2013 June UGC NET Solved Question Paper in Economics Paper 2

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1. Under Cournot Model of Duopoly, each duopolist will produce

(A) half the output

(B) one-fourth of the output

(C) one-sixth of the output

(D) one-third of the total output

Answer: (D)

2. As long as the substitution effect dominates the income effect, the labour supply curve is

(A) negatively sloped

(B) positively sloped

(C) bend backward

(D) shifting towards left

Answer: (B)

3. The distinguishing characteristics of monopolistic competition are

I. Product differentiation

II. Non-price competition

III. Large number of firms and freedom to entry and exit

IV. Firms are interdependent

Codes :

(A) I & III are correct.

(B) I, II and IV are correct.

(C) I, II and III are correct.

(D) I, III and IV are correct.

Answer: (C)

4. Assertion (A) : Monopoly is Pareto inefficient.

Reason (R) : It would be possible to change the allocation of resources to make the amount of income he would be prepared to pay in exchange of the reduction in price.

Codes :

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

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

(C) Both (A) and (R) are correct, but (R) is incorrect explanation of (A).

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

Answer: (A)

5. If MP_L/MP_K does not change with any proportionate change in labour and capital then the production function is

(A) Linear

(B) Non-linear

(C) Homogeneous

(D) Homothetic

Answer: (D)

6. Match the items in the List – I with items in List – II. Select the correct answer from the code given below :

List – I	List – II
I. Agency Theory of Firm	1. O.E. Williamson
II. Xinefficiency	2. M.C. Jensen and W.J. Meckling
III. The Utility Maximisation Model	3. Wilfredo Paretowww.netugc.com
IV. Edgeworth box diagram first used by	4. Harvey Leibenstein

Codes :

I II III IV

(A) 3 2 1 4

(B) 2 4 1 3

(C) 2 3 4 1

(D) 3 4 1 2

Answer: (B)

7. At the point of tangency between short- run average total cost and longrun average cost, the short-run marginal cost

(A) greater than long-run marginal cost

(B) less than long-run marginal cost

(C) is far above long-run marginal cost

(D) equals long-run marginal cost

Answer: (D)

8. The equilibrium in a market is incomplete with increasing returns to scale only in the case of

(A) imperfectly competitive market

(B) monopolistic market

(C) perfectly competitive market

(D) none of the above

Answer: (C)

9. If 1 = Involuntary unemployment;

2 = Disguised unemployment;

3 = Frictional unemployment; and

4 = Structural unemployment, then full employment is consistent with

(A) 1 & 2

(B) 2 & 3

(C) 3 & 4

(D) 1 & 4

Answer: (C)

10. In Keynes' equation of absolute income hypothesis, $C = \alpha_0 + by$, where C = Consumption expenditure; α_0 = Consumption expenditure when income (y) is zero; and b = Marginal Propensity to Consume (MPC), then which of the following statements is false ?

(A) MPC is independent of the level of income.

(B) MPC is dependent on the level of income.

(C) APC falls as income rises.

(D) APC > MPC.

Answer: (B)

11. Which of the following statements is false ?

(A) The balanced budget multiplier is unity when taxes are lump sum taxes.

(B) The balanced budget multiplier is less than unity when taxes are ad valorem taxes.

(C) Tax multiplier is less than government expenditure multiplier.

(D) Tax multiplier is more than government expenditure multiplier.

Answer: (D)

12. Match the theory/criterion of investment determination as given below in List – II with their propounders given below in List – I :

List – I	List – II
I. Dale Jorgenson	a. Q-Theory
II. J.M. Keynes	b. Neo-classical Theory
III. James Cohin	c. Accelerator Theory
IV. James Clark	d. Present Value Criterion

Codes :

   I II III IV

(A) a d b c

(B) b d a c

(C) c d a b

(D) c a d b

Answer: (Wrong Question)

13. Assertion (A) : In liquidity trap, the demand for money is perfectly interest elastic.

Reason (R) : Because in this situation, all the investors expect the market rate of interest to rise towards the natural rate of interest.

Codes :

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

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

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

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

Answer: (A)

14. The rate of net investment spending per time period depends on steepness of the downword slope of

(A) Marginal efficiency of Investment Schedule

(B) Marginal efficiency of Capital Schedule

(C) LM-Schedule

(D) IS-Schedule

Answer: (A)

15. Which of the following is not specifically mentioned as a determinant of the demand for money ?

(A) Wealth

(B) Nominal yield on alternative assets

(C) Inflation rate

(D) Real rate of interest

Answer: (D)

16. Whose model of the following economists makes use of the stock adjustment principle to explain business cycles ?

(A) N. Kaldor

(B) J.R. Hicks

(C) P. Samuelson

(D) J.M. Keynes

Answer: (A)

17. The concept of vicious circle of poverty is associated with

(A) J.M. Keynes

(B) Ragner Nurkse

(C) Karl Marx

(D) J.S. Millwww.netugc.com

Answer: (B)

18. Inverted 'U' shaped income distribution hypothesis is associated with

(A) J.B. Clark

(B) David Ricardo

(C) Simon Kuznets

(D) Adam Smith

Answer: (C)

19. Components of HDI are

I. Longevity

II. Infant mortality

III. Educational attainment

IV. Decent standard of living

Codes :

(A) I, II and III are correct.

(B) II, III and IV are correct.

(C) II, I, and IV are correct.

(D) I, III and IV are correct.

Answer: (D)

20. Arrange the proponents of classical theory of development in a sequential order :

I. David Ricardo

II. Adam Smith

III. J.S. Mill

IV. Robert Malthus

Codes :

(A) II IV III I

(B) IV III I II

(C) III II IV I

(D) I II III IV

Answer: (A)

21. Assertion (A) : In Marxian scheme of things, M → C → M', where M' > M and M' – M is surplus value.

Reason (R) : The main cause of this surplus value is raw materials, machines, etc.

Codes :

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

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

(C) Both (A) and (R) are correct.

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

Answer: (B)

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

List – I	List – II
I. Structural view of Underdevelopment	1. Classical Economists
II. Laissez-faire Policy	2. Hollis Chenery
III. Departmental Scheme of Expanded Reproduction	3. Steady State Growth
IV. Golden Age of Accumulation	4. Karl Marx

Codes :

    I II III IV

(A) 2 1 4 3

(B) 4 2 3 1

(C) 1 4 2 3

(D) 3 4 1 2

Answer: (A)

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

List – I	List – II
I. Critical Minimum Effort Thesis	1. R.F. Kahn
II. Knife-edge Equilibrium	2. Rosentein- Rodan
III. Bastard Golden Age	3. Leibenstein
IV. Big Push Theory	4. Harrod

Codes :

I II III IV

(A) 3 4 1 2

(B) 1 3 4 2

(C) 2 1 3 4

(D) 4 2 1 3

Answer: (A)

24. Which years in India have been the best and the worst in terms of growth rate of national income ?

(A) 2007-08 and 1997-98

(B) 2006-07 and 1966-67

(C) 1988-89 and 1979-80

(D) 2003-04 and 1957-58

Answer: (C)

25. Rank the States in ascending order of the crude birth rate in the recent years :

I. Andhra Pradesh

II. Karnataka

III. Madhya Pradesh

IV. Uttar Pradesh

Codes :

(A) I, II, III, IV

(B) II, III, I, IV

(C) I, II, IV, III

(D) II, I, IV, III

Answer: (A)

26. Which five year plan of India has recorded the largest gap in terms of growth rate between the services sector and the industrial sector ?

(A) Seventh Plan

(B) Eighth Plan

(C) Ninth Plan

(D) Tenth Plan

Answer: (C)

27. Provide the correct answer about the desired growth target of the manufacturing sector in the medium term as per the National Manufacturing Policy of India.

(A) 6 – 8 percent

(B) 8 – 10 percent

(C) 10 – 12 percent

(D) 12 – 14 percent

Answer: (D)

28. Which of the following countries have better Human Development Index (HDI) as per the HDR 2011 ?

I. Sri Lanka

II. Pakistan

III. Kenya

IV. Egypt

Codes :

(A) Sri Lanka and Egypt

(B) Sri Lanka and Kenya

(C) Pakistan and Sri Lanka

(D) Pakistan and Kenya

Answer: (A)

29. What was the amount of outlay under MGNREGA in 2011-12 by the Government of India ?

(A) Rs. 25,000 crore

(B) Rs. 30,000 crore

(C) Rs. 40,000 crore

(D) Rs. 55,000 crore

Answer: (C)

30. Provide correct answer about the share of India in the world merchandize exports in 2010 :

(A) 0.5 percent

(B) 0.9 percent

(C) 1.1 percent

(D) 1.5 percent

Answer: (D)

31. If the cost of transporting a goods between two nations exceeds the pretrade difference for the goods between two nations, then trade in that goods is

(A) possible

(B) impossible

(C) reversal

(D) cannot say

Answer: (B)

32. According to the Rybczynski theorem, the growth of only one factor at constant relative commodity prices, leads to an absolute expansion in the output of

(A) both commodities

(B) the commodity using the growing factor intensively

(C) the commodity using the no growing factor intensively

(D) any of the above

Answer: (B)

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33. The exchange rate is kept the same in all parts of the market by

(A) exchange arbitrage

(B) interest arbitrage

(C) hedging

(D) speculation

Answer: (A)

34. Which are relevant conditions assumed by the factor price equalization theorem ?

I. The countries are characterized by different factor endowments.

II. The countries are characterized by different production functions.

III. The industries are characterized by different factor intensities.

IV. Each country will export the commodity which uses its abundant factor relatively intensively.

Codes :

(A) I, II, III, IV

(B) I, III, IV

(C) I, II, IV

(D) I, III, II

Answer: (B)

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

(A) It views the balance of payments as an essentially monetary phenomenon.

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

(C) A balance of payments surplus results from an excess supply of money.

(D) Balance of payments disequilibrium are not automatically corrected in the long run.

Answer: (A)

36. When a nation imposes an import tariff, the nation's offer curve will

(A) shift away from the axis measuring its export commodity.

(B) shift away from the axis measuring its import commodity.

(C) not shift.

(D) any of the above is possible.

Answer: (A)

37. If the international terms of trade settle at a level that is between each country's opportunity cost then

(A) there is no basis for gainful trade for either country.

(B) both countries gain from trade.

(C) only one country gains from trade.

(D) one country gains and the other country loses from trade.

Answer: (B)

38. Arrange the following in chronological order :

I. The Indirect Tax Enquiry Committee (Jha Committee)

II. Tax Reforms Committee (Chelliah Committee)

III. Taxation Enquiry Commission (Matthur Commission)

IV. The Direct Tax Enquiry Committee (Wanchoo Committee)

Codes :

(A) III, II, IV, I

(B) III, I, IV, II

(C) II, III, I, IV

(D) III, IV, I, II

Answer: (D)

39. Which of the following are relevant in Zero Base Budgeting ?

I. Each item of expenditure is challenged in pre-budget review.

II. No minimum level of expenditure is allowed to be taken as given.

III. Expenditure of each item is increased marginally.

IV. Most item of expenditure is taken for granted when budget is prepared for the next year.

Codes :

(A) I and III are correct.

(B) I, II and IV are correct.

(C) I and II are correct.

(D) I, III and IV are correct.

Answer: (C)

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

List – I   List – II

I. Optimal Income Taxation   1. Charles Tiebout

II. An Economic Theory of Politics   2. Peter A. Phyrr

III. Local Public Goods   3. F. Ramsey

IV. Zero Base Budgeting   4. Anthony Downs

Codes :

     I II III IV

(A) 3 1 4 2

(B) 2 3 1 4

(C) 3 2 1 4

(D) 3 4 1 2

Answer: (D)

41. Which of the following is tantamount to absence of taxation ?

(A) Shifting of the tax

(B) Tax transformation

(C) Evasion of tax

(D) Tax capitalisation

Answer: (C)

42. Which of the following tax is within the jurisdiction of States as enumerated in List – II of the Schedule VII of the Constitution of India ?

(A) Taxes on Railway freights and fares.

(B) Taxes on sale and purchase of newspapers and on advertisement therein.

(C) Rate of stamp duty in respect of certain financial documents.

(D) Taxes on luxuries, including entertainments, betting and gambling.

Answer: (D)

43. Cohin Clark has argued that for most countries of the world, the safe upper limit of taxation is

(A) 40 percent of national income

(B) 30 percent of national income

(C) 25 percent of national income

(D) 20 percent of national income

Answer: (C)

44. Which of the following tax can be shifted easily ?

(A) Lump-sum tax imposed on the monopolist

(B) Tax imposed on residential house

(C) Capital goods meant for sale

(D) Succession duty

Answer: (C)

45. In a binomial distribution, the sum of mean and variance is 15 and the product of mean and variance is 54, then the number of observations (n) is equal to

(A) 27

(B) 30

(C) 24

(D) 33

Answer: (A)

Answer: (D)

47. χ^2 (chi-square) test is used to test

(A) analysis of variance

(B) association between the qualitative variables

(C) difference between means of two distributions drawn from the same population.

(D) difference between the means of two distributions drawn from different population.

Answer: (B)

46. If 'r' is the correlation coefficient and b_{yx} and b_{xy} are the regression coefficients of the regression lines y on x and x on y respectively, then r =

(A) $b_{xy} \times b_{yx}$

(B) $\sqrt{b_{xy} / b_{yx}}$

(C) $\sqrt{1 - b_{xy} \, b_{yx}}$

(D) $\sqrt{b_{xy} \, b_{yx}}$

48. Random sampling implies that

(A) the observations are selected purposively.

(B) the observations are selected in a systemic manner.

(C) the observations are selected in an adhoc manner.

(D) the observations are selected in clusters.

Answer: (B)

Answer: (C)

50. Assertion (A) : Fisher's index is an ideal index.

Reasoning (R) : Fisher's index satisfies Time Reversal and Factor Reversal Tests.

Codes :

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

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

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

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

Answer: (A)

49. Given the following information, match the item in List – I with List – II :

List – I	List – II
I. Coefficient of Variation	1. μ_4/σ^4
II. Coefficient of Correlation	2. μ_3/σ^3
III. Coefficient of Skewness	3. $\sigma/\bar{x}$
IV. Coefficient of Kurtosis	4. $\Sigma xy / \sigma_x \sigma_y$

Codes :

	I	II	III	IV
(A)	1	2	3	4
(B)	3	2	4	1
(C)	3	4	2	1
(D)	3	4	1	2