increase in transfers from the government such as for employment guarantee and food security, national housing scheme, Swachh Bharat Abhiyan, Ujjwala Yojana, Pradhan Mantri Kisan Samman Nidhi, periodic loan waivers, etc.

Q96. The externalities of government intervention in the economy can be found in terms of

- A. Market development
- B. Money supply
- C. Storage and price support in agriculture
- D. Irrigation

Choose the correct answers

1. A C D
2. A B D
3. A B C
4. A D

ANS:1

Q97. The statement “dispute arises when the state expands to areas beyond the realm of boundaries of the protective or tax-transfer state” was given by

1. Musgrave
2. Keynes
3. Dalton
4. Buchanan

ANS:4

Q98. Which one of the following objectives of public finance is not correct?

1. Ensure macroeconomic stability
2. Ensure reduction of adverse balance of payments
3. Accelerate growth and development
4. Desired state of distribution

ANS: 2

Q99. Which one of the following statements is true?

- A. An expansion of the public sector has been a necessary and constructive

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development and a strong public sector is needed along with the capitalist market

- B. There are several reasons for the state to embrace a much larger role
- C. In India, state intervention through public finance policy has to play an important role
- D. Keynesian economics states that the state has to ensure full employment

Choose the correct answer

- 1. A and B
- 2. A B and C
- 3. A C
- 4. A B C D

ANS:3

Q100. Which one of the following does NOT fall in the category of government transfers?

- 1. National housing
- 2. Swachhh Bharat Abhiyan
- 3. Periodic Loan Weivers
- 4. Education

ANS:4

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