# 2012 June UGC NET Solved Question Paper in Economics Paper 2

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Q. Nos. 1 – 10: Read the following questions and find correct answer from the choices given below these questions.

1. Marginal Revenue of a Monopoly firm is less than the price. Because:

(A) Demand curve has a positive slope.

(B) Demand curve has a negative slope.

(C) Monopolist incurs losses.

(D) Monopolist is in equilibrium.

**Answer:** (B)

2. For an inferior goods, income consumption curve and Engles curves are

(A) Positively sloped

(B) Negatively sloped

(C) Are the same

(D) Income consumption curve positively sloped and the Engles curve is negatively sloped

**Answer:** (B)

3. The classical economists focussed on the role of money as

(A) medium of exchange

(B) medium of distribution

(C) wealth

(D) link between present and future

**Answer:** (A)

4. If the demand for money is perfectly interest inelastic, the LM schedule will be

(A) Upward sloping

(B) Downward sloping

(C) Horizontal line

(D) Vertical line

**Answer:** (D)

5. Harrod-Domar model of economic growth is based on the equilibrium between

(A) Income generation and productive capacity creation

(B) Equilibrium between income and consumption

(C) Equilibrium between savings and investment

(D) None of the above

**Answer:** (A)

6. In calculating the buoyancy of a tax, we consider

(A) Only discretionary changes

(B) Only automatic changes

(C) Both (A) and (B)

(D) Neither (A) nor (B)

**Answer:** (C)

7. Which of the following measures of the central tendency suits the data best if the objective is to assess the distribution of values ?

(A) Arithmetic mean

(B) Mode

(C) Median

(D) Kurtosis

**Answer:** (C)

8. Comparative cost advantage in Ricardo's international trade theory arises due to

(A) Labour cost differences

(B) Differences in factor endowment

(C) Factor abundance defined in terms of factor prices

(D) All of the above

**Answer:** (A)

9. In India, in 2004-05 the number of poor persons below poverty line was the highest in the State of

(A) Bihar

(B) Uttar Pradesh

(C) Madhya Pradesh

(D) Rajasthan

**Answer:** (B)

10. Which of the following is not a component of Bharat Nirman ?

(A) Rural housing

(B) Rural electrification

(C) Agro-based industries

(D) Rural telephony

**Answer:** (C)

Q. Nos. 11 – 20 : Read the following questions and find out correct answer from the codes given below these questions.

11. A point of 'Kink' in the kinked demand curve indicates

I. Price rigidity

II. Quantity rigidity

III. Price flexibility

IV. Quantity flexibility

Codes :

(A) I and II are correct.

(B) II and III are correct.

(C) III and IV are correct.

(D) I and IV are correct.www.netugc.com

**Answer:** (A)

12. Improvement in the BOP deficit may be effected through

I. Import control

II. Export promotion

III. Foreign exchange control

IV. Devaluation

Codes :

(A) I and II are correct.

(B) I, II, III and IV are correct.

(C) II and III are correct.

(D) I, II and III are correct.

**Answer:** (B)

13. The problem relating to burden of public debt has been dealt by

I. A.P. Learner

II. E.D. Domar

III. A.C. Pigou

IV. A.H. Henson

Codes :

(A) I and II are correct.

(B) II and III are correct.

(C) I and IV are correct.

(D) II and III are correct.

**Answer:** (A)


14. Fiscal policy relates to the Government decision in respect of

I. Taxation

II. Government spending

III. Government borrowing

IV. Public Debt

Codes :

(A) III and IV are correct.

(B) II, III and IV are correct.

(C) I and II are correct.

(D) All the above are correct.

**Answer:** (D)


15. HDI is entrusted with reference to :

I. Life expectancy at birth

II. Real GDP/per capita

III. Infant mortality

IV. Morbidity

Codes :

(A) I and II are correct.

(B) II and III are correct.

(C) III and IV are correct.

(D) All the above

**Answer:** (D)

16. The doctrine of unbalanced growth was propounded by

I. Hirschman

II. Robert Solow

III. Singer

IV. Ragnar Nurkse

Codes :

(A) I and II are correct.

(B) II and III are correct.

(C) III and IV are correct.

(D) I and III are correct.

**Answer:** (D)

17. Harrod-Domar model of economic growth is based upon

I. Warranted growth rate

II. Investment growth rate

III. Productivity growth rate

IV. Natural growth rate

Codes :

(A) I and II are correct.

(B) II and III are correct.

(C) III and IV are correct.

(D) I and IV are correct.

**Answer:** (D)

18. In Keynesian system speculative demand for money arises because of

I. Uncertainty of future interest rates

II. Unexpected expenditures

III. To bridge the gap between income and eventual expenditure

IV. Relationship between changes in the interest rates and bond prices

Codes :

(A) I and III are correct.

(B) I and IV are correct.

(C) II and III are correct.

(D) III and IV are correct.

**Answer:** (B)

19. According to Milton Friedman Theory of permanent component of consumption-expenditure depends on

I. Transitory income alone

II. Transitory and permanent income

III. Permanent income alone

IV. Windfall gains

Codes :

(A) I and II are correct.

(B) I and III are correct.

(C) II and IV are correct.

(D) Only III is correct.

**Answer:** (D)

20. The Planning Commission of India has recently made announcement regarding Poverty Line :

I. Rs. 42 per capita per day in urban area

II. Rs. 26 per capita per day in rural area

III. Rs. 32 per capita per day in urban area

IV. Rs. 32 per capita per day in rural area

Codes :

(A) I and II are correct.

(B) I and III are correct.

(C) II and III are correct.

(D) III and IV are correct.

**Answer:** (C)

Q. Nos. 21 – 30 : Read the following questions of given Assertions with their Reasoning and find correct answer from the codes given below these questions.

21. Assertion (A) : Giffin's paradox rarely occurs in the real world.

Reason (R) : Inferior goods are narrowly defined for which suitable substitutes are available.

Codes :

(A) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(B) Both (A) and (R) are correct and (R) is not the correct explanation of (A).

(C) (A) is correct, but (R) is incorrect.

(D) (A) is incorrect, but (R) is correct.

**Answer:** (A)

22. Assertion (A) : According to the Life Cycle Theory of consumption, an individual level of consumption depends not just on current income but also on long run expected earnings.

Reason (R) : Individuals are assumed to plan a pattern of expenditure based on expected earnings over life time.

Codes :

(A) (A) is true, but (R) is false.

(B) Both (A) and (R) are false.

(C) (A) is not correct, but (R) is correct.

(D) Both (A) and (R) are correct and (R) is correct explanation of (A).

**Answer:** (D)

23. Assertion (A) : Effective demand can be increased by more equitable distribution of wealth.

Reason (R) : Thirty or forty entities with income averaging between 1 lakh and 5 lakhs would create much more effective demand than a single entity having income of 10 lakhs a year.

Codes :

(A) Both (A) and (R) are correct and (R) is not the correct explanation of (A).

(B) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(C) (A) is correct, but (R) is incorrect.

(D) (A) is incorrect, but (R) is correct.

**Answer:** (B)

24. Assertion (A) : During the period 2004-05 to 2007-08 fiscal consolidation process was witnessed in India.www.netugc.com

Reason (R) : There was buoyancy in tax revenue during this period.

Codes :

(A) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(B) Both (A) and (R) are correct and (R) is not the correct explanation of (A).

(C) (A) is correct, but (R) is incorrect.

(D) (A) is incorrect, but (R) is correct.

**Answer:** (A)

25. Assertion (A) : K/L ratio will adjust through time in the direction of equilibrium ratio.

Reason (R) : Because the technical coefficient of production are variable.

Codes :

(A) Both (A) and (R) are correct and (R) is not the correct explanation of (A).

(B) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(C) (A) is correct, but (R) is incorrect.

(D) (A) is incorrect, but (R) is correct.

**Answer:** (B)

26. Assertion (A) : Financial inclusion is desirable to help weaker sections of society in the country. Reason (R) : Investment activity needs to be promoted to facilitate access to development benefits to masses.

Codes :

(A) Both (A) and (R) are correct and (R) is not the correct explanation of (A).

(B) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(C) (A) is not correct, but (R) is correct.

(D) (A) is correct, but (R) is not correct.

**Answer:** (B)

27. Assertion (A) : Stationary state is the end of the process of capital formation.

Reason (R) : Scarcity of natural resources as also capital leads the economy to the stationary state.

Codes :

(A) Both (A) and (R) are correct and (R) is not the correct explanation of (A).

(B) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(C) (A) is correct, but (R) is not correct.

(D) (A) is not correct, but (R) is correct.

**Answer:** (B)

28. Assertion (A) : Investment has also a supply effect.

Reason (R) : Because it raises capacity to produce.

Codes :

(A) Both (A) and (R) are correct and (R) is not the correct explanation of (A).

(B) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(C) (A) is correct, but (R) is not correct.

(D) (A) is not correct, but (R) is correct.

**Answer:** (B)

29. Assertion (A) : Gold standard was finally given up after the Second World War.

Reason (R) : Countries had different rates of inflation.

Codes :

(A) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(B) Both (A) and (R) are correct and (R) is not correct explanation of (A).

(C) (A) is correct, but (R) is not correct.

(D) (A) is not correct, but (R) is correct.

**Answer:** (A)

30. Assertion (A) : Disguised unemployment is present in Indian agriculture.

Reason (R) : Marginal productivity of agriculture is close to zero.

Codes :

(A) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(B) Both (A) and (R) are correct and (R) is not the correct explanation of (A).

(C) (A) is correct, but (R) is not correct.

(D) (A) is not correct, but (R) is correct.

**Answer:** (A)

Q. Nos. 31 – 40 : Read the following questions and find the correct sequence from the code given below these questions.

31. Arrange the following in chronological order :

I. CES production function.

II. Cobb-Douglas production function

III. Tronslog production function

IV. The law of variable proportions

Codes :

(A) III, I, IV, II

(B) I, IV, II, III

(C) IV, II, I, III

(D) II, III, I, IV

**Answer:** (C)

32. Consider the following schemes:

I. EAS

II. TRYSEM

III. JRY

IV. RLEGP

The correct chronological sequence of the launching of these schemes are:

Codes :

(A) II, IV, I, III

(B) IV, II, III, I

(C) IV, III, I, II

(D) II, IV, III, I

**Answer:** (A)

33. Arrange the origin of money in a sequential order

I. Cheque

II. Metallic money

III. Commodity money

IV. Paper money

Codes :

(A) IV, I, III, II

(B) I, III, II, IV

(C) III, II, IV, I

(D) II, IV, I, III

**Answer:** (C)

34. Arrange the following theories in the chronological order :

I. Restatement of Quantity Theory

II. Income Theory

III. Quantity Theory

IV. Cash Balance Approach

Select the correct answer from the given codes :

Codes :

(A) I, II, IV, III

(B) III, I, II, IV

(C) IV, III, I, II

(D) III, IV, II, I

**Answer:** (D)

35. Identify the correct chronological order of the following classical economists :

(A) Adam Smith, Malthus, Ricardo, J.S. Mill

(B) Adam Smith, Ricardo, Malthus, J.S. Mill

(C) Adam Smith, J.S. Mill, Ricardo, Malthus

(D) Adam Smith, Malthus, J.S. Mill, Ricardo

**Answer:** (B)

36. The sequencing process of Schumpeter model of development is

(A) Swarm like Clusters, Innovation, Bank credit, Breaking circular flow

(B) Breaking circular flow, Innovation, Bank credit, Swarm like Clusters

(C) Innovation, Bank credit, Breaking circular flow, Swarm like Clusters

(D) Bank credit, Innovation, Swarm like Clusters, Breaking circular flow

**Answer:** (B)

37. Arrange the following theories in order in which they appeared :

I. Comparative Cost Advantage Theory

II. Absolute Cost Advantage Theory

III. Leontief Paradox

IV. Factor Endowment Theory

Codes :

(A) I, III, II, IV

(B) II, III, IV, I

(C) II, I, IV, III

(D) I, IV, II, III

**Answer:** (C)

38. Arrange the stages of economic growth in a sequential order :

I. The age of high mass consumption

II. The traditional society

III. The take-off stage

IV. The drive to maturity

Codes :

(A) I, III, IV, II

(B) II, IV, I, III

(C) III, I, II, IV

(D) II, III, IV, I

**Answer:** (D)


39. Identify the sequence of implementation of the following taxes.

Select the correct answer from the given codes :

I. Land Revenue

II. Sales tax

III. MODVAT

IV. Service tax

Codes :

(A) I, II, III, IV

(B) II, IV, I, III

(C) III, II, IV, I

(D) IV, II, I, III

**Answer:** (A)


40. Identify the correct chronology of the following :

I. Fisher's test of significance of differences between means of three or more samples.

II. Kendal's partial rank correlation.

III. Gossest's T test of significance between means of two samples.

IV. $X^2$ test of goodness of fit of the curve and randomness of the sample values.

 Codes :

(A) III, I, II, IV

(B) I, II, III, IV

(C) IV, III, II, I

(D) I, II, IV, III

**Answer:** (A)

Q. Nos. 41 – 50 : Match the items given in List – I with those in List – II and answer the correct matching option from the codes given below these questions.

41. List – I                                      List – II

I. Behavioural theory of the firm                    1. J.B. Clark

II. Marginal productivity theory of distribution      2. Cyert and Mark

III. Double criterion of welfare                       3. Kenneth Arrow

IV. Impossibility Theorem                              4. Scitovosky

Codes :

    I II III IV

(A) 2 1 4 3

(B) 3 2 4 1

(C) 1 4 3 2

(D) 2 1 3 4

**Answer:** (A)

42. List – I                         List – II

I. New Classical Economics            1. T.H. Haavelmo

II. Permanent Income Hypothesis       2. Robert Lucas

III. Multiple effect of Balanced Budget   3. N. Gregory Mankiw

IV. New Keynesian Economics           4. Milton Friedman

Codes :

    I II III IV

(A) 3 4 1 2

(B) 4 3 2 1

(C) 2 4 1 3

(D) 1 2 4 3

**Answer:** (C)


43. List – I                                    List – II

I. Invisible Hand                              1. Karl Marx

II. Warrier Knight                             2. Adam Smith

III. PQLI                                      3. Schumpeter

IV. Surplus Value                          4. Morris D. Morris

Codes :

   I II III IV

(A) 1 4 2 3

(B) 2 3 4 1

(C) 1 2 3 4

(D) 4 3 2 1

**Answer:** (B)


44. List – I                                    List – II

I. Four Sector Model                         1. Rosestein- Rodan

II. Critical Minimum Effort Thesis        2. Arthur Lewis

III. Big Push Theory                          3. Mahalanobis

IV. Theory of Unlimited Supply of Labour   4. Leibeistein

Codes :

   I II III IV

(A) 4 3 2 1

(B) 3 4 1 2

(C) 4 1 3 2

(D) 1 2 4 3

**Answer:** (B)


45. List – I                              List – II

I. Food-grains Production          1. Industrial Sector

II. Level of Prices                    2. Revenue deficit

III. Industrial Growth                3. Agricultural Sector

IV. Fiscal Indicators                 4. Wholesale Price Index

Codes :

    I II III IV

(A) 4 2 1 3www.netugc.com

(B) 3 4 2 1

(C) 3 4 1 2

(D) 2 3 4 1

**Answer:** (C)


46. List – I                                    List – II

I. National Agricultural Policy        1. 2004

II. Marine Fishing Policy              2. 1978

III. New Foreign Trade Policy         3. 2000

IV. Seventh Finance Commission        4. 2004

Codes :

    I II III IV

(A) 2 1 3 4

(B) 4 3 1 2

(C) 1 4 2 3

(D) 3 1 4 2

**Answer:** (D)


47. List – I                              List – II

I. GATT                                    1. Managing balance of payments

II. IMF                                    2. Developmental Finance

III. IBRD                                  3. Free Trade

IV. UNO                                    4. Maintenance of peace among nations

Codes :

    I II III IV

(A) 2 1 4 3

(B) 3 1 2 4

(C) 2 3 1 4

(D) 4 1 3 2

**Answer:** (B)


48. List – I                              List – II

I. Adam Smith                              1. Availability doctrine

II. David Ricardo                          2. Factors endowment

III. Ohlin                                 3. Absolute advantage

IV. I.B. Kravis                            4. Comparative advantage

Codes :

    I II III IV

(A) 1 2 3 4

(B) 3 4 2 1

(C) 2 4 3 1

(D) 4 3 1 2

**Answer:** (B)

49. List – I                                    List – II

I. Simple Random Sampling            1. Equal probability of selection of an item in a trial

II. Random Sampling                      2. Equal probability of each item in all trials

III. Stratified Random Sampling       3. Random selection of first and systematic of the rest

IV. Stratified Systematic Random Sampling 4. Random choice of all items from each stratum

Codes :

   I II III IV

(A) 1 2 3 4

(B) 3 1 4 2

(C) 4 3 1 2

(D) 2 1 4 3

**Answer:** (D)

50. List – I                                    List – II

I. IS-LM Theory                          1. Franko Modigliani & Richard Brumberg

II. Consumption Ratchet                 2. Lucas & Sargent

III. Life Cycle Hypothesis              3. Hicks and Hanson

IV. Critics of Keynesian Economics     4. James Dussenbery

Codes :

   I II III IV

(A) 3 4 1 2

(B) 3 2 1 4

(C) 4 3 1 2

(D) 1 3 4 2

**Answer:** (A)