

UGC NET - ECONOMICS 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*

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PAPER – II

1. 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
2. Marginal Utility Theory was conceptualized by
 - (A) Keynes
 - (B) Alfred Marshall
 - (C) J.R. Hicks
 - (D) Samuelson
3. Marshall assumes that utility is
 - (A) Cardinal
 - (B) Ordinal
 - (C) Not Quantifiable
 - (D) None of the above
4. 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
5. 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
6. 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
7. High Powered Money is equal to
- (A) $H = C + RR$
 - (B) $H = C + RR + ER$
 - (C) $H = RR + ER$
 - (D) $H = C + ER + D$
8. Economic Development, as a concept is more relevant for
- (A) Developed Countries
 - (B) Underdeveloped Countries
 - (C) Developing Countries
 - (D) None of the Above
9. 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
10. Economic Growth includes
- (A) Quantitative Indicators
 - (B) Qualitative Indicators
 - (C) Both (A) and (B)
 - (D) Neither (A) nor (B)

11. According to Marx, Socialism takes place because of conflict between
 - (A) Castes
 - (B) Classes
 - (C) Colors
 - (D) Regions
12. Who has propounded the Doctrine of Unbalanced Growth?
 - (A) Ragnar Nurkes
 - (B) Leibenstein
 - (C) Hirschman
 - (D) Arthur Lewis
13. Balanced Growth strategy advocated
 - (A) Dualistic Growth
 - (B) Simultaneous development of various sectors
 - (C) Priority to Heavy Industries
 - (D) None of the above
14. The examples of Public Goods and Services are
 - (A) Food, Communication
 - (B) Shelter, Transportation
 - (C) Roads, Education
 - (D) Clothing, Defence
15. The marginal cost of providing a private good to an extra consumer is always
 - (A) Negative
 - (B) Positive
 - (C) Zero
 - (D) Unit

16. 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
17. 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
18. 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
19. 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
20. The policy which aims at compensating the economy to meet chronic 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
21. National Income is a
(A) Stock
(B) Flow
(C) Both (A) and (B)
(D) None of these
22. The other term for National Income is
(A) NNP_{FC}
(B) NNP_{MP}
(C) GNP_{FC}
(D) GNP_{MP}
23. For Maximization of Profit in the short-run, the condition is
(A) $AR = AC$
(B) $MR = MC$
(C) $MR = AR$
(D) $MC = AC$
24. In case of Monopoly, a firm in the long run can have.
(A) Loss
(B) Profit
(C) Break Even
(D) All of these
25. The Kinked demand curve explains
(A) Price Rigidity
(B) Price Flexibility

- (C) Demand Rigidity
(D) Demand Flexibility
26. $\frac{X_1 + X_2 + X_3}{3}$ is
(A) Median
(B) Arithmetic Mean
(C) Mode
(D) None of the Above
27. If $x_1 = 100$, $x_2 = 150$, then Average Mean is
(A) 120
(B) 125
(C) 130
(D) 135
28. Chairman of planning commission is
(A) Prime Minister
(B) Finance Minister
(C) Industry Minister
(D) President
29. Rolling plan was suggested by
(A) J.K Galbraith
(B) Gunnar Myrdal
(C) Paul Samuelson
(D) A. K Sen
30. Who developed the concept of functional finance firstly ?
(A) A.P. Lerner
(B) Keynes
(C) Musgrave
(D) G. Myrdal

31. The buoyancy in indirect taxes declined from 0.7 to _____ between the eighth and ninth plan periods.
- (A) 0.4
 - (B) 0.6
 - (C) 0.5
 - (D) 0.3
32. 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
33. 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
34. 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
35. 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
36. Anti – Poverty Programme for Self Employment was
- (A) IRDP
 - (B) NREP
 - (C) RLEGP
 - (D) None of the above
37. Type II error is defined as
- (A) Reject null hypothesis when it is true
 - (B) Reject null hypothesis when it is false
 - (C) Accept null hypothesis when it is false
 - (D) Accept null hypothesis when it is true
38. Monetary policy is formulated by
- (A) State Bank
 - (B) Central Bank
 - (C) Commercial Bank
 - (D) Reserve Bank of India
39. Keynesians favor
- (A) Fiscal policy
 - (B) Monetary policy
 - (C) Credit policy
 - (D) Income policy
40. Maximum Foreign aid authorization was by
- (A) IBRD
 - (B) IDB
 - (C) ADB
 - (D) OPEC
41. In Developed countries, main reason for unemployment is

- (A) Lack of Supply
 - (B) Demand Deficiency
 - (C) Excess Demand
 - (D) Lack of Raw Material
42. Seasonal Unemployment is a characteristic of
- (A) Industry
 - (B) Service
 - (C) Agricultural
 - (D) None of the above
43. How much tax can be raised by government without approved of Parliament?
- (A) Nil
 - (B) 50,000 crores
 - (C) One billion
 - (D) None of the above
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. $Po_1 = \frac{\sum p_1 q_1}{\sum p_0 q_1} \times 100$ 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 out standing 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) Loanable 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

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

HINTS AND SOLUTIONS

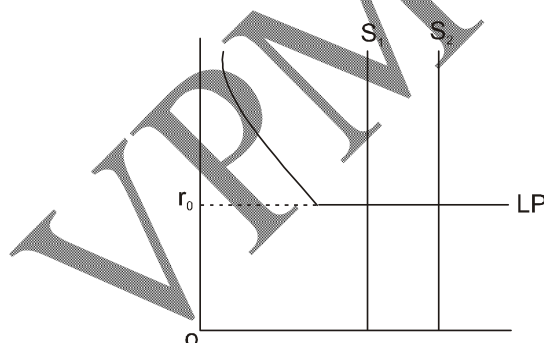
- (B) This law expresses that when price increases, demand decrease and vice-versa.
- (B) Marginal utility theory was conceptualized by Alfred Marshall.
According to this theory, the consumer is in equilibrium when the marginal utilities of various goods are proportional to their prices.
- (A) Cardinal means utility is measurable and quantifiable and can be measured in terms of utils.
- (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.
- (B) According to Keynesian theory of determination of output and employment, effective demand results in Output. Output creates income and income provides employment.
- (A) When RR increase then money supply reduces & vice – versa.

7. (B) High powered money is equal to $H = C + RR + ER$
Where, C = Currency RR = Required reserves ER = Excess reserves.
8. (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.
9. (C) Indicators is included in measuring Economic Growth are:
(A) Health Facility
(B) Literacy
(C) Less Growth of Population
10. (A) Economic Growth includes Quantitative indicators. Quantitative indicators can be measured objectively like National Income, per capita income, per capita consumption etc.
11. (B) According to Marx, Socialism takes place because of conflict between Classes. Socialism is a social and economic system in which the means of production are owned collectively and equality is given a high priority.
12. (C) Doctrine of Unbalanced Growth is propounded by Hirschman.
According to this theory investment should be made in selected sectors rather than simultaneously in all the sectors.
13. (B) Balanced growth strategy advocated simultaneous development of varies sectors..
14. (C) Public goods satisfy social wants not individual wants. For e.g. Roads, clams, defence, education etc.
15. (B) The marginal cost of providing a private good to an extra consumer is always Positive
Because private goods satisfy individual wants not social.
16. (C) Revenue Budget consist both tax revenue and non tax revenue. Interest receipt is non-tax revenue.

17. (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.
18. (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.
19. (B) This Burden is known as The Indirect money burden Because it indirectly falls on consumer and ultimately he has to pay it.
20. (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.
21. (B) National income measures the Flow of goods and services in an economy.
22. (A) Net national Product at factor cost(NNP_{FC}) is also called National Income.
23. (B) When marginal revenue is equal to marginal cost then the firm earns profit in short run.
24. (D) A firm can be in profit, loss or no profit no loss situation in long-run.
25. (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.
26. (B) $\bar{X} = \frac{\sum X}{N}$ [\bar{X} = mean $\sum X$ = summation of all item N = No. of item].
27. (B) $\bar{X} = \frac{x_1 + x_2}{N} = \frac{100 + 150}{2} = 125$.
28. (A) By virtue of Prime Minister being the chairman, the planning commission has attained a key status.

- 29.(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.
- 30.(A)** The concept of functional finance was first stated by Keynes and was developed by A.P. Lerner.
- 31.(B)** The decline in buoyancy in indirect taxes was mainly in the customs revenue from 0.9 to 0.1. The reasons for this decline were scaling down of the tax rate, reduction in the number of slabs, etc.
- 32. (B)** Fiscal deficit in the union budget is the sum of budgetary deficit and net increase in internal and external borrowings.
- 33. (B)** The country gains from trade because it can have larger quantity of imports in exchange for a given quantity of exports.
- 34. (A)** The debit side (–) of the balance sheet includes Imports of Goods and Services
Because debit side includes all the payments.
- 35. (C)** When tariff is imposed on any good then the price of exports increased because tariff raised the price of good.
- 36.(A)** IRDP – Integrated rural Development Programme
- 37.(C)** This type of error is risky and may be harmful for consumer.
- 38.(B)** Monetary policy is formulated by Central Bank. Monetary policy is formulated to regulate liquidity in the economy through various instruments available with it.
- 39.(A)** Keynesians favour Fiscal policy.
- 40.(A)** Maximum foreign aid authorization was by IBRD (Integrated bank of rural and Development).
- 41.(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.

- 42.(C)** Seasonal unemployment is said to be “seasonal” because it occurs in certain seasons of the year and is not permanent. For e.g. In sugarcane mills.
- 43.(A)** A government can't raise any kind of tax without approval of parliament.
- 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 Programme (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.