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UGC NET ECONOMICS PAPER-II MOCK TEST PAPER

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UGC NET ECONOMICS PAPER-II MOCK TEST PAPER

PAPER-II

- This paper contains 50 Objective Type Questions.
- Each question carries 2 marks.
- Attempt all the questions.
- Pattern of questions : MCQs
- Total marks : 100
- Duration of test : 1.5 Hours

PAPER-II

1. Foreign Trade Policy 2015-20 contains specific measures for trade facilitation and ease of doing business. These measures include:
- (I) Online filing of documents/ applications and Paperless trade in 24x7 environment
 - (II) Online inter-ministerial consultations
 - (III) Simplification of procedures/processes, digitization and e-governance
 - (IV) Tax holidays in SEZs (special Economic Zones)
- (A) I and II
(B) II and III
(C) I, II and III
(D) I, II, III and IV
2. Budget 2017-18 contains some major reforms. These include:
- (I) presentation of Budget advanced to 1st February
 - (II) merger of Railways Budget with General Budget
 - (III) removal of plan and non plan classification of expenditure
 - (IV) presentation of railway Budget advanced to 15th February
- Select the correct answer using the codes given below.
- (A) I, II and III
(B) I, III and IV
(C) II, III and IV
(D) I, II and IV
3. Assertion (A): Goods and Services Tax (GST) is a proposed system of indirect taxation in India merging most of the existing taxes into single system of taxation.
- Reason (R): Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market
- Codes:
- (A) Both (A) and (R) are correct
(B) Both (A) and (R) are incorrect
(C) (A) is correct, but (R) is incorrect.
(D) (A) is incorrect, but (R) is correct.

4. Agenda for 2017-18 , according to budget 2017-18 is :
- (A) Transform, Energize and Clean India
 - (B) Make in India
 - (C) All round development and poverty alleviation.
 - (D) corruption free India.
5. Examine the following statements and choose the correct answer :
- Statement - I: The current account deals with short-term transactions known as actual transactions, as they have a real impact on income, output and employment levels of a country
- Statement - II: The capital account is a record of the inflows and outflows of capital that directly affect a country's foreign assets and liabilities
- Codes :
- (A) Both the Statements are wrong
 - (B) Both the statements are correct
 - (C) Statement - I is correct but the statement - II is wrong
 - (D) Statement - I is wrong but the statement - II is correct
6. With reference to demonetization, examine the following statements and choose the correct code :
- Statement - (I) Demonetization is the act of stripping a currency unit of its status as legal tender
- Statement - (II) reasons of demonetization include combating inflation, corruption and crime (counterfeiting, tax evasion) and discouraging cash-dependent economy.
- Statement - (III): On 8 November 2016, the Government of India announced the demonetization of all Rs.500 and Rs.1,000 banknotes of the Mahatma Gandhi Series
- Codes :
- (A) (I) and (II) are correct but (III) is wrong
 - (B) (I) and (II) are wrong but (III) is correct
 - (C) (I), (II) and (III) are correct
 - (D) II and III are correct
7. Transfer payments by the government are not included in the net domestic product because :
- (A) These are gifts from the government to the recipients
 - (B) They are not counted as commodities
 - (C) No corresponding production of goods and services has taken place to match such payments
 - (D) There may be leakages in such payments

8. Assertion (A) : Countertrade is a system of international trading that helps governments reduce imbalances in trade between them and other countries
Reason (R) : Countertrade is often used when a foreign currency is in short supply
Codes:
(A) Both (A) and (R) are correct
(B) Both (A) and (R) are incorrect
(C) (A) is correct, but (R) is incorrect.
(D) (A) is incorrect, but (R) is correct.
9. Which of the following statements is not true?
(A) Microeconomics is the study of economic tendencies, or what is likely to happen when individuals make certain choices
(B) Macroeconomics is a branch of the economics field that studies how the aggregate economy behaves
(C) In microeconomics, individual actors are often broken down into microeconomic subgroups, such as buyers, sellers and business owners.
(D) Those working in the field of microeconomics study aggregated indicators such as unemployment rates, GDP and price indices.
10. Assertion (A): Pareto criterion states simply that an economic change which harms no one and makes someone better off indicates an increase in social welfare
Reason (R): this criterion does not apply to those economic changes which harm some and benefit others.
Codes:
(A) Both (A) and (R) are correct
(B) Both (A) and (R) are incorrect
(C) (A) is correct, but (R) is incorrect.
(D) (A) is incorrect, but (R) is correct.
11. Inclusive growth is an important objective of the development process. In this context, which of the following would amount to inclusive growth?
(I) poverty reduction.
(II) disinvestment.
(III) Inequality
(IV) productive economic opportunity.
Select the correct answer using the codes given below.

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

12. Consider the following economy traits

- (I) Prolonged increase in demand
- (II) Heating up of economy
- (III) Demand-supply lag

They are the characteristic feature of which phase of business/economy cycle?

- (A) Recession
- (B) Depression
- (C) Recovery
- (D) Boom

13. In India, which of the following is/are a mechanism of deficit financing?

- (I) borrowing from RBI.
- (II) borrowing from commercial banks.
- (III) issuing fresh currency notes.

Select the correct answer using the codes given below.

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

14. With reference to narrow money, consider the following statements :

- I. They are highly liquid.
- II. Banks run their lending programme mainly with this money.

Which of the statements given above is/are correct ?

- (A) I only
- (B) II only
- (C) I, II
- (D) Neither I nor II

15. Match the following:

List-I

List-II

- | | |
|---------------------------------|---|
| (a) Fiscal deficit | (i) Revenue and interest receipt minus revenue expenditure |
| (b) Revenue deficit | (ii) Revenue receipts and recovery of loans and other receipt minus total expenditure plus total borrowings |
| (c) Budgets of deficit | (iii) Receipts minus disbursement in capital account |
| (d) Capital deficit | (iv) Total receipts and total disbursements |
| (A) a-(i),b-(ii),c-(iii),d-(iv) | (B) a-(ii),b-(i),c-(iv),d-(iii) |
| (C) a-(iii),b-(ii),c-(iv),d-(i) | (D) a-(iv),b-(iii),c-(i),d-(ii) |

16. Gross budgetary support means:
- (A) centre's contribution to budget
 (B) expenditure in budget on social schemes
 (C) assistance provided by the Centre to five year plan.
 (D) none of the above
17. The Law of Demand shows the functional relationship between
- (A) Price and Supply
 (B) Price and Demand
 (C) Income and Demand
 (D) Supply and Demand
18. Marginal Utility Theory was conceptualized by
- (A) Keynes
 (B) Alfred Marshall
 (C) J.R. Hicks
 (D) Samuelson
19. Marshall assumes that utility is
- (A) Cardinal
 (B) Ordinal
 (C) Not Quantifiable
 (D) None of the above

20. What is the Base of Classical Theory of Output and Employment?
- (A) Effective Demand
 - (B) Say's Law of Market
 - (C) Level of Income
 - (D) None of the above
21. According to Keynesian theory of determination of output and employment, effective demand results in
- (A) Employment
 - (B) Output
 - (C) Rise in Price
 - (D) Increase in Supply
22. An increase in required Reserve Ratio the supply of money with Commercial Banks.
- (A) Reduces
 - (B) Increases
 - (C) Neither Increase nor Decrease
 - (D) No effect on Supply of Money
23. High Powered Money is equal to
- (A) $H = C + RR$
 - (B) $H = C + RR + ER$
 - (C) $H = RR + ER$
 - (D) $H = C + ER + D$
24. Economic Development, as a concept is more relevant for
- (A) Developed Countries
 - (B) Underdeveloped Countries
 - (C) Developing Countries
 - (D) None of the Above
25. Which of the following indicators is included in measuring Economic Growth?
- (A) Health Facility
 - (B) Literacy
 - (C) Rate of Growth of National Income
 - (D) Less Growth of Population

26. Balanced Growth strategy advocated
- (A) Dualistic Growth
 - (B) Simultaneous development of various sectors
 - (C) Priority to Heavy Industries
 - (D) None of the above
27. Which one of the following receipts is included in Revenue Budget
- (A) Receipts from Market Loans
 - (B) Receipts from Borrowing from RBI
 - (C) Interest Receipts
 - (D) None of these
28. Which one budget is not the part of budget classified on the Basis of Income and Expenditure?
- (A) Surplus Budget
 - (B) Deficit Budget
 - (C) Supplementary Budget
 - (D) Balanced Budget
29. Which of the following is a measure of economic development?
- (A) increase in national income
 - (B) increase in per capita income
 - (C) increase in human development
 - (D) All of the above
30. If the Government levies tax on sugar and collects the amount from the Manufacturer of sugar, but the manufacturer transfer the money burden on another person, say, the wholesale dealer by raising the price of sugar and if the process of shifting continues from wholesaler of final consumer, the incidence is said to be on final consumer. This is known as
- (A) The Direct money burden
 - (B) The Indirect money burden
 - (C) The Direct real burden
 - (D) The Indirect real burden
31. The policy which aims at compensating the economy to meet chronicle situation of inflation and deflation by

manipulating taxes and public expenditures is

- (A) Monetary policy
- (B) Compensatory fiscal policy
- (C) Compensatory monetary policy
- (D) Fiscal policy

32. The other term for National Income is

- (A) NNP_{FC}
- (B) NNP_{MP}
- (C) GNP_{FC}
- (D) GNP_{MP}

33. For Maximization of Profit in the short-run, the condition is

- (A) $AR = AC$
- (B) $MR = MC$
- (C) $MR = AR$
- (D) $MC = AC$

34. The Kinked demand curve explains

- (A) Price Rigidity
- (B) Price Flexibility
- (C) Demand Rigidity
- (D) Demand Flexibility

35. Rolling plan was suggested by

- (A) J.K Galbraith
- (B) Gunnar Nyrdal
- (C) Paul Samuelson
- (D) A. K Sen

36. Fiscal deficit in the Union Budget means :

- (A) The difference between current expenditure and current revenue
- (B) The sum of budgetary deficit and net increase in internal and external borrowings
- (C) Net increase in Union Government borrowings from the Reserve Bank of India
- (D) The sum of monetised deficit and budgetary deficit

37. The Terms of Trade are said to be improved when
- (A) The Import prices rise relatively to its Export prices
 - (B) The Export prices rise relatively to its Import prices
 - (C) The Import prices fall relatively to its Export prices
 - (D) The Export prices fall relatively to its Import prices
38. The Debit side (-) of the balance sheet includes
- (A) Imports of Goods and Services
 - (B) Exports of Goods and Services
 - (C) Borrowing from abroad
 - (D) Receipts in the form of gifts, grants etc
39. Imposition of Tariff leads to
- (A) Decrease in Prices of Exports
 - (B) Decrease in Prices of Imports
 - (C) Increase in Prices of Exports
 - (D) Increase in Prices of Imports
40. Anti - Poverty Programme for Self Employment was
- (A) IRDP
 - (B) NREP
 - (C) RLEGP
 - (D) None of the above
41. Monetary policy is formulated by
- (A) State Bank
 - (B) Central Bank
 - (C) Commercial Bank
 - (D) Reserve Bank of India
42. Keynesians favor
- (A) Fiscal policy
 - (B) Monetary policy
 - (C) Credit policy
 - (D) Income policy

43. In Developed countries, main reason for unemployment is
- (A) Lack of Supply
 - (B) Demand Deficiency
 - (C) Excess Demand
 - (D) Lack of Raw Material
44. Which one of the following is not the source of Tax Revenue?
- (A) Corporation duty
 - (B) Life Insurance Corporation
 - (C) Income - Tax Custom Duty
 - (D) Excise Duty on Property and Wealth
45. Which item is Non - Developmental expenditure of state government?
- (A) Medical and Health
 - (B) Old Age Pension Programme
 - (C) Education
 - (D) Irrigation Work
46. Unit Test is satisfied by
- (A) Laspeyre's Index
 - (B) Paasche's Method
 - (C) Fischer Method
 - (D) All of the above
47. $P_{o_1} = \frac{P_1 Q_1}{P_0 Q_1} \times 100$ is the formula of?
- (A) Laspeyre's Method
 - (B) Paasche's Method
 - (C) Bowley Method
 - (D) Fischer Method

48. Consider the following statements-
1. Money is a stock whereas spending is a flow.
 2. Wealth is a stock while income is a flow
 3. The government debt is a stock but interest payments is a flow
 4. The lending by bank is a flow and its outstanding loan is a stock
- Which of the statements given above are correct?
- Codes:
- (A) Only 1 and 2
 - (B) 1, 2 and 3
 - (C) 2, 3 and 4
 - (D) All of the above
49. A change in money supply is no case be able to alter the rate of interest. This view is held by-
- (A) Liquidity Preference Theory of Interest
 - (B) Classical Theory of Interest
 - (C) Loan able Fund Theory of Interest
 - (D) None of the above
50. The UNDP publishes Human development report _____
- (A) In every two years
 - (B) Annually
 - (C) In every five years
 - (D) Monthly

ANSWER KEY

QUES	1	2	3	4	5	6	7	8	9	10
ANS	C	A	A	A	B	C	C	A	D	A
QUES	11	12	13	14	15	16	17	18	19	20
ANS	B	D	B	A	A	C	B	B	A	B
QUES	21	22	23	24	25	26	27	28	29	30
ANS	B	A	B	B	C	B	C	C	B	B
QUES	31	32	33	34	35	36	37	38	39	40
ANS	B	A	B	A	B	B	B	A	C	A
QUES	41	42	43	44	45	46	47	48	49	50
ANS	B	A	B	B	B	D	B	D	A	B

HINTS AND SOLUTIONS

1.(C) It has been decided to develop an online procedure to upload digitally signed documents by Chartered Accountant / Company Secretary / Cost Accountant. In the new system, it will be possible to upload online documents like annexure attached to ANF 3B, ANF 3C and ANF 3D, which are at present signed by these signatories and submitted physically.

Henceforth, hardcopies of applications and specified documents would not be required to be submitted to RA, saving paper as well as cost and time for the exporters.

As a measure of ease of doing business, landing documents of export consignment as proofs for notified market can be digitally uploaded.

It is proposed to have Online inter-ministerial consultations for approval of export of SCOMET items, Norms fixation, Import Authorizations, Export Authorization, in a phased manner, with the objective to reduce time for approval.

Under EPCG scheme, obtaining and submitting a certificate from an independent Chartered Engineer, confirming the use of spares, tools, refractory and catalysts imported for final redemption of EPCG authorizations has been dispensed with.

2.(A) Budget 2017-18 contains 3 major reforms.

First, presentation of Budget advanced to 1st February to enable the Ministries to operationalise all activities from the commencement of the financial year.

Second, merger of Railways Budget with General Budget to bring Railways to the centre stage of Government's Fiscal Policy and

Third, removal of plan and no plan classification of expenditure to facilitate a holistic view of allocations for sectors and ministries.

3.(A) Goods and Services Tax (GST) is a proposed system of indirect taxation in India merging most of the existing taxes into single system of taxation.

It was introduced as The Constitution (One Hundred and First Amendment) Act 2016.

GST would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the central and state governments.

The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India.

Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market.

The simplicity of the tax should lead to easier administration and enforcement. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%, free movement of goods from one state to another without stopping at state borders for hours for payment of state tax or entry tax and reduction in paperwork to a large extent.

4.(A) Agenda for 2017-18 is : "Transform, Energize and Clean India" - TEC India

TEC India seeks to Transform the quality of governance and quality of life of our people;

Energize various sections of society, especially the youth and the vulnerable, and enable them to unleash their true potential; and

Clean the country from the evils of corruption, black money and non-transparent political funding

Ten distinct themes to foster this broad agenda:

Farmers : committed to double the income in 5 years;

Rural Population : providing employment & basic infrastructure;

Youth : energizing them through education, skills and jobs;

The Poor and the Underprivileged : strengthening the systems of social security, health care and affordable housing;

Infrastructure: for efficiency, productivity and quality of life;

Financial Sector : growth & stability by stronger institutions;

Digital Economy : for speed, accountability and transparency;

Public Service : effective governance and efficient service delivery through people's participation;

Prudent Fiscal Management: to ensure optimal deployment of resources and preserve fiscal stability;

Tax Administration: honoring the honest.

5.(B) The balance of payments contains two accounts: current and capital.

The current account deals with short-term transactions known as actual transactions, as they have a real impact on income, output and employment levels of a country through the movement of goods and services in the economy.

It is comprised of visible trade (export and import of goods), invisible trade (export and import of services), unilateral transfers and investment income (income from factors such as land or foreign shares).

The resulting balance of the current account is approximated as the sum total of balance of trade.

The capital account is a record of the inflows and outflows of capital that directly affect a country's foreign assets and liabilities.

It is concerned with all international trade transactions between citizens of a given country and citizens in other countries.

The components of the capital account include foreign investment and loans, banking capital and other forms of capital, as well as monetary movements or changes in foreign exchange reserve.

6.(C) Demonetization is the act of stripping a currency unit of its status as legal tender. The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins.

There are multiple reasons why nations demonetize their local units of currency:

to combat inflation, to combat corruption and crime (counterfeiting, tax evasion), to discourage a cash-dependent economy and to facilitate trade.

On 8 November 2016, the Government of India announced the demonetization of all Rs.500 and Rs.1,000 banknotes of the Mahatma Gandhi Series.

The government claimed that the action would curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism.

7.(C) Net domestic product (NDP) represents the net book value of all goods and services produced within a nation's geographic borders over a specified period of time.

GDP is the broadest quantitative measure of a nation's total economic activity. Net domestic product (NDP) adjusts this figure by subtracting depreciation on the country's capital assets (housing, machinery and vehicles, for example). The depreciation is officially referred to as the "capital consumption allowance.

Transfer payments by the government are not included in the net domestic product because no corresponding production of goods and services has taken place to match such payments.

In economics, a transfer payment (or government transfer or simply transfer) is a redistribution of income in

the market system.

These payments are considered to be non-exhaustive because they do not directly absorb resources or create output. In other words, the transfer is made without any exchange of goods or services.

Examples of certain transfer payments include welfare (financial aid), social security, and government making subsidies for certain businesses (firms).

8.(A) Countertrade is a system of international trading that helps governments reduce imbalances in trade between them and other countries.

It involves the direct or indirect exchange of goods for other goods instead of currency.

Countertrade is often used when a foreign currency is in short supply or when a country applies foreign exchange controls, which are limits imposed on the availability of foreign currencies to importers for the purchase of foreign products.

Countertrade is often used by developing countries to control trade and as a development technique. It is a sort of bilateral trade where one set of goods is exchanged for another set of goods and a seller provides a buyer with deliveries.

9.(D) Microeconomics is the study of economic tendencies, or what is likely to happen when individuals make certain choices or when the factors of production change.

Macroeconomics is a branch of the economics field that studies how the aggregate economy behaves.

Those working in the field of macroeconomics study aggregated indicators such as unemployment rates, GDP and price indices, and then analyze how different sectors of the economy relate to one another to understand how the economy functions.

Macroeconomists develop models explaining relationships between a variety of factors such as consumption, inflation, savings, investments, international trade and finance, national income and output.

Contrarily, microeconomics analyzes how individual agents act, namely consumers and corporations, and studies how these agents' behavior affects quantities and prices in certain markets.

10.(A) Pareto laid the foundation of the modern welfare economics by formulating the concept of social optimum which is based on the concept of ordinal utility and is free from interpersonal comparisons of utilities and value judgments.

He aimed at formulating a value-free objective criterion designed to test whether a proposed policy change increases social welfare or not.

Pareto criterion states simply that an economic change which harms no one and makes someone better off indicates an increase in social welfare.

Thus, this criterion does not apply to those economic changes which harm some and benefit others.

- 11.(B)** Inclusive growth is a concept that advances equitable opportunities for economic participants during economic growth with benefits incurred by every section of society..

Growth is inclusive when it creates economic opportunities along with ensuring equal access to them.

Apart from addressing the issue of inequality, the inclusive growth may also make the poverty reduction efforts more effective by explicitly creating productive economic opportunities for the poor and vulnerable sections of the society.

Inclusive growth is a concept that advances equitable opportunities for economic participants during economic growth with benefits incurred by every section of society.

This concept expands upon traditional economic growth models to include focus on the equity of health, human capital, environmental quality, social protection, and food security.

- 12.(D)** All these are features of a boom phase of business cycle. During boom phase, the demand goes on increasing and the economy heats up.

The supply is limited and hence there develops a demand-supply lag.

Disinvestment is reducing the government ownership in public sector enterprises. It is not in any way related to inclusive growth. The rest three helps in inclusive growth

- 13.(B)** Deficit financing is a method of meeting government deficits through the creation of new money.

The deficit is the gap caused by the excess of government expenditure over its receipts.

Deficit financing in India is done by - 1. Withdrawal of past accumulated cash balances 2. Borrowing from RBI 3. Issuing fresh currency notes.

Borrowing from commercial banks is not a part of deficit banking.

- 14.(A)** Narrow money = currency with public + demand deposit with banks + "other" deposits with RBI.

It is denoted by M_1 . It is highly liquid. Now, banks cannot carry their lending program with such highly liquid money as they have to return it pay when required by depositor.

For eg. demand deposit is a part of M_1 . Banks have to return the demand deposit immediately if the depositor demands it. But if bank had lent that money to others, it cannot return it.

So, the lending program is mainly carried by such money which is less liquid, like broad money (M_3). So, statement II is incorrect.

- 15.(A)** Fiscal deficit refers to the excess of total expenditure over total receipts (excluding borrowings) during the given fiscal year.

Fiscal Deficit = Total Expenditure - Total Receipts excluding borrowings. The extent of fiscal deficit is an

indication of how far the government is spending beyond its means.

Revenue Deficit (RD) denotes the difference between revenue receipts and revenue Expenditure. The excess of expenditure on revenue account over receipts on revenue account measures revenue deficit. Receipts on revenue account include both tax and non-tax revenue and also grants.

A budget deficit occurs when an individual, business or government budgets more spending than there is revenue available to pay for the spending, over a specific period of time. Debt is the aggregate value of deficits accumulated over time.

Capital Deficit denotes the difference between capital receipts and capital disbursements.

The excess of capital disbursements over capital receipts measures the capital deficit.

16.(C) The government's support to the Central plan is called Gross Budgetary Support.

The Central plan forms the annual expenditure of the government and is incurred keeping the objectives of 5-year plans in mind.

Budgetary Support is earmarked for meeting the planned outlays of the Central government during the financial year.

Plan outlays are incurred for development of heterogeneous sectors like agriculture and allied activities, rural areas, irrigation and flood control, energy, industry and minerals, transport, communications, science, technology and environment, social services like education, mid day meal scheme, Sarva Shiksha Abhiyan, health, housing, police, justice administration etc.

17.(B) This law expresses that when price increases, demand decrease and vice-versa.

18.(B) Marginal utility theory was conceptualized by Alfred Marshall.

According to this theory, the consumer is in equilibrium when the marginal utilities of various goods are proportional to their prices.

19.(A) Cardinal means utility is measurable and quantifiable and can be measured in terms of utile.

20.(B) Say's Law of Market is the base of Classical theory of output and employment. According to this law supply creates its own demand and if there is no overproduction then there is no unemployment.

21.(B) According to Keynesian theory of determination of output and employment, effective demand results in Output. Output creates income and income provides employment.

22.(A) When RR increase then money supply reduces & vice - versa.

23.(B) High powered money is equal to $H = C + RR + ER$

Where, C = Currency RR = Required reserves ER = Excess reserves.

- 24.(B)** Most of the resources of underdeveloped countries remain unused because people in such countries don't have capabilities to utilize the resources. That's why development in addition to growth is most needed.
- 25.(C)** Indicators is included in measuring Economic Growth are:
- (A) Health Facility
 - (B) Literacy
 - (C) Less Growth of Population
- 26.(B)** Balanced growth strategy advocated simultaneous development of varies sectors..
- 27.(C)** Revenue Budget consist both tax revenue and non tax revenue. Interest receipt is non-tax revenue.
- 28.(C)** After passing an annual budget of financing year if a government finds the shortage of money for any specific item before the end of financing year, then in such situation central government present budget for fulfilling supplementary demands and such kind of budget is considered as supplementary budget.
- 29.(B)** Increase in per capita income is a measure of economic development . Economic development may be defined as increase in per capita output and institutional transformation.
- 30.(B)** This Burden is known as The Indirect money burden Because it indirectly falls on consumer and ultimately he has to pay it.
- 31.(B)** During inflation, government should take steps to reduce its expenditure by having surplus budget & raising taxes while during deflation government should raise expenditures through reducing taxes.
- 32.(A)** Net national Product at factor cost(NNPFC) is also called National Income.
- 33.(B)** When marginal revenue is equal to marginal cost then the firm earns profit in short run.
- 34.(A)** The Kinked demand curve explains Price Rigidity. This kind of demand curve is found in oligopoly market. In this firms follow other firms when price decreases but doesn't follow when price increases.
- 35.(B)** Rolling plan was suggested by Gunnar Nyrdal. Rolling plan means a five plan is rolled on from year to year. At the end of the first year's operation it is further revised and integrated with one more year's plan.
- 36.(B)** Fiscal deficit in the union budget is the sum of budgetary deficit and net increase in internal and external borrowings.
- 37.(B)** The country gains from trade because it can have larger quantity of imports in exchange for a given quantity of exports.
- 38.(A)** The debit side (-) of the balance sheet includes Imports of Goods and Services, Because debit side includes all the payments.
- 39.(C)** When tariff is imposed on any good them the price of exports increased because tariff raised the price of good.

40.(A) IRDP - Integrated rural Development Program

41.(B) Monetary policy is formulated by Central Bank. Monetary policy is formulated to regulate liquidity in the economy through various instruments available with it.

42.(A) Keynesians favour Fiscal policy.

43.(B) In developed countries the demand for persons is low because they are using capital intensive technology more than labour-intensive technology which leads to unemployment.

44.(B) Life insurance corporation is non - tax revenue.

45.(B) Medical and Health

Education

Irrigation Work

All are developmental expenditure's item.

46.(D) Unit test requires that the formula for constructing an index should be interdependent of the units in which variables are specified.

47.(B) P_{01} = index for current period based on base period.

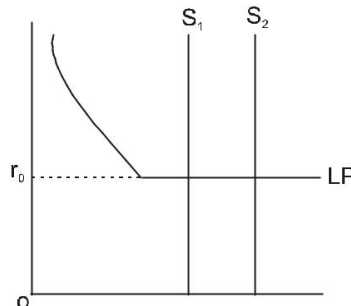
p_0 = index for base period.

q_1 = Quantity index for current year

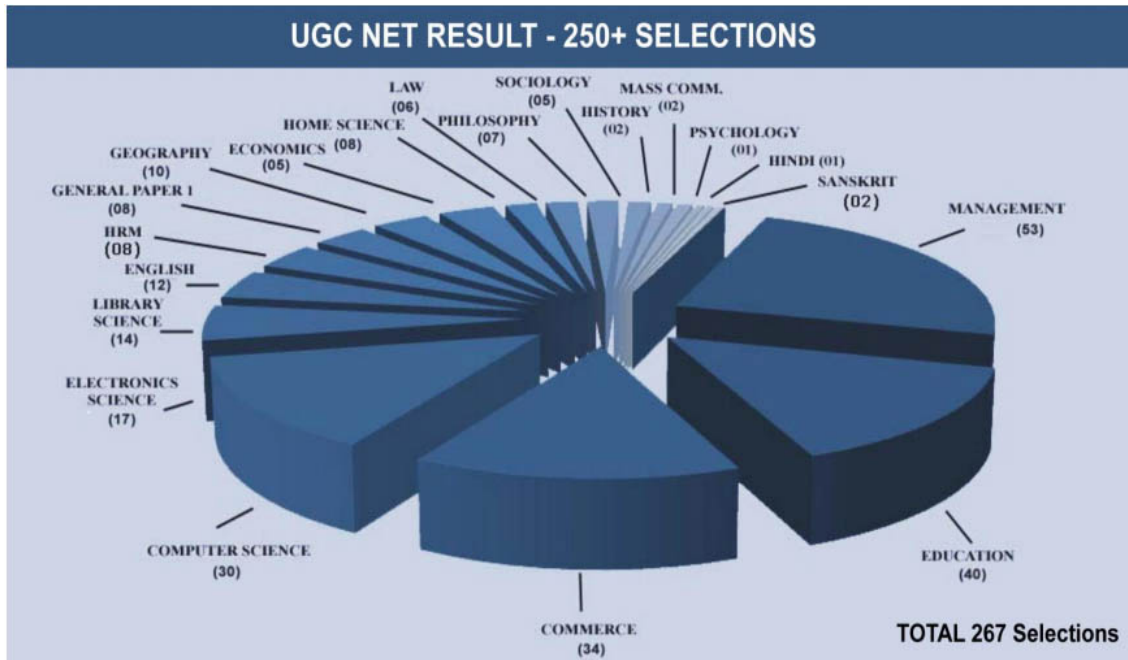
p_1 = Price index for current year.

48.(D) Money, wealth, government debt and loan are stocks whereas spending, income, interest payments and lending by bank are flow.

49.(A) On liquidity trap where rate of interest becomes perfectly elastic, rise in money supply does not affect the interest rate, as clear from diagram.



50.(B) The united nations development programmer (UNDP) Publishes Human development report (HDR) annually. HDR is like a 'report card' of each country in the field of human development. HDR ranks countries on the basis of value of HDI.



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