2012 December UGC NET Solved Question Paper in Economics Paper 3

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1. A demand curve, which is parallel to the horizontal axis, showing quantity, has the price elasticity equal to

(A) Zero

(B) Infinity

(C) Less than one

(D) One

Answer: (B)

2. Although a monopolist can charge any price he likes, but does not charge a higher price than his equilibrium price because

(A) higher price means fall in total revenue.

(B) higher price can be charged only on that segment of firm's demand curve which is price inelastic implying that the marginal revenue will be negative.

(C) it is inconsistent with profit maximization goal under monopoly.

(D) marginal cost will be negative over the relevant range of output.

Answer: (A)

3. Which of the following conditions specify the least cost-output combination?

(A) P_L/P_k = MRTS

(B) P_L/P_k = MP_L/MP_k

(C) MP_k/MP_L = dL/dK

(D) All the above

Answer: (D)

4. Which of the following is not relevant in case of Sweezy's oligopoly model?

(A) A price cut by a firm is followed by the price cut by the rival firms.

(B) Price hike is not followed by the rival firms.

(C) Firms do not react to price change made by one of the firms.

(D) Firms react to all kinds of price changes made by the rival.

Answer: (D)

5. Quasi rent is the reward to a factor of production which is

(A) Economic rent in the short run but transfer earnings in the long run.

(B) Transfer earnings in the short run.

(C) Transfer earnings both in the short and long run.

(D) Economic rent both in the short and long run.

Answer: (A)

6. According to the Loanable Funds Theory, the rate of interest is a function of

(A) Investment

(B) Desire to hoard money

(C) Quantity of money

(D) All the above

Answer: (D)

7. While analyzing the marginal productivity theory of distribution,

Clark gave more emphasis on.

(A) Demand for Labour

(B) Supply of Labour

(C) Both Demand as well as Supply of Labour

(D) Profit Maximization

Answer: (A)

8. A general equilibrium is defined as a state in which all economic units maximize their respective objective functions, all prices are simultaneously in equilibrium and all markets are cleared. The statement is

(A) Correct

(B) Not correct

(C) Perfectly correct

(D) None of the above

Answer: (A)

9. According to Mundell in an optimum currency area, the achievement of internal and external balance is possible through

(A) Capital flows

(B) Inflow of funds from abroad

(C) Official development assistance

(D) The mobility of factors

Answer: (D)

10. An agreement between two countries to maintain a free trade area, a common external tariff, free mobility of capital and labour and degree of unification in government policies and monetary policy is called

(A) Common market

(B) Free trade area

(C) Economic union

(D) Customs union

Answer: (C)

11. The core principles of multi lateral trading system are :

I. Non-Discrimination

II. Reciprocity

III. Protectionism

IV. Domestic Safeguards

Select the right code from the list given below :

(A) I, II and IV are correct.

(B) II and III are correct.

(C) II, III and IV are correct.

(D) I and II are correct.

Answer: (A)

12. Assertion (A) : Many developing countries contend that labour standards constitute a barrier to free trade.

Reason (R) : Their competitive advantage in the global economy is cheap labour.

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

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

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

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

Answer: (B)

13. Arrange in order the WTO ministerials:

I. Geneva

II. Doha

III. Hong Kong

IV. Seattle

(A) II, IV, III, I

(B) III, IV, I, IIwww.netugc.com

(C) IV, II, III, I

(D) I, IV, II, III

Answer: (D)

14. What does Hedging mean?

(A) The acceptance of a foreign exchange risk.

(B) The covering of a foreign exchange risk.

(C) Foreign exchange speculation.

(D) Foreign exchange arbitrage.

Answer: (B)

15. In which terms a unit of SDR was originally denominated?

(A) The world marked value of U.S. Dollar

(B) The gold value equivalent of one US Dollar

(C) The Pound-Sterling

(D) The German Mark

Answer: (C)

16. Which of the following is an adverse effect of Euro Currency Market?

(A) International Capital Market

(B) Decrease in World's Nominal Money Supply

(C) Integration of International Capital Markets

(D) Meeting BOP Deficit

Answer: (B)

17. Employment Guarantee Scheme was first introduced in

(A) Gujarat

(B) Madhya Pradesh

(C) Maharashtra

(D) Tamil Nadu

Answer: (C)

18. According to Weber's Theory of

Location, the important factors influencing location are

1. Transport Cost

2. Land Cost

3. Labour Cost

4. Innovation Cost

Choose the correct code:

(A) 1 & 2

(B) 2 & 3

(C) 1 & 3

(D) 1 & 4

Answer: (C)

19. Given below are two statements, one labelled as assertion (A) and the other labelled as Reason (R).

Assertion (A) : India's Public sector helped in the development of a sound industrial base.

Reason (R) : Public sector is under State control. The role of State in formulating appropriate policies and providing financial and other support has helped the public sector.

(A) (A) is correct, but (R) is wrong.

(B) Both (A) & (R) are correct.

(C) (A) is wrong but (R) is correct.

(D) Both (A) and (R) are wrong.

Answer: (B)

20. Match 'labour force' with the appropriate item from amongst the following:

(A) Work force

(B) All educated

(C) Employed + Unemployed

(D) All rural workers

Answer: (C)

21. There are four phases of a business cycle. Identify the correct sequence of the occurrence of these phases:

(A) Recovery, Recession, Expansion, Depression

(B) Recovery, Expansion, Depression, Recession

(C) Depression, Expansion, Recession, Recovery

(D) Recovery, Expansion, Recession, Depression

Answer: (D)

22. The production of 'finished steel' in India, since independence, has increased over

(A) 10 times

(B) 20 times

(C) 30 times

(D) 50 times

Answer: (D)

23. The concept of 'Effective Revenue Deficit' has been used for the first time in the Union Budget for

(A) 2009 – 10

(B) 2010 – 11

(C) 2011 – 12

(D) 2008 – 09

Answer: (C)

24. Which tax is likely to contribute maximum to the Central Government tax revenue during the year 2011 – 12?

(A) Central Excise Duty

(B) Customs Duties

(C) Income Tax

(D) Corporate Tax

Answer: (D)

25. Gross fiscal deficit of the State Governments is financed by

I. Market Borrowings

II. Printing of Currency

III. Loans from the Central Government

IV. External Borrowings

Find the correct answer from the given code:

Codes:

(A) I, II and III are correct.

(B) II, III and IV are correct.

(C) I and III are correct.

(D) II and IV are correct.

Answer: (C)

26. Match the items of List – I with the items of List – II from the given code:

List – I	List – II
i. Canons of Taxation	1. U.K. Hicks
ii. Canons of Public Expenditure	2. Adam Smith
iii. Effective incidence of Tax	3. Findlay Shirras
iv. Benefits received approach of Public Expenditure	4. Erik Lindahl

Codes:

  i ii iii iv

(A) 2 3 1 4

(B) 1 2 3 4

(C) 2 3 4 1

(D) 4 1 2 3

Answer: (A)

27. Assertion (A): During the financial year 2011-12, the Central Government is not likely to achieve the target of raising Rs. 40,000 crores through disinvestment policy.

Reason (R): Policy of increased public borrowings to bridge the fiscal gap is justified.

In the context of the above two statements, which one is correct from the given?

Codes:

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

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

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

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

Answer: (A)

28. Arrange the following Reports in chronological order from the given codes:

I. Direct taxes Enquiry Committee Final Report

II. Final Report on Rationalizing and Simplification of the Tax Structure

III. Indian Tax Reforms-Report of a Survey

IV. Taxation Enquiry Commission

Codes:

(A) IV, III, II, I

(B) I, II, III, IV

(C) III, I, IV, II

(D) II, III, I, IV

Answer: (A)

29. The most important characteristics of a federation is

(A) Center's Supremacy over States

(B) Non-correspondence between the functions and resources of the Center and State Governments.

(C) Perfect match between the functions and resources of the Central and State Governments.

(D) None of the above

Answer: (B)

30. In the equation $C = C_0 + C_1 Y_d$, where C is planned consumption expenditure, Y_d is disposable income, C_0 is intercept or autonomous consumption (value of C when disposable income is zero), and C_1 is marginal propensity to consume; which of the following is the endogenous variable?

(A) C_0

(B) C_1

(C) $C_1 Y_d$

(D) None of the above

Answer: (C)

31. Which of the following statement is false?

(A) In dynamic multiplier, there is lagged relationship between consumption and disposable income.

(B) The dynamic multiplier process can be presented as a decreasing geometric series of change in income in the following period.

(C) A major portion of the multiplier effect is realized in fewer periods when the marginal propensity to consume is smaller.

(D) A major portion of the multiplier effect is realized in fewer periods when the marginal propensity to consume is larger.

Answer: (C)

32. According to which of the following hypotheses, consumption is irreversible?

(A) Absolute Income Hypothesis

(B) Relative Income Hypothesis

(C) Permanent Income Hypothesis

(D) Life Cycle Hypothesis

Answer: (B)

33. Which of the following models of business cycle generates constrained cycles?

(A) Samuelson's model

(B) Hick's model

(C) Kaldor's model

(D) All of the above

Answer: (B)

34. Which of the following is not an assumption of Harrod's model of growth?

(A) The desired capital output ratio is constant.

(B) Savings are a constant proportion of real income in the economy.

(C) The labour force grows at some exogenously determined constant exponential rate.

(D) Factor prices are flexible in the long run.

Answer: (D)

35. Match the statements given in Group – A with their propounders in Group – B:

Group – A (Statements)   Group – B (Propounders)

i. Velocity of money is a stable function of its determinants.   1. Keynesians

ii. Velocity of money is an unstable function of its determinants.   2. Monetarists

iii. Velocity of money is a constant, and does not depend on income and interest rate. 3. Classicals

Choose the correct code:

Codes:

   i ii iii

(A) 2 3 1

(B) 1 2 3

(C) 2 1 3

(D) 3 2 1

Answer: (C)

36. A.W. Phillips' wage-inflation unemployment trade off is based on

(A) Static expectations hypothesis

(B) Adaptive expectations hypothesis

(C) Extrapolative expectations hypothesis

(D) Rational expectations hypothesis

Answer: (A)

37. Suppose the money supply and the price level are constant, and the demand for money is a function of income and interest rate. When the income level increases, there is

(A) an increase in the quantity of money demanded and an increase in the rate of interest.

(B) an increase in the quantity of money demanded and a decrease in the rate of interest.

(C) a decrease in the quantity of money demanded and a decrease in the rate of interest.

(D) a decrease in the quantity of money demanded and an increase in the rate of interest.

Answer: (A)

38. Fiscal reform measures in India included

I. Increasing Tax-GDP ratio

II. Expenditure Management

III. Managing revenue deficit and fiscal deficit

IV. Increasing liquidity in the economy

Find the correct combination from the given codes:

(A) I, II and III are correct.

(B) I and IV are correct.

(C) II, III and IV are correct.

(D) III and IV are correct.

Answer: (A)

39. During the Tenth Five Year Plan, some of the following things were experienced:

I. Services sector witnessed the highest growth rate.

II. Agriculture experienced the lowest growth rate.

III. Rate of growth in the industrial sector was negative.

Which of the aforesaid statements are correct?

(A) I, II and III are correct.

(B) I and II are correct.

(C) I and III are correct.

(D) II and III are correct.

Answer: (B)

40. Assertion (A): Employment growth in the organized sector (both public and private combined) has increased during the period 1994-2008.

Reason (R): There has been relatively faster employment growth in the private sector.

Codes:

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

(B) Both (A) and (R) are correct but (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)

41. According to the provisional figures for 2011 census, which of the following States has the lowest child sex ratio both in rural and urban areas?

(A) Uttar Pradesh

(B) Kerala

(C) Jammu and Kashmir

(D) Haryana

Answer: (D)

42. Of the following, which sector experienced maximum growth rate at 2004-05 prices in India during 2009-10?

(A) Trade, hotels, transport and communication

(B) Manufacturing, construction, electricity, gas and water supply

(C) Financing, insurance, real estate and business services

(D) Agriculture, forestry, fishing, mining and quarrying

Answer: (A)

43. In which of the following years, gross domestic savings as a percentage of GDP was the highest?

(A) 2009 – 10

(B) 2008 – 09

(C) 2007 – 08

(D) 2006 – 07

Answer: (C)

44. Growth process resulting into broad based benefits and providing equality of opportunity to all is referred to as

(A) Faster growth

(B) Inclusive growth

(C) Exclusive growth

(D) Sustained growth

Answer: (B)

45. Which of the following plans witnessed the highest growth rate in India?

(A) Ninth Plan

(B) Eighth Plan

(C) Tenth Plan

(D) Seventh Plan

Answer: (C)

46. For any pair of variables X and Y, two regression equations-one regression of Y on X and other regression of X on Y exist because

I. Tangent of the angle made by two regression equations with each other determines the coefficient of correlation.

II. Regression model does not help in the identification of dependent and independent variables of the equation.

III. Regression and correlation coefficients represent the co-variation of the two variables.

IV. Regression equation represents jointly the value of X and Y.

Select the right code from the following as the answer to the question:

Codes:

(A) I and II are correct.

(B) I and III are correct.

(C) I and IV are correct.

(D) III and IV are correct.

Answer: (A)

47. Which of the following are not associated with the Leontief's Static Model?

I. Final demand is a stochastic vector.

II. Reciprocal of the Perron- Frobinius root is the maximum growth rate.

III. Input coefficients are the fixed technological parameters.

IV. $(I - A - RB)^{-1} WL = P$

Select the correct code from the following:

(A) I, II, III

(B) I, III, IV

(C) I, III www.netugc.com

(D) I, II, IV

Answer: (D)

48. If $X_1 = f(P_1, P_2)$ and $X_2 = \phi(P_1, P_2)$, then the two commodities are substitutes if

(A) $(\delta X_1/\delta P_2) < 0, (\delta X_2/\delta P_1) > 0$

(B) $(\delta X_1/\delta P_2) > 0, (\delta X_2/\delta P_1) < 0$

(C) $(\delta X_1/\delta P_2) > 0, (\delta X_2/\delta P_1) > 0$

(D) $(\delta X_1/\delta P_2) < 0, (\delta X_2/\delta P_1) < 0$

Answer: (C)

49. In the context of simultaneous equations econometric models, consider the following statements:

I. Identification is a problem to be dealt with before estimation.

II. Order condition is necessary but not a sufficient condition of identification.

III. Two stage least squares method of estimation gives consistent estimators if the equation is under identified.

IV. Under indirect least squares method, least squares method is applied to the reduced form equations.

Use the following code to answer the question:

(A) I and II are correct but III and IV are incorrect.

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

(C) I, II and III are correct but IV is incorrect.

(D) I, II and IV are correct but III is incorrect.

Answer: (D)

50. If r_{xy} = 0.3, match the items in list-I with the items in list-II:

List – I	List – II
i. –1 to +1	1. 0.3
ii. Correlation coefficient between –X and Y	2. Limits of correlation coefficient
iii. The Square of Correlation Coefficient	3. – 0.3
iv. Coefficient of correlation between –X and –Y	4. Coefficient of Determination

Codes:

　　i ii iii iv

(A) 1 2 3 4

(B) 2 3 4 1

(C) 3 1 2 4

(D) 4 1 2 3

Answer: (B)

51. Match the following from list – I and list – II:

List – I   List – II

i. Durbin- Watson 'd' Statistics   1. Stationarity

ii. R^2 2. Qualitative Effects

iii. Dickey- Fuller test   3. Serial Correlation

iv. Dummy Variable   4. Goodness of fit of regression function

Codes :

    i ii iii iv

(A) 1 2 4 3

(B) 2 1 3 4

(C) 4 3 2 1

(D) 3 4 1 2

Answer: (D)

52. In CES production function :

$$Q = M [\alpha X^{-p} + (1 - \alpha)X_2^{-p}]^{-\frac{1}{p}}$$

Where Q is output and X_1 and X_2 are labour and capital. Elasticity of substitution is given by

(A) $-p$ (B) $\frac{-1}{p}$

(C) $\frac{1}{(1+p)}$ (D) M

Answer: (C)

53. In Linear Programming problem involving two variables, multiple optimal solutions are obtained when one of the constraints is

(A) the objective function should be parallel to a constraint that forms boundary of the feasible region.

(B) the objective function should be perpendicular to a constraint that forms the boundary of the feasible region.

(C) neither (A) nor (B).

(D) two constraints should be parallel to each other.

Answer: (A)

Answer: (D)

55. For the Cobb-Douglas Production function

$Q = A L^{\alpha} K^{1-\alpha}$.

The elasticity of substitution is

(A) Zero

(B) Infinity

(C) One

(D) A

Answer: (C)

54. In an open economy model of input output analysis, if A is the input coefficients matrix and (I − A) is technology matrix, the following is the viability condition to be satisfied

(A) $|I - A| \neq 0$

(B) $|I - A| > 0$

(C) $|I - A| < 0$

(D) All principal minors of the (I − A) matrix must be positive.

56. Coefficient of determination of a regression model:

1. Explains the proportion of total variation in the values of the dependent variable.

2. It can be used to derive the estimate of the extent of variation in the value of Y that is explained by the random factors.

3. Direction of inter-relation between the dependent and independent variables.

4. It explains the influence of the intercept on the dependent variable.

Select the correct code from the list given below:

(A) 1 2 3 4

(B) 1 2

(C) 2 4 3

(D) 4 1

Answer: (B)

57. The input coefficients/elements of which of the following matrices are interpreted as inputs required directly and indirectly per unit of final demand.

(A) A

(B) (I – A)

(C) $(I – A)^{-1}$

(D) All of the above

Answer: (C)

58. Total food grains production target for the year 2010-11 has been placed at

(A) 250 million tonnes

(B) 240 million tonnes

(C) 244 million tonnes

(D) 234 million tonnes

Answer: (C)

59. Indicate the year in which National Food Security Mission (NFSM) was launched:

(A) 2001 –02

(B) 2004 – 05

(C) 2010 – 11

(D) 2007 – 08

Answer: (D)

60. Identify sources of agricultural credit in India from the code given below:

1. Commercial Banks

2. Money Lender

3. Regional Rural Bank

4. Small Industries Development Bank of India

Codes :

(A) 1, 2 and 3

(B) 2, 3 and 4

(C) 3, 4 and 1

(D) 1, 2, 3 and 4

Answer: (A)

61. Low productivity for agriculture in India is attributed to

(A) Poor irrigation facilities

(B) Heavy dependence on monsoon

(C) Absence of new technology

(D) All the above

Answer: (D)

62. Quantum of food subsidy was highest in the year

(A) 2009 – 10

(B) 2008 – 09

(C) 2004 – 05

(D) 2001 – 02

Answer: (A)

63. Productivity of Indian agriculture can be enhanced by

1. Increased public investment

2. Increased irrigation facilities

3. Higher support price to the farmers

4. Shifting workers from industry to agriculture

Select the correct answer from the given codes:

Codes:

(A) 1, 2 and 4

(B) 1, 2 and 3

(C) 2, 3 and 4

(D) 3, 4 and 1

Answer: (B)

64. High powered money comprises

(A) Currency held by the public + Cash reserves of banks

(B) Currency held by the public + Demand and time deposits + Cash reserves of banks

(C) Currency held by the public + Cash reserves of banks + Other deposits of RBI

(D) Currency held by the public + other deposits of RBI

Answer: (C)

65. Capital to risk-weighted asset ratio of all scheduled commercial banks in India under the Basel – I framework is stipulated at the minimum of

(A) 7%

(B) 9%

(C) 12%

(D) 14%

Answer: (B)

66. Which of the following financial institutions are operating in the money market?

1. Non-banking financial institutions

2. Acceptance Houses

3. Central Bank

4. Stock Exchanges

Select the correct answer from the given codes:

Codes:

(A) 2 and 3

(B) 1 and 3

(C) 1, 2 and 4

(D) 1, 2 and 3

Answer: (D)

67. Assertion (A): The capital base of regional rural banks (RRBs) is found to be weak. Reason (R): Deposit mobilization of RRBs has been inadequate.

From the above two statements, select the correct answer from the given codes.

Code :

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

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

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

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

Answer: (B)

68. Which of the following is broad money (M3) in India?

(A) Currency with public + demand deposits in the banks

(B) Currency + demand deposits + other deposits with RBI

(C) Currency + demand deposits + time deposits

(D) Currency + demand deposits + time deposits + other deposits with RBI

Answer: (D)

69. Which of the following did not contribute significantly to inflationary pressure in Indian economy in 2010-11?

(A) Food prices

(B) Prices of manufactured prices

(C) Fuel prices

(D) Metal and mineral prices

Answer: (B)

70. In Joan Robinson's growth model, capital accumulation depends on

(A) Saving-income ratio

(B) Profit-wage relation and labour productivity

(C) Profit-income ratio and capital productivity

(D) Saving-investment ratio

Answer: (B)

71. In Hicks' neutral technical progress, the technical progress is

(A) Capital augmenting

(B) Labour augmenting

(C) Both Labour and Capital augmenting

(D) Change in the efficiency and productivity of labour

Answer: (C)

72. In dual gap model, the gap can be filled up by

(A) Raising the level of saving

(B) Export promotion

(C) Steady rate of growthwww.netugc.com

(D) Foreign aid

Answer: (D)

73. The concept of 'learning by doing' was given by

(A) J.R. Hicks

(B) Kenneth Arrow

(C) Joan Robinson

(D) Nicholas Kaldor

Answer: (B)

74. Which of the following represents the concept of human capital?

(A) Total human resources

(B) Total population

(C) Human resources gainfully employed in productive activities

(D) All of the above

Answer: (C)

75. Which of the following is disadvantageous to developing countries' international trade?

(A) Protection

(B) Free trade

(C) Exports of primary and import of manufactured goods

(D) None of the above

Answer: (C)