2013 September UGC NET Solved Question Paper in Economics Paper 3

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1. A firm operating in perfectly competitive product and input markets. Maximizes its total profit when

(A) $P_x = M_{C_x}$ and M_{C_x} is rising

(B) $\dfrac{MP_a}{P_a} = \dfrac{MP_b}{P_b}$

(C) $\dfrac{MP_a}{P_a} = \dfrac{MP_b}{P_b} = \dfrac{1}{M_{C_x}}$

(D) $\dfrac{MP_a}{P_a} = \dfrac{MP_b}{P_b} = \dfrac{1}{M_{C_x}} = \dfrac{1}{P_x}$

Answer: (D)

2. Shadow price refers to

(A) Change in the value of the constraint per unit change in the objective function.

(B) Change in the value of objective function per unit change in any one of the constraints.

(C) The change in the value of the primal solution per unit change in the dual solution.

(D) All the above.

Answer: (B)

3. In an economy of two individuals (A & B) and two commodities (X and Y) general equilibrium of exchange is reached when

(A) $MRTS_{XY} = MRTS_{YX}$

(B) $MRS_{XY} = P_X / P_Y$

(C) $(MRS_{XY})_A = (MRS_{XY})_B$

(D) $MRS_{XY} = P_Y / P_X$

Answer: (C)

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

List – I	List – II
a. Various combinations that a consumer can purchase Indifference Map	1.
b. Various combination of two commodities that give the consumer equal satisfaction Budget Line	2.
c. A set of indifference curves Consumer Equilibrium	3.
d. Point of tangency of a budget line and indifference curve Indifference Curves	4.

Codes:

	a	b	c	d
(A)	2	4	1	3
(B)	2	1	4	3
(C)	4	1	2	3
(D)	4	2	1	3

Answer: (A)

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

List – I	List – II
a. Residual Claimant Theory	1. Nut. K. Wicksel
b. Loanable Funds Theory	2. Bergson-Samuelson

c. Compensation Criteria   3. Walker

d. Social Welfare Function   4. Kaldor- Hicks

Codes:

	a	b	c	d
(A)	3	1	4	2
(B)	3	2	1	4
(C)	2	1	3	4
(D)	2	3	4	1

Answer: (A)

6. Assertion (A): An Iso Cost Line is a straight line.

Reason (R): The market rate of exchange between the two inputs is constant.

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)

7. Assertion (A): The rate of fall of MR Curve is more than twice the rate of fall of AR.

Reason (R): The MR & AR Curves are linear and negatively sloped.

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 a correct explanation of (A).

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

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

Answer: (D)

8. Which of the following is true with regard to peak-load pricing?

(a) It is applicable only for electrical public utilities.

(b) It leads to substitution in consumption from the period of peak demand to the period of low demand.

(c) It leads to reduction in consumer welfare.

(d) It leads to higher consumer welfare during peak periods when demand and marginal costs are low.

Codes:

(A) (a) & (b) only.

(B) (a) & (c) only.

(C) (b) and (d) only.

(D) (b) & (c) only.

Answer: (C)

9. In the long run, the autonomous consumption will

(A) Be infinity

(B) Remains unchanged

(C) Decline but will remain positive

(D) Be zero

Answer: (D)

10. Which of the following statements is not true in case of the balanced budget multiplier?

(A) The first round contractionary effect of additional tax revenue ($-b$, ΔT; b = MPC) is less than the explanatory effect of additional Government expenditure (= ΔG).

(B) The value of tax multiplier for proportional taxes is $- b / (1 - b + bt)$ (where b = MPC and t = tax rate).

(C) The value of balanced budget multiplier is unity when taxes are lump sum taxes.

(D) None of the above

Answer: (D)

11. For a small economy in a flexible exchange rate system that begins in the long-run equilibrium point, a higher rate of inflation in the short run will be followed bywww.netugc.com

(A) An increase in the exchange rate and decline in net exports.

(B) Decrease in the exchange rate and an increase in net exports.

(C) Contractionary monetary policy and real exchange rate appreciation.

(D) Explanatory monetary policy and real exchange rate depreciation.

Answer: (C)

12. Speculative demand for money is zero when market rate of interest is

(A) more than the 'critical rate'.

(B) More than the market rate of interest but less than the critical rate (i.e. capital gains occur).

(C) less than the market rate of interest.

(D) Lowest (i.e. in liquidity trap).

Answer: (A)

13. A positively sloped aggregate supply curve indicates that

(A) An increase in aggregate demand will be associated with an increase in the price level and no change in equilibrium output.

(B) An increase in aggregate demand will be associated with an increase in both the price level and equilibrium output.

(C) An increase in aggregate demand will be associated with an increase in equilibrium output and no change in the price level.

(D) None of the above.

Answer: (B)

14. The capacity creating aspect of investment in growth theory was emphasised by

(A) R.F. Harrod

(B) E.D. Domar

(C) R.M. Solow

(D) P.A. Samuelson

Answer: (B)

15. Which of the following is not an interpretation of the golden rule of accumulation?

(A) 'Invest your profits, consume your wages.'

(B) The share of profit in output is equal to the ratio of investment to output.

(C) Saving ratio should be equal to the elasticity of output with respect to capital.

(D) None of the above.

Answer: (D)

16. The rational expectations hypothesis does not imply:

(A) People do not make systematic errors.

(B) On average the economy will be close to Long-run Average Supply (LAS) Curve.

(C) Policy makers have better information about the economy than other economic actors.

(D) Macroeconomic policy changes must came as a surprise in order to have an impact on the real economy.

Answer: (C)

17. Which of the following are true of disguised unemployment?

I. It represents potential savings.

II. The marginal productivity of labour is zero or extremely low.

III. It is due to the existence of joint family system.

IV. It is confined to the rural areas.

Codes:

(A) II and IV

(B) III and IV

(C) I, II and III

(D) I, II, III and IV

Answer: (D)

18. According to A.K. Sen, famines occurred in India because of

(A) Lack of proper distribution mechanism

(B) Lack of demand

(C) Lack of transportation

(D) Shortage of foodgrains

Answer: (A)

19. In India, Five Year Plan is formulated by

(A) C.S.O.

(B) Planning Commission

(C) Finance Commission

(D) Planning Ministry

Answer: (D)

20. In which year, the Wildlife Board in India was established?

(A) 1952

(B) 1968

(C) 1986

(D) 1992

Answer: (A)

21. Indian planning mechanism was criticised by

(A) A.K. Sen

(B) Jagdish Bhagwati

(C) L.K. Jha

(D) Bimal Jalan

Answer: (B)

22. 'Aam Admi Bima Yojana' provides social security to

(A) All labour in rural areas

(B) All landless labour living below poverty line in rural areas

(C) All labour in urban areas

(D) All labour in both rural and urban areas

Answer: (B)

23. List – I   List – II

i. 1st Five Year Plan   a. Agriculture

ii. 2nd Five Year Plan   b. Heavy industries

iii. 5th Five Year Plan   c. Anti-poverty Programmes

d. Luxury items

Codes:

(A) i – a, ii – b, iii – c

(B) i – d, ii – b, iii – c

(C) i – d, ii – c, iii – a

(D) i – c, ii – a, iii – b

Answer: (A)

24. Which State in India has the lowest Infant Mortality Rate?

(A) Maharashtra

(B) Goa

(C) Gujarat

(D) Kerala

Answer: (D)

25. Assertion (A): In the agricultural lending mechanism of India, moneylenders despite their usurious rates of interest are still predominant.

Reason (R): Most often the commercial banks could not meet the target of 18% of their total lending for the agricultural sector in the country.

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 and (R) is false.

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

Answer: (A)

26. Which one of the following does not come under land reforms in India?

(a) Abolition of Intermediaries and Tenancy Legislation

(b) Ceiling on Land Holding and Co-operating Farming

(c) Tenancy Legislation and Technology Upgradation

(d) Abolition of Intermediaries and Green Revolution

Codes:

(A) (a) and (c)

(B) (a) and (d)

(C) (a) and (b)

(D) (a), (b), (c) and (d)

Answer: (C)

27. Assertion (A): In India, 'Green Revolution' was also criticized as Wheat Revolution.

Reason (R): The productivity of wheat in India during the1970's was one of the highest in the world.

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)

28. Assertion (A): Agricultural income is taxed by the Union Government.

Reason (R): Agriculture is a State subject.

Codes:

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

(B) Both (A) and (R) are true and (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: (D)

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

List – I	List – II
a. Green Revolution	1. Oilseeds
b. Yellow Revolution	2. Milk
c. White Revolution	3. Fish
d. Blue Revolution	4. Wheat

Codes:

a   b   c   d

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

Answer: (A)

30. The fundamental cause for the collapse of the Bretton Woods System was

(A) The liquidity problem

(B) The adjustment problem

(C) The confidence problem

(D) All of the above

Answer: (D)

31. Hedging refers to

(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)

32. Members of the World Trade Organization are required to

(A) Eliminate all tariffs.

(B) Allocate quotas on a first come first basis.

(C) Prevent their firms from "dumping".

(D) Enforce patent rights for patent holders from other countries.

Answer: (D)

33. Which of the following is not related with optimum currency area?

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

(B) Single currency do not fluctuate vis-à-vis other currencies.

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

(D) Optimal geographical area for a single currency.

Answer: (B)

34. Which of the following issues did the Uruguay Round not address?

(A) Migration

(B) Intellectual Property Rightswww.netugc.com

(C) Services

(D) Tariff

Answer: (A)

35. The experience with managed exchange rates since 1973

(A) Strongly supports a fixed exchange rate system.

(B) Strongly supports a freely flexible exchange rate system.

(C) Mildly supports a flexible exchange rate system.

(D) Supports some restriction on exchange rate fluctuations.

Answer: (D)

36. List – I   List – II

a. Free trade area   1. No restrictions on trade and factor movement

b. Customs union   2. Trade is free and no Customs Duties

c. Common market   3. No Customs Duties but duties on nonmembers

d. Economic union   4. Advanced stage of integration

Codes:

	a	b	c	d
(A)	2	1	3	4
(B)	3	2	4	1
(C)	2	3	1	4
(D)	1	3	4	2

Answer: (C)

37. An example of a Euro currency is

(A) A Dollar deposit outside the U.S.

(B) A Pound Sterling deposit outside the U.K.

(C) A Mark deposit outside Germany

(D) All of the above

Answer: (D)

38. Which one of the following tax is within the jurisdiction of the State Governments as enumerated in List – II of the Constitution of India?

(A) Taxes other than stamp duties on transactions in stock exchange and future markets.

(B) Taxes on Railway freights and fares.

(C) Taxes on mineral rights subject to any limitations imposed by the Parliament.

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

Answer: (C)

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

List – I   List – II

I. Third Finance Commission   1. J.M. Shelat

II. Sixth Finance Commission   2. A.K. Chanda

III. Seventh Finance Commission   3. K.C. Pant

IV. Tenth Finance Commission   4. K. Brahmananda Reddy

Codes:

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

Answer: (D)

40. Which of the following are Government of India debt obligations?

I. State Provident Funds

II. Small Savings

III. Reserve Money

IV. Reserve Funds and Deposits

Codes:

(A) I and II are correct.

(B) I, II and IV are correct.

(C) II and IV are correct.

(D) I, II and III are correct.

Answer: (B)

41. Arrange the following in chronological order:

I. Task Force on Direct and Indirect Taxes (Kelkar Committee)

II. Replacement of State Sales Taxby Value Added Tax

III. Introduction of MODVAT

IV. Fiscal Responsibility and Budget Management Act

Codes:

(A) III, II, IV, I

(B) III, I, IV, II

(C) III, IV, I, II

(D) II, III, IV, I

Answer: (B)

42. Which of the following tax is introduced in India in 1953 and abolished in 1985?

(A) Estate Duty

(B) Expenditure Tax

(C) Gift Tax

(D) Agricultural Income-tax

Answer: (A)

43. Match different deficit indicators given in List – I with the value in List – II for the Union Budget 2013-14:

List – I	List – II
i. Revenue deficit	a. 1.5
ii. Effective revenue deficit	b. 1.8
iii. Fiscal deficit	c. 3.3
iv. Primary deficit	d. 4.8

Codes:

	i	ii	iii	iv
(A)	a	c	b	d
(B)	b	c	d	a
(C)	c	b	d	c
(D)	a	d	c	b

Answer: (C)

44. As per the revised estimate, the plan expenditure of the budget estimate for 2012-13 in India has been lowered by

(A) 9.0 percent

(B) 15.0 percent

(C) 18.0 percent

(D) 23.0 percent

Answer: (C)

45. Find out the items which are not in the scope of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM):

(A) Internal earmarking within local body budgets for basic services to the urban poor.

(B) Provide legal and financial support to metro/mono-rail projects in urban areas.

(C) Earmarking of at least 20-25percent of developed land in all housing projects for the economically weaker sections and low income groups category.

(D) Implementation of a seven point charter for provisioning of seven basic entitlements/services.

Answer: (B)

46. Which Economic Survey has introduced a new chapter on "Sustainable Development and Climate Change"?

(A) Economic Survey 2004-05

(B) Economic Survey 2007-08

(C) Economic Survey 2009-10

(D) Economic Survey 2011-12

Answer: (D)

47. Match the different Five Year Plans of India given in List – I with the annual growth rate of National Income (at 2004-05 prices) given in List – II:

List – I   List – II

i. Eighth Plan   a. 5.5 percent

ii. Ninth Plan   b. 6.7 percent

iii. Tenth Plan   c. 7.5 percent

iv. Eleventh Plan   d. 7.8 percent

Codes:

	i	ii	iii	iv
(A)	b	a	c	d
(B)	a	c	d	b
(C)	b	d	a	b
(D)	d	b	c	a

Answer: (A)

48. What has been the monthly per capita expenditure (Uniform Reference Period) for urban population of India (at 2004-05 prices) as per the 68th Round of NSSO (2011-12)?

(A) Rs. 707.24

(B) Rs.1,359.75

(C) Rs. 1,785.81

(D) Rs. 2,401.68

Answer: (B)

49. Which of the following programmes is not included in rural infrastructure development in India?

(A) Integrated Low Cost Sanitation Scheme (ILCS)

(B) Bharat Nirman

(C) Indira Awas Yojana (IAY)

(D) Total Sanitation Campaign (TSC)

Answer: (A)

50. What is the formula for tax devolution used by the Thirteenth Finance Commission of India?

Formula Discipline	Population (%) (1971)	Area (%)	Fiscal capacity distance (%)	Fiscal
(A)	25.0	17.5	10.0	47.5
(B)	10.0	25.0	47.5	17.5
(C)	25.0	10.0	47.5	17.5
(D)	17.5	10.0	25.0	47.5

Answer: (C)

51. For a firm in long-run equilibrium producing anallocatively efficient level of output where marginal cost is equal to demand, which of the following does not apply?

(A) Price is sufficient to cover the opportunity cost.

(B) Profit of the firm becomes zero.

(C) Price is sufficient to covercosts.

(D) This situation also satisfies the consumers.

Answer: (B)

52. What will be the value of Herfindahl-Hirschmann Index of market concentration for the following industry?

Share of firms Firm-1 Firm-2 Firm-3 Firm-4 Firm-5 Firm-6

| Industry | 30 | 25 | 15 | 15 | 10 | 5 |

(A) 55

(B) 35

(C) 2100

(D) None of the above

Answer: (C)

53. Make out a correct combination from the following sets I & II in the context of the industrial economics:

Set – I   Set – II

i. SCP Approach   a. James Buchanan

ii. Transaction Cost Theory   b. Neoclassical Theory

iii. Public Choice Theory   c. Herfindahl-Hirschmann Index

iv. Industrial Concentration   d. Williamson

Codes:

	i	ii	iii	iv
(A)	b	d	a	c
(B)	c	d	b	c
(C)	a	c	d	b
(D)	d	b	a	c

Answer: (A)

54. Backward-bending supply curve of labour suggests that

(A) When wage rate increases, supply of labour declines.

(B) When wage rate declines, supply of labour increases.

(C) There is no relationship between wage rate and labour supply.

(D) When wage rate increases, initially labour supply increases and after some point with the increase in wage rate, labour supply decreases.

Answer: (D)

55. Who among the following is not associated with the collective bargaining by the labour with the management?

(A) R.G. Lipsey

(B) Neil W. Chamberlain

(C) Carl M. Stevens

(D) Bevars D. Mabry

Answer: (A)

56. The M1 definition of money is

(A) Currency outside banks and checking deposits

(B) Currency outside banks, checking deposits and travellers checks

(C) Currency outstanding and checking deposits

(D) Currency outstanding, checking deposits and money market deposit accounts

Answer: (B)

57. The biggest component of reserve money in India is

(A) Treasury bills

(B) Currency in circulation

(C) Bankers deposits with RBI

(D) Other deposits with RBI

Answer: (B)

58. The components of the organized sector of the money market

I. Bill market

II. Stock market

III. Gift-edged market

IV. Bank loan market

Codes:

(A) I and III are correct.

(B) I, III and IV are correct.

(C) I, II and IV are correct.

(D) I and IV are correct.

Answer: (D)

59. Assertion (A): The prices of Government securities in gift-edged market are not formed freely.

Reason (R): The Reserve Bank of India has a monopoly dealer position and the demand for Government securities has a captive nature.

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: (D)

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

Credit Rating Agencies in India

I. CRISIL

II. ICRA

III. TDICI

IV. CARE

Codes:

(A) I and II are correct.

(B) I, II and III are correct.

(C) I and IV are correct.

(D) I, II and IV are correct.

Answer: (D)

61. Regression coefficient is independent of change in

(A) Origin but not of scale

(B) Both origin and scale

(C) Scale but not of origin

(D) None of these

Answer: (A)

62. In a multiple regression with two independent variables and 12 observations F value calculated is to be tested. What will be degrees of freedom for numerator and denominator in testing procedure?

(A) 1 and 12

(B) 2 and 11

(C) 2 and 10

(D) 1 and 10

Answer: (C)

63. For a viable input-output system which conditions are postulated?

(A) Hawkins-Simon conditions

(B) Kuhn-Tucker conditions

(C) Bhagwati-Eckaus conditions

(D) Von Neumann conditions

Answer: (A)

64. Given that C.E.S. production function is

$$P = \gamma [\delta L^{-\rho} + (1 - \delta)K^{-\rho}]^{-\mu/\rho}$$

List – I   List – II

a. γ   i. Distribution parameter

b. δ   ii. Substitution parameter

c. ρ   iii. Returns to scale parameter

d. μ   iv. Efficiency parameter

Codes:

	a	b	c	d
(A)	ii	iii	i	iv
(B)	iii	iv	ii	i
(C)	iv	i	ii	iii
(D)	i	ii	iii	iv

Answer: (C)

65. Linear Programming Technique was developed for the first time by

(A) Koopmans

(B) Dantzig

(C) Leontief

(D) Mahalanobis

Answer: (B)

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66. Given Harrod's Growth Model as under:

$S(t) = \alpha Y(t)$

$I(t) = \beta[Y(t) - Y(t - 1)]$

$S(t) = I(t)$

$\alpha, \beta > 0$.

In this model sustained growth is indicated by satisfying the condition

(A) $\beta/(\beta - \alpha) > 0$

(B) $\beta/(\beta - \alpha) < 0$

(C) $\beta/(\beta - \alpha) > 1$

(D) $\beta/(\beta - \alpha) < 1$

(E) **Answer:** (C)

67. Cobb-Douglas production function $Q = AL^\alpha K^{1-\alpha}$ does not possess the characteristics of

(A) Constant Returns to Scale

(B) Unit Elasticity of Substitution

(C) Variable Elasticity of Substitution

(D) Linear homogeneity

Answer: (C)

68. Estimate of Total Fertility Rate (TFR) from the given Age-Specific Fertility Rates (ASFR):

Age Group	ASFR
15 – 19	19.6
20 – 24	147.3
25 – 29	132.9
30 – 34	56.2
35 – 39	18.1
40 – 44	3.8
45 – 49	1.0

(A) 1.56

(B) 1.86

(C) 2.39

(D) 2.62

Answer: (B)

69. Which of the following is not correct about a population pyramid?

(A) On the right side of the pyramid women's age structure is shown.

(B) It shows age and sex distribution of a population.

(C) An expansive pyramid is narrow at the base but it expands as it moves up towards higher ages.

(D) Population pyramids can be used to find the economic dependents supported in a particular population.

Answer: (C)

70. The situation of people in villages and towns of strong emigration receiving high amount of remittances has been described as "private affluence and public squalor" by

(A) M. Todaro

(B) John K. Galbraith

(C) Arthur Lewis

(D) Gunar Myrdal

Answer: (B)

71. Which of the following models can be estimated using OLS following suitable transformation, if necessary? Here e denotes the exponential.

(i) $y_t = \alpha + \beta \times t + u_t$

(ii) $y_t = \alpha + \beta\, e^{xt} + u_t$

(iii) $y_t = \alpha + \beta\, x^2_t + u_t$

(iv) $ln\,(y_t) = \alpha + \beta\, ln(x_t) + u_t$

Codes:

(A) (i) only

(B) (i) and (iii) only

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

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

Answer: (C)

72. Suppose that observations are available on the monthly bond prices of 100 companies for five years. What type of data are these?

(A) Cross Sectional

(B) Time Series

(C) Panel

(D) Qualitative

Answer: (C)

73. What is the meaning of the term "heteroscedasticity"?

(A) The variance of errors is not constant.

(B) The variance of dependent variable is not constant.

(C) The errors are not linearly independent of one another.

(D) The errors have non-zero mean.

Answer: (A)

74. Which of the following estimation techniques are available for the estimation of over-identified systems of simultaneous equations?

(i) OLS

(ii) ILS

(iii) 2SLS

(iv) IV

Codes:

(A) (iii) only

(B) (iii) and (iv) only

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

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

Answer: (B)

75. The order condition is

(A) A necessary and sufficient condition for identification.

(B) A necessary but not sufficient condition for identification.

(C) A sufficient but not necessary condition for identification.

(D) A condition that is neither necessary nor sufficient for identification.

Answer: (B)