# 2013 December UGC NET Solved Question Paper in Economics Paper 3

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1. The Model of Managerial Enterprise is associated with

(A) R.A. Gordan

(B) R. Marris

(C) Baumol

(D) Scitorsky

**Answer:** (B)

2. Which one of the following is not an assumption of linear programming?

(A) Constant output prices

(B) Constant input prices

(C) Increasing returns to scale

(D) Technologically fixed factor proportion

**Answer:** (C)

3. In the Paul Sweezy Model of Oligopoly in the Kinked Demand Curve, the point of kink represents

(A) Quantity Rigidity

(B) Price Rigidity

(C) Both the Price and Quantity Rigidity

(D) Only Price Rigidity

**Answer:** (C)

4. Match List-I with List-II:

List – I                              List – II

(a) Offer Curves                    (1) Public Revenue

(b) Laffer Curves                   (2) Sticky Price

(c) Lorenz Curve                    (3) Reciprocal demand

(d) Kinked Demand Curve     (4) Inequalities

Codes:

       (a) (b) (c) (d)

(A) (3) (1) (4) (2)

(B) (1) (3) (2) (4)

(C) (3) (4) (1) (2)

(D) (4) (1) (2) (3)

**Answer:** (A)


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

List – I                           List – II

(a) Technical Monopoly      (1) Gold and Silver

(b) Global Market              (2) Cartel

(c) Legal Monopoly            (3) Coca Cola

(d) Oligopoly                     (4) Patent Rights

Codes:

       (a) (b) (c) (d)

(A) (3) (1) (4) (2)

(B) (3) (2) (1) (4)

(C) (4) (3) (1) (2)

(D) (4) (1) (2) (3)

**Answer:** (A)


6. Assertion (A): Consumer Surplus is the difference between the potential price and actual price.

Reason (R): There exists an inverse relationship between the price and consumer surplus.

Codes:

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

(B) Both (A) and (R) are true, 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:** (A)

7. Assertion (A): The long run cost curve is L shaped rather than U shaped.

Reason (R): The new technique of production of large plants reduce the total cost per unit of output in the long run.

Codes:

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

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

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

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

**Answer:** (A)

8. Which of the following is true?

a. Indifference curves slope downward from left to right.

b. Indifference curves slope downward from right to left.

c. Indifference curves are convex to the point of origin of the two axes.

d. Indifference curves never intersect each other.

(A) a, b and c are true.

(B) b, c and d are true.

(C) a, c and d are true.

(D) a and d are true.

**Answer:** (C)

9. A major portion of the multiplier effect is realized in fewer periods when marginal propensity to consume is

(A) unity

(B) larger

(C) smaller

(D) none of the abovewww.netugc.com

**Answer:** (C)

10. The optimum capital stock is achieved when the user cost of capital is equal to

(A) the interest rate

(B) the depreciation rate

(C) the marginal product of capital

(D) Tobin's Q

**Answer:** (C)

11. If the economy is operating at potential GDP, an increase in money supply will lead to

(A) Stagflation

(B) Structural inflation

(C) Demand-side inflation

(D) Supply-side inflation

**Answer:** (C)

12. Which of the following is true in case of the orthodox (early) Keynesians?

1. Interest elasticity of demand for money is extremely high.

2. Interest elasticity of demand for money is low.

3. Changes in the quantity of money do not have important predictable effects on the level of economic activity.

4. Demand for money is unstable.

(A) 1, 2, 3

(B) 1, 3, 4

(C) 1, 2, 4

(D) 2, 3, 4

**Answer:** (B)

13. Which of the following statement is false?

(A) The IS curve is flatter, lower the value of the Keynesian multiplier and lower the interest resistiveness of investment.

(B) The IS curve is steeper lower the value of the Keynesian multiplier and lower the interest resistiveness of investment.

(C) The position of LM curve depends negatively on the price level and the resistiveness of the money demand to the changes in income.

(D) The LM curve is flatter, the larger the interest resistiveness of the money demand and the lower the income resistiveness of the money demand.

**Answer:** (A)

14. Which of the following statements are true?

1. Increased government spending affects aggregate spending more quickly than does an increase in money supply.

2. An increase in aggregate demand has no effect upon real output when aggregate supply is vertical.

3. An increase in government spending always crowds out an equal amount of private sector interest sensitive spending.

4. Increased government spending affects aggregate supply less quickly than does an increase in money supply.

Codes:

(A) 1 & 2

(B) 1 & 3

(C) 1 & 4

(D) 3 & 4

**Answer:** (A)

15. In the context of the theory of economic growth, match the theory/facts given in List I with their propounders given in List II:

| List – I | List – II |
|---|---|
| (a) Stylised facts of economic growth | (1) R.M. Solow |
| (b) Exogenous growth theory | (2) N. Kaldor |
| (c) Golden rule of accumulation | (3) Radner & Samuelson |
| (d) Optimal growth turnpikes | (4) E.S. Phelps |

Codes:

    (a) (b) (c) (d)

(A) (2) (1) (3) (4)

(B) (3) (2) (1) (4)

(C) (2) (1) (4) (3)

(D) (2) (4) (3) (1)

**Answer:** (C)

16. The endogeneous growth theory seeks to provide explanation for which of the following determinants of growth that the Solow's model did not explain?

(A) Technical Progress

(B) Labour Growth

(C) Role of the government in promoting growth

(D) All the above

**Answer:** (D)

17. 'Multi-dimensional Poverty Index' (MPI) is a new index to be included in

(A) World Human Report

(B) Human Development Report

(C) World Development Report

(D) India's Human Development Report

**Answer:** (B)

18. Which is the better measure of welfare?

(A) National Income

(B) Per Capita Income

(C) Per Capita Disposable Income

(D) Gross National Product

**Answer:** (C)

19. Which of the following year of the 11th Five Year Plan registered the highest GDP growth rate?

(A) 2007-08

(B) 2008-09

(C) 2009-10

(D) 2010-11

**Answer:** (A)

20. What is the main purpose of U.N.E.P.?

(A) Equal development

(B) Economic development

(C) Reduction in temperature

(D) Sustainable development

**Answer:** (D)

21. Foodgrains in India are canalized by

(A) ONGC

(B) OIL

(C) FCI

(D) MMTC

**Answer:** (C)

22. As per provisional data released by C.S.O. for Q1 of 2012-13, the GDP growth has been estimated at

(A) 5.1%

(B) 5.5%

(C) 5.9%

(D) 6.2%

**Answer:** (B)

23. In whose economic theories, Malthus' theories are in the base?

(A) Adam Smith

(B) Ricardo

(C) Keynes

(D) Robinswww.netugc.com

**Answer:** (C)

24. 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)

25. The Total Factor Productivity (TFP) in agriculture during the 11th plan in India

(A) Increased

(B) Declined

(C) Remain unchanged

(D) Had no specific pattern

**Answer:** (A)

26. Income elasticity of demand for food in developed countries is less than

(A) zero

(B) 1

(C) 2

(D) 3

**Answer:** (B)

27. 'Apna Khet, Apna Kaam' (i.e. own field, own work) is a new scheme under MNREGA and it was initiated in the State

(A) Punjab

(B) Gujarat

(C) Rajasthan

(D) Madhya Pradesh

**Answer:** (C)

28. 'Price Scissors' refer to

(A) Relative price of fuel and industrial goods

(B) Relative price of industrial goods in terms of agricultural goods

(C) Relative price of imported goods in terms of the exported goods

(D) None of the above

**Answer:** (B)

29. Assertion (A): Yellow Revolution increased the production of seeds.

Reason (R): White Revolution increased the production of milk.

Codes:

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

(B) Both (A) and (R) are true, 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)

30. The immediate cause for the collapse of the Bretton Woods system was

(A) the expectation that the U.S. would soon be forced to devalue the dollar.

(B) the massive flight of liquid capital from the U.S.

(C) the attempt by three small European Central Banks to convert part of their dollar holdings into gold at the Fed.

(D) All of the above

**Answer:** (D)

31. In case of Fixed Exchange Rate regime adjustment in Balance of Payments takes place through

(A) changes in price level

(B) changes in exchange rate

(C) changes in interest rate

(D) none of the above

**Answer:** (A)

32. A spot Foreign Exchange Transaction refers to

(A) the purchase or sale of foreign exchange for delivery within two business days.

(B) the sale of foreign exchange for delivery.

(C) the purchase of foreign exchange for delivery.

(D) none of the above.

**Answer:** (A)

33. Regarding M.F.N. (Most Favoured Nation) clause, find out the correct statement:

(A) It guarantees special privilege to the contracting parties.

(B) It guarantees only equal treatment.

(C) The unconditional M.F.N. clause seems to be more equitable than the conditional one.

(D) The conditional M.F.N. clause confers significant rights on the contracting party.

**Answer:** (B)

34. Match List-I with List-II:

| List – I | List – II |
|---|---|
| (a) Hamilton List | (1) Trade creation and Trade diversion effects |
| (b) Marshall-Learner | (2) Indian Industry |
| (c) F.Y. Edgeworth | (3) Elasticity approach |
| (d) Jacob Viner | (4) Impoverishing growth |

Codes:

    (a) (b) (c) (d)

(A) (2) (3) (1) (4)

(B) (2) (3) (4) (1)

(C) (3) (2) (4) (1)

(D) (3) (2) (1) (4)

**Answer:** (B)

35. Under a managed floating exchange rate system, the Nation's monetary authorities intervene in Foreign Exchange Markets to

(A) smooth out short-run fluctuations in exchange rates

(B) smooth out long-run fluctuations in exchange rates

(C) smooth out short-run and longrun fluctuations in exchange rates

(D) keep exchange rates fixed among a group of nations

**Answer:** (A)

36. Which of the following is related with optimum currency area?

(A) Optimal geographical area for a single currency

(B) Optimal geographical area for several currencies whose exchange rates are relatively pegged

(C) Single currency or the pegged currencies fluctuate jointly visà-vis other currencies

(D) All the above

**Answer:** (D)

37. Which of the following is true with respect to the monetary approach to the balance of payments?

(A) A balance of payments deficit results from an excess supply of money in the nation.

(B) A balance of payments surplus results from an excess demand for money.

(C) Balance of payments disequilibrium are automatically corrected in the long run.

(D) All the above

**Answer:** (D)

38. Which one of the following tax is within the jurisdiction of the Central Government as enumerated in List I of Seventh Schedule of the Constitution of India?

(A) Taxes on mineral rights subject to any limitation imposed by the Parliament

(B) Taxes on the consumption and sale of electricity

(C) Taxes on sale and purchase of newspapers and on advertisements therein

(D) Excise on alcoholic liquors for human consumption, opium, Indian hemp and other narcotics

**Answer:** (C)

39. Grants from the Centre to the States under the recommendations of Finance Commission are known as

(A) Plan grants

(B) Development assistance

(C) Statutory grants

(D) Discretionary grants

**Answer:** (C)

40. Match the items given in List I with those in List II:

| List – I | List – II |
|---|---|
| a. Committee on Taxation of Agricultural Wealth and Income, 1972 | 1. Raja J.Chelliah |
| b. Direct Taxesb Enquiry Committee, 1970 | 2. L.K. Jha |
| c. Tax Reform Committee, 1991 | 3. K.N. Wanchoo |
| d. Indirect Tax Enquiry Committee, 1976 | 4. K.N. Raj |

Codes:

    a b c d

(A) 4 1 2 3

(B) 4 3 1 2

(C) 3 2 1 4

(D) 2 3 1 4

**Answer:** (B)

41. The biggest holder of Government of India dated securities:

(A) Reserve Bank of India

(B) Life Insurance Corporation of

India

(C) Employees Provident Fund

(D) Commercial Banks

**Answer:** (D)

42. Arrange the introduction of the following taxes in India in chronological order:

I. Service tax

II. Income tax

III. Banking cash transaction tax

IV. Gift tax

Codes:

(A) II, IV, I, III

(B) II, I, III, IV

(C) II, III, I, IV

(D) IV, II, I, III

**Answer:** (A)

43. Who amongst the following has not worked for estimation of Black Money in India?

(A) N. Kaldor

(B) Dr. D.K. Rangnekar

(C) O.P. Chopra

(D) Sukhamoy Chakravarthy

**Answer:** (D)

44. For which of the following items of household consumption expenditures in India, NSSO takes the reference period as 365 days?

(A) Clothing, footwear, bedding, education etc.

(B) Edible oil, fish & meat, egg

(C) Vegetables, fruits, spices, beverages & processed food

(D) All other food, fuel & light, misc. goods & services

**Answer:** (A)

45. What is the average monthly per capita expenditure (modified mixed recall period) for rural India in 2009-10?

(A) Rs. 845.54

(B) Rs. 1053.64

(C) Rs. 1322.25

(D) Rs. 1984.46

**Answer:** (B)

46. What is the target for total outstanding liabilities at the end of 2015-16 as per medium term Fiscal Policy Statement of the Union Budget 2013-14 (Percent of GDP)?

(A) 42.3

(B) 44.5

(C) 41.1

(D) 47.8

**Answer:** (A)

47. Which of the following years recorded growth rate of agriculture-GDP (at constant prices) more than 5 percent?

i. 2006-07

ii. 2007-08

iii. 2010-11

iv. 2011-12

Codes:

(A) i & iii

(B) i, ii & iii

(C) ii & iii

(D) i & iv

**Answer:** (A)

48. Which of the following items of private final consumption expenditure has the largest share (in the PFCE) in recent years in the Indian Economy?

(A) Clothing & Footwear

(B) Gross rent, Fuel & Power

(C) Transport & Communication

(D) Furniture, Furnishings, etc.

**Answer:** (C)

49. Which of the following has not been one of the terms of reference of the Thirteenth Finance Commission of India?

(A) The distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them.

(B) The principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India.

(C) The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State.

(D) The method of rescheduling the debt burdens of the States in view of their growing deficits.

**Answer:** (D)

50. Match price indices in India given in List I with their latest base year in List-II:

List – I                                        List – II

(a) Wholesale Price Index                        (1) 2001= 100

(b) Industrial Workers (CPIIW)                   (2) 2010 = 100

(c) Consumer Price Index (New Series)            (3) 2004-05 = 100

(d) Agricultural Labourers (CPIAL)               (4) 1986-87 = 100

Codes:

     (a) (b) (c) (d)

(A) (3) (1) (2) (4)

(B) (3) (2) (4) (1)

(C) (2) (1) (4) (3)

(D) (2) (4) (1) (3)

**Answer:** (A)


51. Which of the following does not hold correct about the Demsetz view of concentration and monopoly power?

(A) Superior efficiency produces both increased concentration and more profits.

(B) The causal link is from concentration to profitability.

(C) The causal link is from efficiency to concentration.

(D) The causal link is from efficiency to profit.

**Answer:** (B)


52. Find out the value of Gini coefficient for estimating the industrial concentration for the following industry using the formula

G $=1/N \ ^N\Sigma_{i=1} (N - 2i + 1) S_i$ (Where N is the number of firms and $S_i$ is the share of $i^{th}$ firm in terms of sales of the industry.)

| Firm 1 | Firm 2 | Firm 3 | Firm 4 | Industry |
|--------|--------|--------|--------|----------|
| 70 | 10 | 10 | 10 | 100 |

(A) 25

(B) 35

(C) 45

(D) 65

**Answer:** (C)

53. Relate the items given in List-I with the List-II with regard to Wage Theory:

List – I                              List – II

a. Iron law of wages               1. J.S. Mill

b. Wage-funds theory               2. John R. Hicks

c. Surplus-value theory             3. David Ricardo

d. Marginal productivity theory    4. Karl Marx

Codes:

     a b c d

(A) 1 3 4 2

(B) 2 1 3 4

(C) 3 4 2 1

(D) 3 1 4 2

**Answer:** (D)

54. Which of the following is not an item of social security of labour?

(A) Wage

(B) Maternity benefits

(C) Pensions

(D) Industrial injury

**Answer:** (A)

55. Which of the following has not been suggested as the features of informal sector endorsed by the UN Statistical Commission (July, 1993)?

(A) Private un-incorporated Enterprises

(B) No complete accounts are available that would permit a financial separation of the production activities of the Enterprise

(C) Casual jobs or jobs of a limited short duration

(D) The employment size of the enterprise is below a certain threshold

**Answer:** (C)

56. Which of the following constitutes the intermediate layer in the three tier co-operative credit structure?

(A) State Co-operative Banks

(B) Central Co-operative Banks

(C) Primary Agricultural Credit Societies

(D) NABARD

**Answer:** (B)

57. High powered money is

(A) Banks' reserves at Central Bank

(B) Money held by the Banks

(C) All loans and advances of Banks

(D) Currency held by Public and cash reserves of the Banks

**Answer:** (D)

58. Assertion (A): Investment companies have not been able to attract much public savings in India.

Reason (R): Investment companies are pure financial intermediaries and they specialise in the mobilisation of public saving for investment in corporate securities.

Codes:

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

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

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

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

**Answer:** (B)

59. Find out the correct answer from the code given below:

Main features of Regional Rural Banks (RRBs)

I. RRBs have been established by 'sponsor bank' usually a public sector commercial bank.

II. RRBs grant direct loans and advances only to small and marginal farmers, rural artisans and agricultural labourers.

III. The area of RRB is limited to a specified region comprising one or more districts of a State.

IV. The lending rates of RRBs are not higher than the prevailing lending rates of co-operative societies.

Codes:

(A) II and III are correct.

(B) I and III are correct.

(C) I, II and IV are correct.

(D) I, II and III are correct.

**Answer:** (D)

60. Find out the correct answer from the codes given below:

Technique of selective credit control of RBI.

I. Determination of margin requirement for loans against certain securities.

II. Determination of maximum amount of advances or other financial accommodation.

III. Changing of discretionary interest rates on certain type of advances.

IV. Changing the cash reserve requirements of commercial banks.

Codes:

(A) I and II are correct.

(B) I, II and III are correct.

(C) I, II and IV are correct.

(D) I and IV are correct.

**Answer:** (B)

61. In a two variable regression Y is dependent variable and X is independent variable. The correlation coefficient between Y and X is 0.6. For this which of the following result is correct?

(A) 36% variations in Y are explained by X.

(B) 60% variations in Y are explained by X.

(C) 6% variations in Y are explained by X.

(D) None of the above.

**Answer:** (A)

62. In a multiple regression with three independent variables, the regression coefficients are to be tested. Which test would be used?

(A) Z test

(B) F test

(C) χ2 test

(D) t test

**Answer:** (D)

63. Input-Output Technique was invented by

(A) Gunnar Myrdal

(B) Wassily Leontief

(C) Hollis B. Chenery

(D) Robert Solow

**Answer:** (B)

64. The Linear Cobweb model is given as

Supply : $q_t = \alpha + \beta\, p_{t-1}$

Demand : $p_t = \gamma + \delta\, q_t$

Where $q(0) = q_0$ is initial condition.

For this model stability of market requires the condition

(A) $|\delta| < |\beta|$

(B) $|\delta| < |1/\beta|$

(C) $|\delta| > |\beta|$

(D) $|\delta| = |1/\beta|$

**Answer:** (B)

65. Which of the following statements is true concerning the optimal solution of linear program with two decision variables?

(A) There is only one solution to a linear program.

(B) The optimal solution is either an extreme point or is on a line connecting extreme points.

(C) All resources must be used up by an optimal solution.

(D) All of the above.

**Answer:** (B)

66. Given a production function

$Q = AL^{\alpha} K^{\beta}$; $\alpha, \beta > 0$, increasing returns to scale requires that

(A) $\alpha + \beta = 1$

(B) $\alpha + \beta = 0$

(C) $\alpha + \beta > 0$

(D) $\alpha + \beta > 1$

**Answer:** (D)

67. For the demand function $P = 10 - 3x - x^2$, what is consumer's surplus at $x = 3$ ?

(A) 16.25

(B) 20.50

(C) 07.50

(D) 12.50

**Answer:** (C)

68. From the following life-table, find out the value of life expectancy at age $4(e_4)$.

| Age | $q_x$ | $l_x$ | $d_x$ | $L_x$ | $T_x$ | $e_x$ |
|-----|-------|-------|-------|-------|-------|-------|
| 4 | 0.000194 | 99208 | 19 | 99,199 | ? | ? |
| 5 | 0.000177 | 99189 | 18 | ? | 7,246,663 | 73.1 |

(A) 72.0

(B) 73.0

(C) 74.0

(D) 75.0

**Answer:** (C)

69. Match List – I with List – II for a hypothetical population fertility estimates:

| List – I | List – II |
|----------|-----------|
| a. Total marital fertility rate | 1. 4.0 |
| b. General fertility rate | 2. 1.3 |
| c. Gross reproduction rate | 3. 39.1 |
| d. Total fertility rate | 4. 0.7 |

Codes:

   a b c d

(A) 1 2 3 4

(B) 4 2 3 1

(C) 2 4 3 1

(D) 1 3 4 2

**Answer:** (D)

70. Verdoon's law is about the

(A) positive relation between the growth of population, employment and output with the growth of production per head.

(B) negative relation between the growth of population, employment and output with the growth of production per head.

(C) positive relation between population growth and employment.

(D) negative relation between population growth and employment.

**Answer:** (A)

71. Which of the following statements is true concerning standard regression model?

(A) Y has a probability distribution

(B) X has a probability distribution

(C) The disturbance term is assumed to be correlated with X

(D) For an adequate model the residual ($\hat{u}$) will be zero for all sample data points

**Answer:** (A)

72. Which of the following statements are true concerning a triangular or recursive system ?

(i) The parameters can be validly estimated using separate applications of OLS to each equation.

(ii) The independent variables may be correlated with the error terms in other equations

(iii) An application of 2 SLS would lead to unbiased but inefficient parameter estimates

(iv) The independent variables may be correlated with error terms in the equations in which they appear as independent variables.

(A) (ii) and (iv) only

(B) (i) and (iii) only

(C) (i), (ii) and (iii) only

(D) (i), (ii), (iii) and (iv)

**Answer:** (C)

73. What would be the consequences for the OLS estimator if heteroscedasticity is present in a regression model but ignored?

(A) It will be biased.

(B) It will be inconsistent.

(C) It will be inefficient.

(D) All (A), (B) and (C) will be true.

**Answer:** (C)

74. Match the following

| List – I | List – II |
|---|---|
| a. Unit Root Test | 1. Durbin- Watson Test |
| b. Contingency Table | 2. Student's t-test |
| c. Regression Coefficient | 3. Stationarity |
| d. Autocorrelation | 4. $\chi^2$-test |

Codes:

   a b c d

(A) 2 3 1 4

(B) 4 2 3 1

(C) 3 4 2 1

(D) 3 2 1 4

**Answer:** (C)

75. Consider the following system of equations, using standard notations :

$$Y_1 = \alpha_0 + \alpha_1 Y_2 + \alpha_3 Y_3 + \alpha_4 X_1 + \alpha_5 X_2 + u_1$$

$$Y_2 = \beta_0 + \beta_1 Y_3 + \beta_2 Y_1 + \beta_3 X_2 + u_2$$

$$Y_3 = \gamma_0 + \gamma_1 X_1 + \gamma_2 X_2 + \gamma_3 X_3 + u_3 \text{www.netugc.com}$$

According to the order condition, the first equation is

(A) Unidentified

(B) Just identified

(C) Over-identified

(D) Not possible to tell whether the equation identified or not because reduced form of the model is not given.

**Answer:** (A)