

2012 June UGC NET Solved Question Paper in Economics Paper 3

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1. A solution of Walrasian general equilibrium will exist if and only if,

- (A) Condition of fixed point theorem is satisfied.
- (B) Pareto's condition of optimality is satisfied.
- (C) Hick's stability conditions are satisfied.
- (D) The condition of Pareto's law of income distribution is satisfied.

Answer: (A)

2. Select the correct statement of Adding up Theorem.

- (A) If income generated by the given output produced during the given period is distributed according to average productivity of all factors, total income will be exhausted.
- (B) Total income derived from the output will be exhausted if all factors are paid according to their marginal productivity.
- (C) Total income derived from the output will be exhausted if all factors are paid at the same rate.
- (D) Total income will be exhausted if all factor rewards are proportional to commodity prices.

Answer: (B)

3. The producer will substitute capital for labour till he reaches that point of isoquant at which,

- (A) The price of the good he produces equals wage rate.
- (B) Marginal rate of technical substitution equals interest rate.
- (C) Marginal rate of technical substitution equals marginal revenue.
- (D) Marginal rate of technical substitution equals the ratio of marginal productivity of labour and capital.

Answer: (D)

4. Match the items from the List – I with items in List – II :

List – I

- I. Sales maximization as the objective of the firm
- II. Growth maximization as objective of the firm
- III. Managerial Utility Function Maximization as objective of the firm
- IV. Sales, profit & growth maximization as objective of the firm

List – II

1. Morris
2. Baumol
3. Williamson
4. Kaldor

Select the correct answer from the following codes :

Codes :

I II III IV

- (A) 2 1 3 None
- (B) 1 2 3 4
- (C) 2 1 4 3
- (D) 4 3 2 1

Answer: (A)

5. Match the items in List – I with items in List – II :

List – I

- I. Cardinal Utility Theory of Demand
- II. Revealed Preference Theory of Demand
- III. Indifference Preference Theory of Demand
- IV. Utility Index under uncertainty

List – II

1. Hicks
2. A. Marshall
3. Neuman & Morgenstern
4. Samuelson

Select the correct answer from the following codes :

Codes :

I II III IV

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

Answer: (C)

6. Arrange the proponents of the marginal productivity theory of factor reward in chronological order :

1. J.B. Clark
2. Marshall
3. Walras
4. Jevons

Select the correct code for correct answer :

Codes :

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

Answer: (C)

7. Assertion (A) : Non-collusive model of Chamberlin asserts that a stable equilibrium can be reached if each firm charges Monopoly price and equally shares the market demand for their products.

Reason (R) : Reasoning is that the firms recognize mutual interdependence in terms of action and reaction with regard to price decision with the objective of profit maximization which will be realized if prices are determined at a level which equals marginal cost.

Codes :

- (A) Both (A) & (R) are correct and (R) is the correct explanation of (A).
- (B) (A) is correct, but (R) is not correct.
- (C) Both (A) & (R) are correct but (R) is not the correct explanation of (A).
- (D) (R) is correct, but (A) is incorrect.

Answer: (A)

8. The revealed preference approach to the derivation of indifference curve

- (A) Assumes stability over time of an observed person's tastes.
- (B) Assumes that all people have identical tastes.
- (C) Relies on repeated observations of the market behaviour of a single person.
- (D) Is correctly described by both (A) and (C).

Answer: (D)

9. Which of the following statements does not hold true in case of the Keynesian Economics ?

- (A) Velocity of money is an unstable function of its determinants.
- (B) Labour is subject to money illusion.
- (C) Aggregate supply function tends to become flat at levels of output well below full employment and to become steeper as full capacity is reached.
- (D) Aggregate supply schedule is vertical, and output and employment are completely supply determined.

Answer: (D)

10. Tobin's q-theory of investment indicates that firms add to their stock of capital when

- (A) the replacement value of their real assets exceeds the market value of their financial assets.
- (B) the market value of their financial assets exceeds the replacement value of their real assets.
- (C) the market value of their real assets exceeds the book value of their financial assets.
- (D) the market value of their financial assets exceeds the book value of their real assets.

Answer: (B)

11. When current income includes negative transitory component, relating consumption with current income will produce

- (A) an average propensity to consume that is lower than the long run average propensity to consume.
- (B) an average propensity to consume that is higher than the average long run propensity to consume.
- (C) an average propensity to consume that equals the long run average propensity to consume.

(D) None of the above

Answer: (B)

12. Liquidity trap is a situation when (A) all potential investors expect the rate of interest to rise in future

(B) all potential investors expect the rate of interest to fall in future

(C) natural rate of interest is above the critical rate of interest

(D) demand for money for speculative purpose is interestinelastic

Answer: (A)

13. In Harrod's model of economic growth, if warranted rate is below the natural rate of growth then it is possible to maintain steady state growth at the warranted rate with

(A) continually increasing unemployment

(B) a constant rate of unemployment

(C) continually decreasing unemployment

(D) None of the above

Answer: (A)

14. Which of the following is not a feature of the A.W. Phillip's inflationunemployment trade-off relation ?www.netugc.com

(A) A non-linear inverse relationship between unemployment rate and the rate of exchange in wage rate.

(B) There is a loop in the anticlockwise around the Phillip's curve.

(C) The wage-inflation unemployment relationship is predictable.

(D) Philip's curve shifts when expected rate of inflation shifts

Answer: (D)

15. Suppose there is full employment and vertical aggregate supply schedule. An increase in the nominal money supply

- (A) reduces the rate of interest and changes the composition of output
- (B) causes a proportional increase in real output
- (C) has no effect on the real money supply or the composition of output
- (D) causes the real money supply to increase, which changes composition of output

Answer: (C)

16. In the context of the Mundell- Fleming model of open economy, consider the following variables that shift the IS function.

1. a rise in the exchange rate
2. an increase in foreign income
3. a cut in taxes
4. a fall in exchange rate

Which of the following combinations of these factors shift the IS function upwards towards the right ?

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

Answer: (C)

17. Since March 2010, how many times the Reserve Bank of India has increased the repo rate ?

- (A) Eleven times
- (B) Thirteen times
- (C) Ten times
- (D) Twelve times

Answer: (B)

18. Which of the following Committees has been set up in India for identification of BPL families in urban areas ?

- (A) Tendulkar Committee
- (B) Saxena Committee
- (C) Lakdawala Committee
- (D) Hashim Committee

Answer: (D)

19. A major financial inclusion initiative named 'Swabhiman' was formally launched on

- (A) February 2010
- (B) February 2011
- (C) February 2009
- (D) February 2008

Answer: (B)

20. Which of the Five Year Plans has laid emphasis on 'faster, sustainable and inclusive growth' ?

- (A) Eleventh Five Year Plan
- (B) Twelfth Five Year Plan
- (C) Tenth Five Year Plan
- (D) Ninth Five Year Plan

Answer: (B)

21. Under the revised Index of Industrial Production (IIP) series, with 2004-05 as the base, the total number of items covered has increased from 538 to

- (A) 682
- (B) 662
- (C) 652
- (D) 642

Answer: (A)

22. Which one of the following States had the highest per capita income in 2009-10 ?

- (A) Punjab
- (B) Haryana
- (C) Madhya Pradesh
- (D) Delhi

Answer: (D)

23. Which one of the following States had the highest number of branches of Regional Rural Branches (RRBs) in 2010 ?

- (A) Bihar
- (B) Haryana
- (C) Madhya Pradesh
- (D) Punjab

Answer: (A)

24. Growth of Indian agriculture has been slowed down since the adoption of new economic policy due to

1. low increase in crop yield
2. low or no public investment
3. stagnant green revolution technology
4. low retail market prices of agricultural produce

Answer this question by selecting the correct combination of codes given below :

Codes :

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

Answer: (C)

25. According to the monetarists, money supply constitutes

- (A) Currency + demand deposits
- (B) Currency + demand deposits + time deposits
- (C) Currency + demand deposits + time deposits + equity shares
- (D) Currency + all kinds of bank deposits + deposits with other institutions + borrowing

Answer: (B)

26. Which of the following is not a specialized sub market of the money market ?

- (A) Collateral loan market
- (B) Discount market
- (C) Bond market
- (D) Acceptance market

Answer: (C)

27. Arrange the following Committees in chronological order from the given codes

- I. Khusro Committee
- II. Dantwala Committee
- III. Narasimham Committee
- IV. Kelkar Committee

Codes :

- (A) I, II, III, IV
- (B) II, IV, I, III
- (C) II, I, IV, III
- (D) II, III, I, IV

Answer: (B)

28. Assertion (A) : The working of Regional Rural Banks (RRBs) revealed that they eroded their capital base.

Reason (R) : Many RRBs are nonviable and having high operating costs.

Of the above two statements, give the correct answer from the given codes :

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 true, but (R) is false.

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

Answer: (B)

29. Which of the following institutions are regulated by the RBI as All India Financial Institution ?

I. Export Import Bank of India

II. National Housing Bank

III. State Bank of India

IV. Small Industries Development Bank of India

Select the correct answer from the given code :

Codes :

(A) I, II and IV

(B) II, III, IV

(C) I & II

(D) III & IV

Answer: (A)

30. Core inflation is a measure of inflation

(A) that is based only on food and energy prices

- (B) that includes items that face volatile price movements, notably food and energy
- (C) that excludes items that face volatile price movements, notably food and energy
- (D) None of the above

Answer: (C)

31. First Green Revolution was primarily concerned with the production and productivity of

- (A) Pulses
- (B) Oilseeds
- (C) Wheat
- (D) Fruits & vegetables

Answer: (C)

32. During the period from 2004-05 to 2010-11, agricultural sector GDP

- (A) witnessed a higher growth rate than the overall GDP
- (B) witnessed a lower growth rate than the overall GDP
- (C) witnessed a stagnant growth rate as compared to the overall growth rate
- (D) witnessed a similar growth rate as that of the overall GDP.

Answer: (B)

33. The main objectives of food management are

- (A) Procurement of food grains from farmers at remunerative prices
- (B) Distribution of food grains to consumers at affordable prices.
- (C) Maintenance of food buffers for food security and price stability
- (D) All of the above

Answer: (D)

34. Which one of the following States contributed maximum to the production of pulses in the year 2009-10 ?

- (A) Uttar Pradesh
- (B) Madhya Pradesh
- (C) Rajasthan
- (D) Punjab

Answer: (B)

35. A Kisan Credit Card (KCC) Scheme was introduced in the year

- (A) 2001
- (B) 2005
- (C) 1998 www.netugc.com
- (D) 1999

Answer: (C)

36. Increase in agricultural production and productivity is a pre-condition

- (A) to raise the share of agriculture in GDP
- (B) to ensure national food security
- (C) to provide livelihood and nutritional security
- (D) All of the above

Answer: (D)

37. Select the year in which the gross fiscal deficit, revenue deficit and primary deficit of the Central Government as percent of GDP were the highest ?

- (A) 2008-09
- (B) 2006-07
- (C) 2007-08
- (D) 2005-06

Answer: (A)

38. Which item is likely to be the most significant item of expenditure of the Central Government during 2011-12 ?

- (A) Subsidies
- (B) Defence
- (C) Interest
- (D) Share of States in Central taxes

Answer: (C)

39. Items of social sector expenditure of the State Governments include

- I. Education and sports
- II. Energy and transport
- III. Medical and public health
- IV. Water supply and sanitation

Find correct answer from given codes :

Codes :

- (A) I, II and III are correct.
- (B) I, III and IV are correct.
- (C) II, III and IV are correct.
- (D) I and III are correct.

Answer: (B)

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

List – I

List – II

- I. Law of increasing State activities
- II. Displacement effect

- 1. R.N. Bhargava
- 2. Adolph Wagner

III. Federal Finance

3. Weisman and Peacock

IV. Functional Finance

4. A.P. Lerner

Codes :

I II III IV

(A) 1 2 3 4

(B) 2 3 1 4

(C) 3 4 2 1

(D) 4 1 3 2

Answer: (B)

41. Assertion (A) : The Union Budget for 2010-11 had begun the process of fiscal consolidation with a partial withdrawal of the stimulus measures.

Reason (R) : There was a clear evidence of economic recovery in the economy.

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

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

Answer: (A)

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

I. Committee on Taxation of Agricultural wealth and income

II. Report of the task force on direct taxes.

III. Thirteenth Finance Commission : 2010-15

IV. Indian Tax Reforms – Report of a survey

Codes :

- (A) III, II, IV, I
- (B) IV, I, II, III
- (C) II, III, I, IV
- (D) I, IV, III, II

Answer: (B)

43. In a competitive market, a tax on wage income falls wholly on labour if :

- (A) Labour supply is inelastic
- (B) Labour supply is elastic
- (C) Labour supply is highly elastic
- (D) Demand for products has infinite elasticity

Answer: (A)

44. The apex financial institution responsible for the development of small and micro industries in India is

- (A) IDBI
- (B) SIDBI
- (C) NABARD
- (D) None of the above

Answer: (B)

45. The general methods used to solve industrial disputes in India are

1. Collective bargaining
2. Compulsory arbitration
3. Adjudication
4. Decision by trade unions

Choose the correct combination of methods from this following :

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

Answer: (D)

46. Given below are two statements, one labelled as Assertion (A) and other labelled as Reason (R) :

Assertion (A) : Information Technology (IT) industry is a ‘high knowledge’ based industry that has developed rapidly, mainly on its own merits in India.

Reason (R) : Industry that is based on high knowledge does not need any significant support from the Government nor there is much scope for outside interference.

Choose the correct combination of codes given below :

Codes :

- (A) (A) is correct, but (R) is wrong.
- (B) Both (A) and (R) are correct.
- (C) (A) is wrong, but (R) is correct.
- (D) Both (A) and (R) are wrong.

Answer: (B)

47. Match ‘SEBI’ with the appropriate item among the following :

- (A) Regulation of Money market
- (B) Regulation of Capital market
- (C) Regulation of Commodity market
- (D) All the above

Answer: (B)

48. Given below are the various combinations giving the steps of industrial development. Select the correct sequential combination of steps.

- (A) Monetary expansion; industrial development; fall of interest; investment is stimulated.
- (B) Industrial development; fall of interest; monetary expansion; investment is stimulated.
- (C) Monetary expansion; fall of interest; investment is stimulated; industrial development.
- (D) Industrial development; fall of interest; monetary expansion; investment is stimulated.

Answer: (C)

49. Under the post 1991 economic policies, the Government of India supports

- (A) Private manufacturing sector
- (B) Export industries
- (C) Small industries
- (D) All the above

Answer: (D)

50. Which of the following is the condition(s) of economic viability and technological feasibility of Leontief's static model ?

- (A) Perron – Frobinus root
- (B) Value of the objective function of the primal should equal the value of the objective function of the dual of the primal.
- (C) Kuhn–Tucker conditions
- (D) Hawkins–Simon conditions

Answer: (D)

51. Given the following production function, match the items in list I and II :

$$Y = A L^{\alpha} K^{\beta}, \alpha > 0$$

List – I

I. Decreasing returns to scale

List – II

1. $\alpha + \beta > 1$

(B) The degree and direction of inter relations between two or more variables are non-zero and goodness of fit of the regression function is satisfactory.

(C) Degree of influence exercised by systematic explanatory factors is greater/lesser/equal to the influence exercised by random factors.

(D) All the above

Answer: (D)

54. In the presence of Heteroscedasticity, which of the following is not a correct statement ?

(A) Heteroscedasticity does not alter the unbiasedness and consistency properties of OLS estimators.

(B) OLS estimators are of minimum variance or efficient

(C) BLUE estimators are provided by the method of weighted least squares.

(D) 't' and 'F' tests based on standard assumptions of classical linear regression model may not be reliable.

Answer: (B)

55. Correlation coefficient between X and Y is 0.3 and correlation coefficient between P and Q is 0.6, then the strength of correlation between P and Q is higher than between X and Y by

(A) two times

(B) three times

(C) four times

(D) five times

Answer: (C)

56. Which of the following are conditions of consumer's equilibrium in a two commodity case where U = utility and P_1 and P_2 are prices of two goods ?

(A) $\frac{\partial U}{\partial X} = 0$

(B) $\frac{\partial U_1}{\partial U_2} = 0$

(C) $\frac{\partial^2 U}{\partial X^2} < 0$

(D) None of the above

Answer: (D)

57. The production function $Q = A [\alpha K^{-a} + \beta L^{-a}]^{-1/a}$ is homogeneous of degree

(A) zero

(B) one

(C) Infinity

(D) a

Answer: (B)

58. Given the total cost function $C = 7Q^2 + 26Q + 5$, MC at $Q = 5$ is

(A) Rs. 100

(B) Rs. 200

(C) Rs. 85

(D) Rs. 96

Answer: (D)

59. Match the following :

List – I

List – II

I. Acceptance of H_0 when it is false

1. Simple random sampling

II. Mean is equal to degrees of freedom

2. Type II error

III. Population is homogeneous

3. Positively skewed distribution

IV. Mean > Mode

4. X^2 Distribution

Codes :

I II III IV

(A) 2 4 3 1

(B) 1 2 3 4

(C) 2 4 1 3

(D) 4 1 2 3

Answer: (C)

Answer: (B)

Answer: (C)

62. The act of simultaneously buying a currency in one market and selling in another market is called

(A) Speculation

(B) Spotting

(C) Forwarding

(D) Arbitrage

Answer: (D)

63. All internationally traded services are covered under which of the following WTO agreements ?

(A) GATS

(B) TRIPS

(C) TRIMS

(D) PTA

Answer: (A)

64. The Bretton – Woods system

(A) set up a code of rules for nations to follow their conduct of international trade

(B) set up borrowing facilities for nation's temporary balance of payments problems

60. For the regression model given below

$$Y = \beta_0 + \beta_1 X + U$$

$$Y = 20 + 2X$$

$$SE : 0.46$$

To test $H_0 : \beta_1 = 2.1$ against $H_1 : \beta_1 \neq 2.1$ (not equal to 2.1), test statistic $|t|$ is equal to

(A) 4.609

(B) 0.217

(C) 4.34

(D) 0.33

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(C) Evolved over the years in several important ways

(D) All of the above

Answer: (D)

65. Full employment and balance of payments equilibrium will be automatically achieved in an optimum currency area

(A) if exchange rates are flexible

(B) foreign capital flows into the country

(C) if labour and capital move freely

(D) if trade is liberalized

Answer: (C)

66. Examples of economic integration

I. Free trade area

II. Customs union

III. Common market

IV. Cartel

(A) I and II are correct

(B) II and III are correct

(C) I, II and IV are correct

(D) I, II and III are correct

Answer: (D)

67. Arrange the order of WTO ministerial

I. Seattle

II. Cancun

III. Singapore

IV. Doha

(A) II, I, III, IV

(B) III, II, I, IV

(C) III, I, IV, II

(D) II, III, I, IV

Answer: (C)

68. Maximum rate of tariff India can levy on edible oil under WTO Agreement on Agriculture is

(A) 100%

(B) 150%

(C) 200%

(D) 300%www.netugc.com

Answer: (D)

69. WTO Agreement on Agriculture consists of

I. Domestic support

II. Export subsidies

III. Market access

IV. Input subsidies

(A) I and IV are correct.

(B) II and IV are correct.

(C) I, II and III are correct.

(D) I, II and IV are correct.

Answer: (C)

70. In Harrod's growth model, neutral technical progress implies technical progress as

(A) Capital augmenting

- (B) Labour augmenting
- (C) Both labour and capital augmenting
- (D) Productivity increasing

Answer: (B)

71. Which are the two gaps affecting growth process of an economic system in the two gap model of growth ?

- (A) Saving gap and investment gap
- (B) Income gap and consumption gap
- (C) Foreign exchange gap and domestic saving gap
- (D) Export gap and import gap

Answer: (C)

72. Assertion (A) : The new endogeneous growth theory examines production function that shows increasing returns.

Reason (R) : Because of specialization and investment in knowledge capital.

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

Answer: (D)

73. The 'Golden Age' model was developed by

- (A) Nicholas Kaldor
- (B) Joan Robinson
- (C) J.R. Hicks
- (D) R.F. Harrod

Answer: (B)

74. Terms of Trade of the developing countries are unfavourable due to the fact that whenever income in developed countries increases the demand for primary goods reduces because

- (A) Income elasticity of demand for primary goods is high.
- (B) Income elasticity of demand for primary goods is low.
- (C) Income elasticity of demand is neutral towards primary goods.
- (D) None of the above

Answer: (B)

75. T.W. Schultz has given the following ratios in relation to education for economic growth :

- (A) Education capital and labour ratio
- (B) Education labour ratio
- (C) Education-income ratio
- (D) Education labour ratio, education income ratio and education investment ratio

Answer: (D)