

SCIENCE | ENGINEERING | COMMERCE | ARTS

IIT JAM, CSIR NET, GATE, UGC NET, SLET, TIFR, NIMCET, JEST, BHU, JNU, ISM etc.

UGC NET ECONOMICS PAPER-III MOCK TEST PAPER

Toll Free : 1800-2000-092

Email : info@vpmclasses.com

Portal : examprep.vpmclasses.com

Online Test : onlinetest.vpmclasses.com

Mobile: 9001297111, 9829619614

Website : www.vpmclasses.com

Store : store.vpmclasses.com

UGC NET ECONOMICS PAPER-III MOCK TEST PAPER

PAPER-III

- This paper contains 75 Objective Type Questions.
- Each question carries 2 marks.
- Attempt all the questions.
- Pattern of questions : MCQs
- Total marks : 150
- Duration of test : 2.5 Hours

PAPER-III

1. Budget 2017-18 proposes certain reforms in tax administration. These reforms include :
 - (I) Cash transactions above Rs. 5 lakh banned.
 - (II) Maximum amount of cash donation that can be received by a political party is Rs. 2,000.
 - (III) MSMEs' (annual turnover less than Rs.50crore) rate reduced to 25%.
 - (IV) Personal income tax: Rate reduced to 5% for income bracket of Rs. 2.5-5 lakhWhich of the above statements are correct?
 - (A) I , II and III
 - (B) II, III and IV
 - (C) I, II and IV
 - (D) I, II, III, IV
2. Second Generation Reforms refer to
 - (A) major changes in economic policies.
 - (B) economic reforms by second generation.
 - (C) political reforms
 - (D) political and legal reforms
3. Consider the following statements in respect of 'stand up India'
 - (I) It was launched on 5 April 2016
 - (II) to support entrepreneurship among women and SC & ST communities
 - (III) to support young entrepreneurs
 - (IV) It is a scheme to help industrial development"Which of the above statements are correct?
 - (A) I and II only.
 - (B) II and III only.
 - (C) I, II and III.
 - (D) I, II and IV
4. Key elements of ASEAN 2025 are :
 - (I) Political-Security Community Blueprint 2025
 - (II) Economic Community Blueprint 2025
 - (III) Socio-Cultural Community Blueprint 2025
 - (IV) Military community

- (A) I, II and III
(B) I, II and IV
(C) II, III and IV
(D) All
5. With reference to 'Digi Dhan Vyapar Yojana' , consider the following statements :
- (I) This is a State sponsored scheme for the merchants across the country.
(II) Under it, merchants doing business using POS are eligible to win Rs.50000 per week
(III) 3 Mega Prizes for merchants will be of Rs 50 lakhs, 25 lakh, 12 lakh for digital transactions between 8 November 2016 to 13 April 2017
- Which of the above statements are correct?
- (A) I and II
(B) II and III
(C) I and III
(D) I, II, III
6. Foreign Trade Policy 2015-20 contains specific measures to give boost to 'make in India'. These measures include :
- (I) Reduced Export Obligation (EO) for domestic procurement under EPCG scheme
(II) Specific Export Obligation under EPCG scheme, in case capital goods are procured from indigenous manufacturers has been reduced to 75%
(III) Specific Export Obligation under MEIS scheme, has been reduced to 75%
(IV) Higher level of rewards under MEIS for export items with high domestic content and value addition
- (A) I and II
(B) I, II and III
(C) I, II and IV
(D) I, II, III and IV
7. The two largest denomination notes, Rs 500 and Rs 1000 were "demonetised" . The aim of this action was to curb :
- (I) corruption,
(II) counterfeiting
(III) the use of high denomination notes for terrorist activities
(IV) the accumulation of "black money",

Select the correct answer using the code given below.

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

8. With reference to economic survey 2016-17, Which of the following statement/s is/ are correct ?

- (I) GDP growth expected to be between 6.75 and 7.50 per cent in 2017-18. Real GDP growth expected at 6.5 per cent in 2016-17
- (II) The Consumer Price Index (CPI)-New Series inflation averaged 5.9 per cent during April-December 2016,

Select the correct answer using the code given below.

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

9. With reference to Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, consider the following statements :

- (I) Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (popularly Black Money Act) is an Act of the Parliament of India
- (II) It aims to curb black money, or undisclosed foreign assets and income and imposes tax and penalty on such income.
- (III) the total undisclosed foreign income and asset of any previous year of an assessee shall be the income from a source located outside India,
- (IV) the undisclosed asset shall be chargeable to tax at the rate of thirty per cent of value of such undisclosed asset

Which of the following statements are correct ?

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

10. Both Foreign Direct Investment (FDI) and Foreign Institutional Investor (FII) are related to investment in a country. Which one of the following statements best represents an important difference between the two ?
- (A) FII helps bring better management skills and technology, while FDI only brings in capital
 (B) FII helps in increasing capital availability in general, while FDI only targets specific sectors
 (C) FDI flows only into the secondary market, while FII targets primary market
 (D) FII is considered to be more stable than FDI
11. The Balance of payment comprises of:
- (I) Current account.
 (II) Capital account
 (III) Financial account
 (IV) Revenue account
- (A) I, II and III
 (B) I, II and IV.
 (C) II, III and IV
 (D) I, II , III and IV
12. Which of the following is part of capital account of a country ?
- (A) Export and import of goods
 (B) Export and import of services
 (C) unilateral transfers from one country to another
 (D) NRI deposits
13. Which of the following is not an industrial development bank in India ?
- (A) NABARD
 (B) IDBI
 (C) IFCI
 (D) SIDBI
14. Match the items in List - I with those in List - II and select the correct code for the answer:
- | List - I | List - II |
|------------------------------|--|
| (a) Monopoly | (i) Price Taker |
| (b) Monopolistic competition | (ii) Homogeneous product's price maker |
| (c) Perfect competition | (iii) Heterogeneous product |
| (d) Oligopoly | (iv) Price Rigidity |

Codes:

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

(A) (ii) (iii) (i) (iv)

(B) (i) (ii) (iv) (iii)

(C) (iii) (iv) (ii) (i)

(D) (iv) (i) (iii) (ii)

15. Structural changes in economy refers to
- (A) major changes in economic policies.
 - (B) shift or change in the basic ways a market or economy functions or operates
 - (C) industrial reforms
 - (D) growth of economy
16. In the context of Indian economy, 'Open Market Operations' refers to
- (A) Borrowing by scheduled banks from the RBI
 - (B) Lending by commercial banks to industry and trade
 - (C) Purchase and sale of government securities by the RBI
 - (D) None of the above
17. National treatment (NT) is an important policy of WTO. NT means
- (A) All countries must not discriminate between imported and domestic product
 - (B) WTO members must not discriminate between imported and domestic product
 - (C) Exported products of a WTO member state must not be discriminate by other members via-a-vis domestic products
 - (D) Both (B) & (C)
18. A rapid increase in the rate of inflation is sometimes attributed to the "base effect". What is "base effect"?
- (A) It is the impact of drastic deficiency in supply due to failure of crops
 - (B) It is the impact of the surge in demand due to rapid economic growth
 - (C) It is the impact of the price levels of previous year on the calculation of inflation rate
 - (D) None of the statements (a), (b) and (c) given above is correct in this context
19. The concept of carbon credit originated from which one of the following?
- (A) Earth Summit, Rio de Janeiro
 - (B) Kyoto Protocol
 - (C) Montreal Protocol

- (D) G-8 Summit, Heiligendamm
20. When the Reserve Bank of India announces an increase of the Cash Reserve Ratio, what does it mean?
- (A) The commercial banks will have less money to lend.
 (B) The Reserve Bank of India will have less money to lend.
 (C) The Union Government will have less money to lend.
 (D) The commercial banks will have more money to lend.
21. The national income of a country for a given period is equal to the
- (A) total value of goods and services produced by the nationals
 (B) sum of total consumption and investment expenditure
 (C) sum of personal income of all individuals
 (D) money value of final goods and services produced
22. In the context of Indian economy; which of the following is/are the purpose/purposes of 'Statutory Reserve Requirements'?
- (I) To enable the Central Bank to control the amount of advances the banks can create
 (II) To make the people's deposits with banks safe and liquid
 (III) To prevent the commercial banks from making excessive profits
 (IV) To force the banks to have sufficient vault cash to meet their day-to-day requirements
- Select the correct answer using the code given below.
- (A) I only
 (B) I and II only
 (C) II and III only
 (D) I, II, III and IV
23. The balance of payments of a country is a systematic record of
- (A) All import and export transactions of a country during a given period of time, normally a year
 (B) Goods exported from a country during a year
 (C) Economic transaction between the government of one country to another
 (D) Capital movements from one country to another
24. Which of the following is/are used as an indicator in calculating Multidimensional Poverty Index (MPI)?
- (I) maternal mortality
 (II) nutrition
 (III) access to electricity

(IV) access to telephone

Select the correct answer using the codes given below.

(A) I, II, III

(B) I, III, IV

(C) II, III

(D) I, II and IV

25. Assertion (A) : The World Trade Organization (WTO) is the only international organization that deals with the global rules of trade between nations

Reasoning (R) : The WTO provides a platform that allows member governments to try to sort out any trade problems they face with other members.

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.

26. Match the items of list - I with the items of List - II and select the correct answer with the codes given below :

List - I

(a) SAARC

(b) ASEAN

(c) EU

(d) NAFTA

List - II

(i) Philippines

(ii) Canada

(iii) Afghanistan

(iv) Hungary

Codes :

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

27. India's central bank, RBI performs various functions. Which of these are its functions according to the RBI act, 1934.

I. managing inflation

II. acting as banker's bank

III. managing India's Forex

IV. handling government's borrowing program

Select the correct answer using the codes given below.

(A) II, III and IV

(B) I, II and III

(C) II, III

(D) I, II, III and IV

28. Consider the following statements about Index of Industrial Production (IIP)

I. It is released monthly by Central Statistical Organisation (CSO)

II. It shows the volume of industrial activity.

Which of the statements given above is/are correct ?

(A) I only

(B) II only

(C) Both I and II

(D) Neither I nor II

29. Which of the following also acts as a mechanism for government lending.

I. CRR

II. Repo rate

III. Reverse repo rate

IV. SLR

Select the correct answer using the codes given below.

(A) 1 and 3 only

(B) 1, 2 and 4 only

(C) 1 and 4 only

(D) 4 only

30. Match the items of List - I with List - II :

List - I

(a) Exchange Pegging

(b) Clearing Agreement

(c) Foreign Exchange Rationing

(d) Moratorium Application

List - II

(i) fixing the exchange value

(ii) fixing quota of amount and rate of foreign exchange.

(iii) predetermined or specified rate of exchange

(iv) stoppage of payments for imports

Codes :

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

31. Liquidity preference is a theory of
 (A) Supply of money
 (B) Saving
 (C) Investment
 (D) Demand for money
32. Keynes regards employment as a function of
 (A) Supply
 (B) Price
 (C) Income
 (D) Demand
33. According to Keynes consumption is a function of
 (A) Investment
 (B) Capital
 (C) Saving
 (D) Income
34. The problem why rational people are unwilling to participate in a fair game, refers to
 (A) Leontiff paradox
 (B) St. Petersburg Paradox
 (C) Bernoulli's Paradox
 (D) Neumann's Paradox
35. The economist who popularized indifference curve approach is
 (A) Simon Kuznets
 (B) Paul Samuelson
 (C) J.R. Hicks
 (D) Sweezy

36. Public debt implies loans raised by government
- (A) Within the country
 - (B) Outside the country
 - (C) Within and outside the country
 - (D) Not applicable
37. Which one of the following is not the type of internal public debt of the government of India
- (A) Permanent debt
 - (B) Floating debt
 - (C) Foreign financial institutions
 - (D) Outstanding liabilities
38. The term sustainable development was first used by
- (A) World conservation strategy
 - (B) The world development Report 1999
 - (C) The world development Report 2000
 - (D) None of these
39. The effect of population growth on per capita income is
- (A) Favourable
 - (B) Unfavourable
 - (C) No effect
 - (D) Very low
40. A normal good can be defined as one which consumers purchase more of as
- (A) Prices
 - (B) Income fall
 - (C) Prices rise
 - (D) Income increase
41. Selling a product in a foreign market at a lower price than in home market is called
- (A) Cartel
 - (B) Dumping
 - (C) Subsidy
 - (D) Import Quota

42. Which protective device aims at restricting and regulating imports?
 (A) Dumping
 (B) Subsidy
 (C) Import Quota
 (D) Tariff quota
43. Absenteeism refers to
 (A) The absence of employer from work
 (B) The absence of employee from work that is authorized, explained and unavoidable
 (C) The absence of employee from work that is unauthorized, unexplained, avoidable and willful
 (D) None of these
44. The function that shows the functional relationship between utility and quantity of goods is known as
 (A) General utility function
 (B) Specific utility function
 (C) Total utility function
 (D) Marginal utility function
45. What is the first order condition of consumer's equilibrium?
 (A) Bordered Hessian Determinant > 0

$$\frac{f_2}{f_1} \frac{p_1}{p_2}$$
 (B) $\frac{f_1}{f_2} \frac{p_2}{p_1}$
 (C) Bordered Hessian Determinant < 0

$$\frac{f_2}{f_1} \frac{p_2}{p_1}$$
 (D) $\frac{f_1}{f_2} \frac{p_1}{p_2}$
46. Consider the following statements :
- I. The Life Cycle Hypothesis(LCH) of consumption emphasises that income follows a regular pattern over a person's lifetime
- II. The Permanent Income Hypothesis(PIH) emphasises that people experience random and temporary changes in their incomes from year to year
- Which of the statements given above is/are correct ?
- Codes :**
- (A) I only

- (B) II only
 (C) Both I and II
 (D) Neither I nor II
47. The coefficient of correlation according to Karl Pearson is always:
 (A) ± 1
 (B) -1
 (C) +1
 (D) 0
48. Who is the exponent of the principle of correlation?
 (A) Bowleg
 (B) Spearman
 (C) Connor
 (D) Karl Pearson
49. $r_{\frac{xy}{N_{xy}}}$ refers to
 (A) Price index
 (B) Karl Pearson's coefficient of correlation
 (C) Spearman's rank Differences methods
 (D) Mean Deviation
50. Agricultural Development banks are sponsored by
 (A) RBI
 (B) Nationalized Banks
 (C) SBI
 (D) Cooperative Banks
51. Most of the disguised unemployed persons in India are found in
 (A) Transport
 (B) Industry
 (C) Agriculture
 (D) Trade
52. The co-operative credit institutions are classified into two categories, these are
 (A) Agricultural and non - agricultural

- (B) Industrial and non - industrial
(C) Internal and external
(D) State and national
53. Central cooperative banks are
(A) Permitted to borrow or lend among themselves
(B) Not permitted to borrow or lend among them
(C) Permitted to borrow from people
(D) None of the above
54. Keynes defined Money demand as
(A) Cash + Time deposit
(B) Cash + Demand deposit
(C) Cash + High powered money
(D) Cash + Saving with post office
55. Horizontal equity refers to
(A) Equal treatment of equals
(B) Unequal treatment of unequals
(C) Equal treatment of unequals
(D) Unequal treatment of equals
56. How many members/ persons are needed to form a PACS (Primary agricultural credit societies.
(A) 30 or more
(B) 20 or more
(C) 10 or more
(D) more than 50
57. Age is given on the vertical axis so that the youngest age group is.....and the oldest age group is
(A) At the bottom; at the top
(B) At the top; at the bottom
(C) On the left side; on the right side
(D) On the right side,; on the left side
58. Who is known as the father of input output analysis?
(A) W.W Leontiff
(B) Hicks

- (C) Samuelson
(D) Trance is Quesnay
59. Between income and consumption there is generally
- (A) No correlation
(B) Positive correlation
(C) Negative correlation
(D) Partial correlation
60. In regression of y on x, x is
- (A) A dependent variable
(B) A constant variable
(C) An independent variable
(D) None of these
61. Blue revolution is related to
- (A) Poultry
(B) Fisheries
(C) Drinking water
(D) Space research
62. Land development banks were initially known by the name of
- (A) Land mortgage banks
(B) Co-operative banks
(C) Land credit societies
(D) Agricultural co - operative banks
63. Narrow definition of money is
- (A) M_4
(B) M_3
(C) M_2
(D) M_1
64. In case of inferior goods, the income effect is
- (A) Positive
(B) Negative
(C) Zero

- (D) Infinite
65. Which bank meets the long-term credit needs of agriculturists?
- (A) Primary agricultural credit societies
 - (B) Central cooperative bank
 - (C) Land Development bank
 - (D) State cooperative banks
66. Price elasticity at a given price is not affected by
- (A) The price of substitutes
 - (B) The price of complements
 - (C) A change in supply
 - (D) The price of substitutes
67. Globalization signifies a process of
- (A) Internationalization
 - (B) Liberalisation
 - (C) Internationalization and liberalization
 - (D) Privatization
68. According to Harrod-Domar Growth Model, Growth is directly related to
- (A) k/o ratio and inversely related to savings
 - (B) Savings and inversely related to k/o ratio
 - (C) Savings and k/o ratio
 - (D) Savings and k/o ratio directly
69. In 1971 collapse of Brettonwood system was largely due to
- (A) Fall of gold standard
 - (B) Rise in the value of paper currency
 - (C) Rise in the value of gold
 - (D) Failure to manage international liquidity
70. Euro-currency market is a means of transferring
- (A) Long term and medium term funds with in the country
 - (B) Short - term and medium term funds with in the country
 - (C) Short - term and medium term funds from one country to another country.

- (D) Long term funds from one country to another
71. According to the minimum wage Act, 1948
- (A) Wages for agricultural labours are to be fixed by the state governments
 - (B) Wages for agricultural labours are to be fixed by the central governments
 - (C) Wages for industrial labours are to be fixed by the entrepreneurs
 - (D) Wages for industrial labours are to be fixed by the central governments
72. Bretton woods led to formation of
- (A) GATT
 - (B) IBRO
 - (C) INF
 - (D) All of the above
73. The LPG model of development was introduced by
- (A) Vijay kelkar
 - (B) V. K. R. V Rao
 - (C) Jagdish Bhagwati
 - (D) Dr. Manmohan singh
74. In new economic policy of 1991
- (A) Government has restricted foreign investment policy
 - (B) Government has liberalized foreign
 - (C) Several concessions and facilities have been given on foreign direct investment
 - (D) Both (B) and (C)
75. The new endogeneous growth theory was developed as a reaction to missions and deficiencies in
- (A) Hicks - Samuelson model
 - (B) Jargenson's neo - classical model
 - (C) Solow - swan neo - classical growth model
 - (D) Meade's Neo - classical Model of economic growth

ANSWER KEY

QUES	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
ANS	B	A	A	A	B	C	D	A	D	B	A	D	A	A	B
QUES	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
ANS	C	D	C	B	A	D	B	A	C	A	C	D	A	D	A
QUES	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
ANS	D	C	D	B	C	C	C	A	B	D	B	C	C	A	B
QUES	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
ANS	C	A	D	B	C	C	A	B	C	A	C	A	A	B	C
QUES	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
ANS	B	A	D	B	C	C	C	B	D	C	A	D	D	D	C

HINTS AND SOLUTIONS

1.(B) Proposals regarding tax administration include :

Cash transactions above Rs. 3 lakh banned.

Transparency in political funding: Parties continue to receive anonymous donations; propose system of cleaning up.

Political funding: Maximum amount of cash donation that can be received is Rs. 2,000.

Political parties can receive donations by cheques or digitally. Every party has to file returns within specified time.

Amendment proposed to RBI Act to issue electoral bonds.

Personal income tax: Rate reduced to 5% for income bracket of Rs. 2.5-5 lakh; All other categories to get uniform benefit of Rs. 12,500 per person;

Surcharge on income bracket Rs. 50 lakh-Rs. 1 crore will be levied Personal income tax: Simple one-page form for taxable income up to Rs. 5 lakh will be implemented.

GST: Preparedness of IT system on schedule. Not many changes to excise duties in GST regime.

FPI category 1 and 2 investors exempted from indirect transfer provisions.

Time period of revising tax returns reduced to 12 months Real estate: Changes will be made in capital gains tax.

Corporate tax rate: MSMEs' (annual turnover less than Rs.50crore) rate reduced to 25%. LNG: customs duty reduced to 2.5% Limit of cash donation for charitable trusts reduced to Rs. 2,000.

2.(A) There is no specific definition for Second Generation Reforms.

Broadly, it means the major changes in Economic policy, tax reforms, privatization, private participation, change in the implementation of schemes, reduction in subsidies, market driven pricing, etc.

Economic Reforms means changing the economic policy of the country in order to improve the living standards of the people. When the government believes that the current policy is not sufficient to improve the quality of life, they will introduce a wide range of policy changes which will help to augment the growth.

All reforms will promote competitiveness among people.

- 3.(A)** Standup India was launched on 5 April 2016 to support entrepreneurship among women and SC & ST communities

The scheme offers bank loans of between Rs.10 lakh (US\$15,000) and Rs.1 crore (US\$150,000) for scheduled castes and scheduled tribes and women setting up new enterprises outside of the farm sector

- 4.(A)** The ASEAN 2025 Document is the outcome of a year of planning and intense discussions, and reflects the determination of Member States to forge ahead with the next phase of ASEAN's evolution.

ASEAN 2025 consists of specific action lines and strategic measures to realise the targets identified.

The key aspirations across the three pillars are: Political-Security Community. Economic Community and Socio-Cultural Community.

It is a forward looking roadmap that articulates ASEAN goals and aspirations to realise further consolidation, integration and stronger cohesiveness as a Community.

ASEAN is working towards a Community that is "politically cohesive, economically integrated, and socially responsible".

- 5.(B)** This is the central Government sponsored scheme for the merchants across the country.

Under it, merchants doing business using POS are eligible to win Rs.50000 per week.

3 Mega Prizes for merchants will be of Rs 50 lakhs, 25 lakh, 12 lakh for digital transactions between 8 November 2016 to 13 April 2017. It will be announced on 14 April 2017.

- 6.(C)** BOOST TO "MAKE IN INDIA"

Reduced Export Obligation (EO) for domestic procurement under EPCG scheme: Specific Export Obligation under EPCG scheme, in case capital goods are procured from indigenous manufacturers, which is currently 90% of the normal export obligation (6 times at the duty saved amount) has been reduced to 75%, in order to promote domestic capital goods manufacturing industry.

Higher level of rewards under MEIS for export items with high domestic content and value addition.

It is proposed to give higher level of rewards to products with high domestic content and value addition, as compared to products with high import content and less value addition.

- 7.(D)** A radical governance-cum-social engineering measure was enacted on November 8, 2016. The two largest denomination notes, Rs 500 and Rs 1000-together comprising 86 percent of all the cash in circulation-were "demonetised" with immediate effect, ceasing to be legal tender except for a few specified purposes. These notes were to be deposited in the banks by December 30, while restrictions were placed on cash withdrawals. In other words, restrictions were placed on the convertibility of domestic money and bank deposits. The aim of the action was fourfold: to curb corruption, counterfeiting, the use of high denomination notes for terrorist activities, and especially the accumulation of "black money", generated by income that has not been declared to the tax authorities.
- 8.(A)** The Economic Survey 2016-17, was tabled in the Parliament on January 31, 2017. The Survey forecasts a growth rate of 6.75 to 7.5 per cent for FY18, as compared to the expected growth rate of 6.5 per cent in FY17. Over the medium run, the implementation of the Goods and Services Tax (GST), follow-up to demonetisation, and enacting other structural reforms should take the economy towards its potential real GDP growth of 8 per cent to 10 per cent.
- GDP Growth:
GDP growth expected to be between 6.75 and 7.50 per cent in 2017-18.
Real GDP growth expected at 6.5 per cent in 2016-17
GVA growth at basic prices 7.0 per cent in 2016-17
- Inflation and monetary policy:
Average retail inflation, measured by Consumer Price Index (CPI), in 2016-17 (April - December) seen at 4.9 per cent.
Average Wholesale Price Index (WPI) inflation, in 2016-17 (April - December) seen at 3.4 per cent from -5.1 per cent in August 2015.
RBI's target of below 5 per cent CPI inflation this year is expected to be assisted by demonetisation.
- 9.(D)** Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (popularly Black Money Act) is an Act of the Parliament of India. It aims to curb black money, or undisclosed foreign assets and income and imposes tax and penalty on such income. It came into effect from 1 April, 2016.

Section 3. (1) There shall be charged on every assessee for every assessment year commencing on or after the 1st day of April, 2016, subject to the provisions of this Act, a tax in respect of his total undisclosed foreign income and asset of the previous year at the rate of thirty per cent of such undisclosed income and asset.

Section 4. (1) Subject to the provisions of this Act, the total undisclosed foreign income and asset of any previous year of an assessee shall be,-

(a) the income from a source located outside India, which has not been disclosed in the return of income furnished within the time specified

(b) the income, from a source located outside India, in respect of which a return is required to be furnished under section 139 of the Income-tax Act but no return of income has been furnished within the time specified and

(c) the value of an undisclosed asset located outside India

10.(B) Direct investment targets a specific enterprise, with the aim of increasing its capacity/productivity or changing its management control.

Direct investment to create or augment capacity ensures that the capital inflow translates into additional production.

In the case of FII investment that flows into the secondary market, the effect is to increase capital availability in general, rather than availability of capital to a particular enterprise.

FDI is preferred over FII investments since it is considered to be the most beneficial form of foreign investment for the economy as a whole.

11.(A) A 'Balance Of Payments (BOP)' is a statement that summarizes an economy's transactions with the rest of the world for a specified time period.

The balance of payments, also known as balance of international payments, encompasses all transactions between a country's residents and its nonresidents involving goods, services and income; financial claims on and liabilities to the rest of the world; and transfers such as gifts.

The BOP is divided into three main categories: the current account, the capital account and the financial account. Within these three categories are sub-divisions, each of which accounts for a different type of international monetary transaction.

The current account includes transactions in goods, services, investment income and current transfers, while the capital account mainly includes transactions in financial instruments.

An economy's balance of payments transactions and international investment position (IIP) together

constitute its set of international accounts.

12.(D) The capital account is where all international capital transfers are recorded.

This refers to the acquisition or disposal of non-financial assets (for example, a physical asset such as land) and non-produced assets, which are needed for production but have not been produced, like a mine used for the extraction of diamonds.

The capital account is broken down into the monetary flows branching from debt forgiveness, the transfer of goods, and financial assets by migrants leaving or entering a country, the transfer of ownership on fixed assets (assets such as equipment used in the production process to generate income), the transfer of funds received to the sale or acquisition of fixed assets, gift and inheritance taxes, death levies and, finally, uninsured damage to fixed assets.

The current account, on the other hand, is used to mark the inflow and outflow of goods and services into a country. Earnings on investments, both public and private, are also put into the current account.

13.(A) At present, at the all-India level, there are five industrial development banks, one agricultural development bank and one export-import bank.

The development banks for the industry are the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India (ICICI), and the Industrial Reconstruction Corporation of India (IRCI) for large industries and the National Small Industries Development Bank of India (SIDBI) for small-scale industries.

For agriculture, it is the National Bank for Agriculture and Rural Development (NABARD).

14.(A) 'Monopoly' is a market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute.

Characteristics associated with a monopoly market make the single seller the market controller as well as the price maker. He enjoys the power of setting the price for his goods.

The term monopolistic competition represents the combination of monopoly and perfect competition. Monopolistic competition refers to a market situation in which there are a large number of buyers and sellers of products. However, the product of each seller is different in one aspect or the other.

The perfect competition is characterized by the presence of many firms. They all sell identical products. The seller is a price taker, not price maker.

The term oligopoly has been derived from two Greek words, oligoi means few and poly means control. Therefore, oligopoly refers to a market form in which there are few sellers dealing either in homogenous or

differentiated products.

- 15.(B)** It is now a well known phenomenon that as an economy moves ahead on the path of economic development, structural changes are inevitable.

Developing countries like India are experiencing major structural changes in the recent decades. All developed countries have gone through a process of structural change which implied movement from agricultural sector to the industrial sector and then finally to the services.

- 16.(C)** Open market operations (OMO) refers to the buying and selling of government securities in the open market in order to expand or contract the amount of money in the banking system, facilitated by the RBI.

Purchases inject money into the banking system and stimulate growth, while sales of securities do the opposite and contract the economy.

When RBI sells government security in the markets, the banks purchase them. When the banks purchase Government securities, they have a reduced ability to lend to the industrial houses or other commercial sectors.

This reduced surplus cash, contracts the rupee liquidity and consequently credit creation / credit supply. When RBI purchases the securities, the commercial banks find them with more surplus cash and this would create more credit in the system.

- 17.(D)** National treatment: Treating foreigners and locals equally - Imported and locally-produced goods should be treated equally - at least after the foreign goods have entered the market.

The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents. National treatment only applies once a product, service or item of intellectual property has entered the market.

Therefore, charging customs duty on an import is not a violation of national treatment even if locally-produced products are not charged an equivalent tax.

- 18.(C)** The Base effect relates to inflation in the corresponding period of the previous year.

If the inflation rate was too low in the corresponding period of the previous year, even a smaller rise in the Price Index will arithmetically give a high rate of inflation now.

On the other hand, if the price index had risen at a high rate in the corresponding period of the previous year and recorded high inflation rate, a similar absolute increase in the Price index now will show a lower inflation rate now.

- 19.(B)** The concept of carbon credit originated from Kyoto Protocol.

The Kyoto Protocol is an international treaty which extends the 1992 United Nations Framework Convention

on Climate Change (UNFCCC) that commits State Parties to reduce greenhouse gas emissions, based on the premise that (a) global warming exists and (b) human-made CO₂ emissions have caused it.

A carbon credit is a generic term for any tradable certificate or permit representing the right to emit one tonne of carbon dioxide or the mass of another greenhouse gas with a carbon dioxide equivalent (tCO₂e) equivalent to one tonne of carbon dioxide.

20.(A) When the Reserve Bank of India announces an increase of the Cash Reserve Ratio the commercial banks will have less money to lend.

Cash Reserve Ratio (CRR) is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank. CRR is set according to the guidelines of the central bank of a country.

The amount specified as the CRR is held in cash and cash equivalents, is stored in bank vaults or parked with the Reserve Bank of India.

The aim here is to ensure that banks do not run out of cash to meet the payment demands of their depositors. CRR is a crucial monetary policy tool and is used for controlling money supply in an economy.

21.(D) National income is the total value a country's final output of all new goods and services produced in one year

There are various concepts of National Income. The main concepts of NI are: GDP, GNP and NNP.

These different concepts explain about the phenomenon of economic activities of the various sectors of the various sectors of the economy.

National income = NNP (Net National Product) @Market price minus indirect tax plus subsidies.

Net National Product is the market value of all final goods and services after allowing for depreciation.

It is also called National Income at market price.

Gross National Product, GNP, is the total market value of all final goods and services produced annually in a country plus net factor income from abroad.

Thus, GNP is the total measure of the flow of goods and services at market value resulting from current production during a year in a country including net factor income from abroad.

22.(B) The ratio of liquid assets to demand and time liabilities is known as Statutory Liquidity Ratio (SLR).

In simple words, it is the percentage of total deposits banks have to invest in government bonds and other approved securities.

A SLR bond also qualifies for the portfolio maintained by banks to meet the liquidity requirement.

The main objectives for maintaining the Statutory Liquidity Ratio are the following:

(i) Statutory Liquidity Ratio is maintained in order to control the expansion of Bank Credit. By changing the

level of Statutory Liquidity Ratio, Reserve bank of India can increase or decrease bank credit expansion.

(ii) Statutory Liquidity Ratio in a way ensures the solvency of commercial banks.

(iii) By determining Statutory Liquidity Ratio, Reserve Bank of India, in a way, compels the commercial banks to invest in government securities like government bonds.

If any Indian Bank fails to maintain the required level of Statutory Liquidity Ratio, then it becomes liable to pay penalty to Reserve Bank of India.

The defaulter bank pays penal interest at the rate of 3% per annum above the Bank Rate, on the shortfall amount for that particular day.

The RBI can increase the Statutory Liquidity Ratio to contain inflation, suck liquidity in the market, to tighten the measure to safeguard the customers money.

23.(A) The balance of payments of a country is a systematic record of all its economic transactions with the outside world in a given year.

It is a statistical record of the character and dimensions of the country's economic relationships with the rest of the world.

It is merely a way of listing receipts and payments in international transactions for a country.

The transactions are presented in the form of double-entry bookkeeping.

24.(C) Nutrition and access to electricity are included, while maternal mortality is not. Access to telephone comes under assets and is thus included.

The global Multidimensional Poverty Index (MPI) is an international measure of acute poverty covering over 100 developing countries.

It complements traditional income-based poverty measures by capturing the severe deprivations that each person faces at the same time with respect to education, health and living standards.

The MPI assesses poverty at the individual level. If someone is deprived in a third or more of ten (weighted) indicators, the global index identifies them as 'MPI poor', and the extent - or intensity - of their poverty is measured by the number of deprivations they are experiencing.

The MPI can be used to create a comprehensive picture of people living in poverty, and permits comparisons both across countries, regions and the world and within countries by ethnic group, urban/rural location, as well as other key household and community characteristics.

25.(A) The World Trade Organization (WTO) is the only international organization that deals with the global rules of trade between nations.

The WTO is built on WTO agreements signed by the majority of the world's trading nations; its main function is to help producers of goods and services, exporters and importers better protect and manage their businesses.

The WTO provides a platform that allows member governments to try to sort out any trade problems they face with other members. The WTO itself was born out of a negotiation, and its main focus is to provide open lines of communication between its members as it relates to international trade.

26.(C) The South Asian Association for Regional Cooperation (SAARC) is an economic and geopolitical organisation of eight countries that are primarily located in South Asia or the Indian subcontinent.

The organisation was established by the governments of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Since then the organisation has expanded by accepting one new full member, Afghanistan, and several observer members.

The Association of Southeast Asian Nations (ASEAN) is a political and economic organisation of ten South east Asian countries. It was formed on 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

The European Union (EU) is a politico-economic union of 28 member states that are located primarily in Europe. Hungary is a member of EU.

The North American Free Trade Agreement (NAFTA) is an agreement signed by Canada, Mexico, and the United States, creating a trilateral rules-based trade bloc in North America.

27.(D) RBI's functions - acting as banker's bank, managing India's Forex and handling govt's borrowing programme

Before March 2015, the Reserve Bank was not formally an inflation targeting central bank. The defining features of an inflation targeting central bank are a precise mandate, a single instrument (the policy interest rate) in its armoury, a single minded devotion to achieving this target and a principal-agent relationship with the Government.

So, even though RBI was informally helping manage inflation, it was not its function as defined by the RBI Act, 1934

However, in March 2015 it was formally decided that from now, RBI will have the official mandate to manage inflation.

For this the RBI Act, 1934 has been amended.

28.(A) IIP or the index of industrial production is the number denoting the condition of industrial production during a certain period (month for eg.).

It does not show the volume of industrial activity but only its growth with respect to a reference period.

As IIP shows the status of industrial activity, one can find out if the industrial activity has increased, decreased or remained same.

29.(D) SLR, statutory liquidity ratio is the amount of money that is invested in certain specified securities predominantly central government and state government securities.

Investing in government securities by bank is one way of fulfilling the requirement of SLR. In this way, SLR acts as a lending mechanism to government. Repo rate is a rate at which banks borrow from RBI for short periods up to 7 or 14 days but predominantly overnight.

30.(A) Above are methods of exchange control. Exchange control refers to the policy of the government through which it controls or intervenes in the foreign exchange market.

In other simple words, government puts restrictions on the sale and purchase of foreign currencies and refers a measure which influences the foreign exchange rate and closing free movements of foreign exchange in the country.

Exchange Pegging : It is the method of exchange control. Exchange pegging refers to the policy of fixing the exchange value of the current according to some desired rate. When it is fixed higher than market rate, it is "Pegging up". but if fixed lower than market rate, it is known as "pegging down".

Clearing Agreement : Another method of exchange control is clearing agreement. It is an undertaking between two countries to exchange goods and services in accordance with a predetermined or specified rate of exchange. This method is applied to check fluctuation in exchange rate and to maintain equilibrium in balance of payments.

Foreign Exchange Rationing : Government has the right to direct all the exports and other investors to surrender all foreign exchange with the central banks. Foreign exchange, so collected can be rationed by fixing quota of amount and rate of foreign exchange.

Moratorium Application : A legal authorization to debtor to stop payment is known as Moratorium. To solve temporary problems of payment, a country can stop to make payment for imports and interest on capital.

31.(D) Keynes formulated the theory of liquidity preference in which he suggested three motives of money

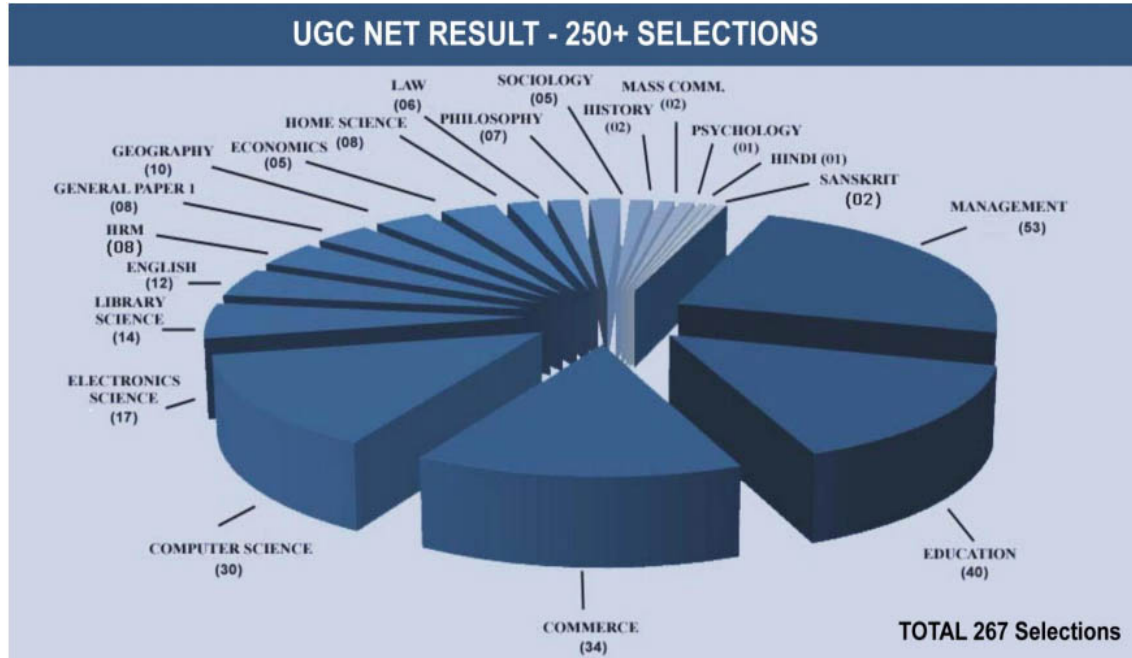
1. Transactions demand 2. Precautionary demand 3. Speculative demand.

- 32.(C) According to Keynes, employment depends upon effective demand; effective demand results in output and output creates income.
- 33.(D) When income rises, consumption also rises but not as much as income.
- 34.(B) According to Bernoulli's paradox, a rational individual will take decision under risky and uncertain situations on the basis of expected utility rather than expected monetary value.
- 35.(C) The economist J.R. Hicks popularized indifference curve approach. According to this approach, a higher indifference curve shows higher utility.
- 36.(C) Public authorities can raise loans within or outside the country to fulfill their requirements.
- 37.(C) Foreign financial institutions .(Government raise financial resources from foreign financial institutions to meet the need).
- 38.(A) The term was first used by the 'world conservation strategy' presented by international union for the conservation of Nature and natural resources in 1980.
- 39.(B) The effect of population growth on per capita income is Unfavourable. Population growth increases the pressure of population on land, it leads to rise in costs of consumption goods and increase in family members, increase expenses, which adversely affects per capital income.
- 40.(D) There is positive relationship between normal good and income. If income increases consumption of normal good also increases.
- 41.(B) Selling a product in a foreign market at a lower price than in home market is called dumping. It is also one of the methods of protection.
- 42.(C) In order to protect domestic industries from foreign competition and to correct disequilibrium in the balance of payments, import quota aims.
- 43.(C) Absenteeism refers to the absence of employee from work that is unauthorized, unexplained, avoidable and willful. Absenteeism is the most common feature of industrial labour of India.
- 44.(A) The function that shows the functional relationship between utility and quantity of goods is known as :
General utility function $U = f(q_1, q_2)$.
- 45.(B) The first order condition of consumer's equilibrium is $\frac{f_2}{f_1} \frac{p_1}{p_2} \frac{f_1}{f_2}$ is slope of indifference curve, $\frac{p_1}{p_2}$ is slope of budget line. It means when the indifference curve touches the price line or budget line, this is the first order condition of consumers equilibrium.

- 46.(C)** Milton Friedman's permanent income hypothesis (PIH) presented in 1957, complements Modigliani's LCH. Both the hypotheses argue that consumption should not depend on current income alone. But there is a difference of insight between the two hypotheses while the LCH emphasises that income follows a regular pattern over a person's lifetime, the PIH emphasises that people experience random and temporary changes in their incomes from year to year. The LCH states that the main reason that an individual's income varies is retirement. Since most people do not want their current living standard (as measured by consumption) to fall after retirement they save a portion of their income every year. The PIH, on the other hand, states that current consumption is not dependent solely on current disposable income but also on whether or not that income is expected to be permanent or transitory. The PIH argues that both income and consumption are split into two parts - permanent and transitory. According to Friedman consumption depends primarily on permanent income, because consumers use saving and borrowing to smooth consumption in response to transitory changes in income. The reason is that consumers spend their permanent income, but they save rather than spend most of their transitory income.
- 47.(A)** The coefficient of correlation according to Karl Pearson is always ± 1 . When $r = +1$, it means there is perfect positive correlation between the variables and when $r = -1$ then there is perfect negative correlation between variables.
- 48.(D)** Karl Pearson is the exponent of the principle of correlation Correction helps us in determining the degree of relationship between two or more variables.
- 49.(B)** $r = \frac{xy}{N}$ refers to Karl Pearson's coefficient of correlation
- x = standard deviation of series x
 - y = standard deviation of series y
 - N = Number of pairs of observations
 - r = correlation coefficient.
- 50.(C)** Agricultural Development banks are sponsored by SBI - State bank of India.
- 51.(C)** Most of the disguised unemployed persons in India are found in Agriculture. In agricultural sector, the population which is working is more than it is needed.

- 52.(A)** The co-operative credit institutions are classified into two categories, these are agricultural and non-agricultural. Agricultural credit institution dominates the entire co-operative credit structure.
- 53.(B)** Central cooperative banks are not permitted to borrow or lend among them. Cooperative banks finance, control and supervise the central cooperative banks and through them the primary credit societies.
- 54.(C)** Keynes defined Money demand as Cash + High powered money. High powered money is sum of commercial bank reserves and currency (notes and coins) held by the public.
- 55.(A)** Horizontal equity refers to equal treatment of equals. Horizontal inequality meant that people of equal economic position are not treated equally.
- 56.(C)** 10 or more members/ persons are needed to form a PACS (Primary agricultural credit societies. Any person can become member of PACS by purchasing a minimum number of shares.
- 57.(A)** Age is given on the vertical axis so that the youngest age group is at the bottom and the oldest age group is at the top.
Youngest age group (eg. 0 to 4 years olds) Oldest age group (eg. Over 100 years olds).
- 58.(A)** W.W Leontiff is known as the father of input output analysis. Leontiff published his work in 1941.
- 59.(B)** Between income and consumption there is generally a positive correlation. As income increases, consumption also increases, that's why they are positively correlated.
- 60.(C)** In regression of y on x, x is an independent variable. The regression line of y on x gives the most probable values of y for given values of x.
- 61.(B)** As green revolution is related to agricultural strategies, blue revolution is related to fisheries.
- 62.(A)** Land development banks were initially known by the name of Land mortgage banks In recent years these banks are renamed as cooperative agricultural and rural development banks. (CARDBs).
- 63.(D)** Narrow definition of money is M1. M1 includes currency with public, demand deposits in banks, other deposits with RBI.
- 64.(B)** In case of inferior goods, the income effect is negative. As consumer's income increases, the consumption of inferior goods decreases.
- 65.(C)** Land Development bank meets the long-term credit needs of agriculturists. These banks earlier known as Land Mortgage banks.
- 66.(C)** Price elasticity at a given price is not affected by a change in supply.
- 67.(C)** Globalization is the process of integrating various economics of the world without creating any hindrances in the free flow of goods and services, technology, capital and even labour or human capital..

- 68.(B)** According to Harrod-Domar Growth Model, Growth is directly related to savings and inversely related to k/δ ratio. Harrod Domar concentrates in his growth model that how can steady growth rate be achieved with a fixed capital output ratio i.e. capital co-efficient and the fixed saving income ratio i.e. propensity to save.
- 69.(D)** In 1971 collapse of Brettonwood system was largely due to failure to manage international liquidity. The increase in liquidity was in the form of dollars arising from BOP deficits of the US. But as the US was unable to adjust its deficits and excessive dollar accumulated in foreign countries, there was crisis of confidence in dollar and the Breton Woods system broken-down.
- 70.(C)** Euro-currency market is a means of transferring short - term and medium term funds from one country to another country.
Euro-currency market is a means of transferring short term and medium term funds from one country to another country.
- 71.(A)** According to the minimum wage Act, 1948, Wages for agricultural laborers are to be fixed by the state governments.
The measure taken up by the government for the benefit and welfare of the agricultural laborers is the minimum wages Act, 1948.
- 72.(D)** GATT - General Agreement on Tariff and Trade.
IBRO - International bank for reconstruction and development
IMF - International monetary fund.
- 73.(D)** Liberalization, privatization and globalization (LPG) model was introduced in 1991 by the finance Minister Dr. Man Mohan Singh with a big bang was intended to charter a new strategy with emphasis on LPG.
- 74.(D)** In new economic policy of 1991 Government has liberalized foreign and Several concessions and facilities have been given on foreign direct investment
- 75.(C)** The new endogenous growth theory was developed as a reaction to missions and deficiencies in Solow - swan neo - classical growth model.



UGC NET (2012 - 2016)			
SUBJECTS	SELECTIONS	SUBJECTS	SELECTIONS
MANAGEMENT	53	ECONOMICS	5
EDUCATION	40	HOME SCIENCE	8
COMMERCE	34	LAW	6
COMPUTER SCIENCE	30	PHILOSOPHY	7
ELECTRONICS SCIENCE	17	SOCIOLOGY	5
LIBRARY SCIENCE	14	HISTORY	2
ENGLISH	12	MASS COMMUNICATION	2
HRM	8	PSYCHOLOGY	1
GENERAL PAPER - I	8	HINDI	1
GEOGRAPHY	10	SANSKRIT	2

Address	:-	VPM Classes, No. 8, Radha Nikunj – B Yojna, Opp. Iskcon Temple, Muhana Mandi Road, Near Mansarovar, Jaipur (Rajasthan), Pin Code - 302020
Mobile No	:-	9001297111 / 9829619614
Toll Free	:-	1800-2000-092
What's app	:-	9001894070 / 9001894076
Email	:-	info@vpmclasses.com , vpmclasses@yahoo.com
Website	:-	http://www.vpmclasses.com
Online Student Portal	:-	http://examprep.vpmclasses.com
Online Store	:-	http://store.vpmclasses.com
Online Test Portal	:-	http://onlinetest.vpmclasses.com
Facebook	:-	https://www.facebook.com/VpmClasses
Twitter	:-	https://twitter.com/vpmclasses
LinkedIn	:-	https://in.linkedin.com/in/vpmclasses
YouTube	:-	https://www.youtube.com/VpmClasses
APP	:-	https://play.google.com/store/apps/details?id=com.mylogics.ots&hl=en
Follow us on	:-	 / vpmclasses

