

NTA UGC NET ECONOMICS SOLVED SAMPLE PAPER *(English Medium)*

- * DETAILED SOLUTIONS
- * NEW SYLLABUS
- * NEW PATTERN



MOCK TEST PAPER

- **PAPER - II** *This paper contains 100 objective type questions.
Each question carries 2 marks.*

Attempt all the questions.

- **Pattern of questions** : **MCQs**
- **Total marks** : **200**
- **Duration of test** : **2 Hours**

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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, digitisation and e-governance
(IV) Tax holidays in SEZs (special Economic Zones)
(1) I and II (2) II and III (3) I, II and III (4) 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.
(1) I, II and III (2) I, III and IV (3) II, III and IV (4) 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:

- (1) Both (A) and (R) are correct
- (2) Both (A) and (R) are incorrect
- (3) (A) is correct, but (R) is incorrect.
- (4) (A) is incorrect, but (R) is correct.

4. Agenda for 2017-18 , according to budget 2017-18 is :

- (1) Transform, Energise and Clean India
- (2) Make in India
- (3) All round development and poverty alleviation.
- (4) 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 :

- (1) Both the Statements are wrong
- (2) Both the statements are correct
- (3) Statement - I is correct but the statement - II is wrong
- (4) 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 demonetisation of all Rs.500 and Rs.1,000 banknotes of the Mahatma Gandhi Series

Codes :

- (1) (I) and (II) are correct but (III) is wrong
- (2) (I) and (II) are wrong but (III) is correct
- (3) (I), (II) and (III) are correct
- (4) II and III are correct

7. **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:

- (1) Both (A) and (R) are correct
- (2) Both (A) and (R) are incorrect
- (3) (A) is correct, but (R) is incorrect.
- (4) (A) is incorrect, but (R) is correct.

8. Which of the following statements is not true ?

- (1) Microeconomics is the study of economic tendencies, or what is likely to happen when individuals make certain choices
- (2) Macro economics is a branch of the economics field that studies how the aggregate economy behaves
- (3) In microeconomics, individual actors are often broken down into microeconomic subgroups, such as buyers, sellers and business owners.
- (4) Those working in the field of microeconomics study aggregated indicators such as unemployment rates, GDP and price indices.

9. **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:

- (1) Both (A) and (R) are correct
- (2) Both (A) and (R) are incorrect

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

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

10. 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.

(1) I, II and III

(2) I, III and IV

(3) II, III and IV

(4) I, II and IV

11. 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?

(1) Recession (2) Depression (C) Recovery (4) Boom

12. 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.

(1) I, II

(2) I, III

(3) II and III

(4) I, II and III

13. 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 ?

(1) I only

(2) II only

(3) I, II

(4) Neither I nor II

14. Match the following:

List-I

- (a) Fiscal deficit
- (b) Revenue deficit
- (c) Budgets of deficit
- (d) Capital deficit
- (1) a-(i),b-(ii),c-(iii),d-(iv)
- (3) a-(iii),b-(ii),c-(iv),d-(i)

List-II

- (i) Revenue and interest receipt minus revenue expenditure
- (ii) Revenue receipts and recovery of loans and other receipt minus total expenditure plus total borrowings
- (iii) Receipts minus disbursement in capital account
- (iv) Total receipts and total disbursements
- (2) a-(ii),b-(i),c-(iv),d-(iii)
- (4) a-(iv),b-(iii),c-(i),d-(ii)

15. The Law of Demand shows the functional relationship between

- (1) Price and Supply
- (2) Price and Demand
- (3) Income and Demand
- (4) Supply and Demand

16. Marginal Utility Theory was conceptualized by

- (1) Keynes
- (2) Alfred Marshall
- (3) J.R. Hicks
- (4) Samuelson

17. Marshall assumes that utility is

- (1) Cardinal
- (2) Ordinal
- (3) Not Quantifiable
- (4) None of the above

18. According to Keynesian theory of determination of output and employment, effective demand results in

- (1) Employment
- (2) Output
- (3) Rise in Price
- (4) Increase in Supply

19. High Powered Money is equal to

- (1) $H = C + RR$
- (2) $H = C + RR + ER$
- (3) $H = RR + ER$
- (4) $H = C + ER + D$

20. Which of the following indicators is included in measuring Economic Growth?

- (1) Health Facility
- (2) Literacy
- (3) Rate of Growth of National Income
- (4) Less Growth of Population

21. Which one of the following receipts is included in Revenue Budget
 (1) Receipts from Market Loans (2) Receipts from Borrowing from RBI
 (3) Interest Receipts (4) None of these
22. Which of the following is a measure of economic development?
 (1) increase in national income
 (2) increase in per capita income
 (3) increase in human development
 (4) All of the above
23. 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
 (1) The Direct money burden (2) The Indirect money burden
 (3) The Direct real burden (4) The Indirect real burden
24. The policy which aims at compensating the economy to meet chronic situation of inflation and deflation by manipulating taxes and public expenditures is
 (1) Monetary policy
 (2) Compensatory fiscal policy
 (3) Compensatory monetary policy
 (4) Fiscal policy
25. The other term for National Income is
 (1) NNP_{FC} (2) NNP_{MP} (3) GNP_{FC} (4) GNP_{MP}
26. For Maximization of Profit in the short-run, the condition is
 (1) $AR = AC$ (2) $MR = MC$ (3) $MR = AR$ (4) $MC = AC$
27. The Kinked demand curve explains
 (1) Price Rigidity (2) Price Flexibility
 (3) Demand Rigidity (4) Demand Flexibility
28. Fiscal deficit in the Union Budget means :
 (1) The difference between current expenditure and current revenue
 (2) The sum of budgetary deficit and net increase in internal and external borrowings

(3) Net increase in Union Government borrowings from the Reserve Bank of India

(4) The sum of monetised deficit and budgetary deficit

29. The Debit side (-) of the balance sheet includes

(1) Imports of Goods and Services

(2) Exports of Goods and Services

(3) Borrowing from abroad

(4) Receipts in the form of gifts, grants etc

30. Imposition of Tariff leads to

(1) Decrease in Prices of Exports

(2) Decrease in Prices of Imports

(3) Increase in Prices of Exports

(4) Increase in Prices of Imports

31. Anti - Poverty Programme for Self Employment was

(1) IRDP (2) NREP (3) RLEGP (4) None of the above

32. Monetary policy is formulated by

(1) State Bank

(2) Central Bank

(3) Commercial Bank

(4) Reserve Bank of India

33. Keynesians favor

(1) Fiscal policy

(2) Monetary policy

(3) Credit policy

(4) Income policy

34. Which one of the following is not the source of Tax Revenue?

(1) Corporation duty

(2) Life Insurance Corporation

(3) Income - Tax Custom Duty

(4) Excise Duty on Property and Wealth

35. Which item is Non - Developmental expenditure of state government?

(1) Medical and Health

(2) Old Age Pension Programme

(3) Education

(4) Irrigation Work

36. Unit Test is satisfied by

(1) Laspeyre's Index

(2) Paasche's Method

(3) Fischer Method

(4) All of the above

37. $P_{o_1} = \frac{p_1 q_1}{p_o q_1} \times 100$ is the formula of?

- (1) Laspeyre's Method (2) Paasche's Method
(3) Bowley Method (4) Fischer Method

38. 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:

- (1) Only 1 and 2 (2) 1, 2 and 3
(3) 2, 3 and 4 (4) All of the above

39. A change in money supply is no case be able to alter the rate of interest. This view is held by-

- (1) Liquidity Preference Theory of Interest
(2) Classical Theory of Interest
(3) Loanable Fund Theory of Interest
(4) None of the above

40. The UNDP publishes Human development report _____

- (1) In every two years (2) Annually
(3) In every five years (4) Monthly

41. 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 lakh

Which of the above statements are correct?

- (1) I, II and III (2) II, III and IV
(3) I, II and IV (4) I, II, III, IV

42. Second Generation Reforms refer to

- (1) major changes in economic policies.
(2) economic reforms by second generation.
(3) political reforms
(4) political and legal reforms

43. 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 ?

- (1) I and II only. (2) II and III only.
(3) I, II and III. (4) I, II and IV

44. 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

- (1) I, II and III (2) I, II and IV
(3) II, III and IV (4) All

45. 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?

- (1) I and II (2) II and III (3) I and III (4) I, II, III

46. 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.
- (1) I only
 - (2) I and II only
 - (3) II and III only
 - (4) I, II, III and IV
47. 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 ?
- (1) I , II and III
 - (2) I, II and IV
 - (3) II, III and IV
 - (4) I, II, III and IV
48. 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 ?
- (1) FII helps bring better management skills and technology, while FDI only brings in capital
 - (2) FII helps in increasing capital availability in general, while FDI only targets specific sectors
 - (3) FDI flows only into the secondary market, while FII targets primary market
 - (4) FII is considered to be more stable than FDI

49. The Balance of payment comprises of :
- (I) Current account. (II) Capital account
 (III) Financial account (IV) Revenue account
 (1) I , II and III (2) I, II and IV.
 (3) II, III and IV (4) I, II , III and IV
50. Which of the following is part of capital account of a country ?
- (1) Export and import of goods
 (2) Export and import of services
 (C) unilateral transfers from one country to another
 (4) NRI deposits
51. Which of the following is not an industrial development bank in India ?
- (1) NABARD (2) IDBI (3) IFCI (4) SIDBI
52. 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)**
- (1) A-(ii) B-(iii) C-(i) D-(iv)
 (2) A-(i) B-(ii) C-(iv) D-(iii)
 (3) A-(iii) B-(iv) C-(ii) D-(i)
 (4) A-(iv) B-(i) C-(iii) D-(ii)
53. Structural changes in economy refers to
- (1) major changes in economic policies.
 (2) shift or change in the basic ways a market or economy functions or operates
 (3) industrial reforms
 (4) growth of economy
54. In the context of Indian economy, 'Open Market Operations' refers to

- (1) Borrowing by scheduled banks from the RBI
 - (2) Lending by commercial banks to industry and trade
 - (3) Purchase and sale of government securities by the RBI
 - (4) None of the above
- 55.** National treatment (NT) is an important policy of WTO. NT means
- (1) All countries must not discriminate between imported and domestic product
 - (2) WTO members must not discriminate between imported and domestic product
 - (3) Exported products of a WTO member state must not be discriminate by other members via-a-vis domestic products
 - (4) Both (2) & (3)
- 56.** A rapid increase in the rate of inflation is sometimes attributed to the "base effect". What is "base effect"?
- (1) It is the impact of drastic deficiency in supply due to failure of crops
 - (2) It is the impact of the surge in demand due to rapid economic growth
 - (3) It is the impact of the price levels of previous year on the calculation of inflation rate
 - (4) None of the statements (1), (2) and (3) given above is correct in this context
- 57.** The concept of carbon credit originated from which one of the following?
- (1) Earth Summit, Rio de Janeiro
 - (2) Kyoto Protocol
 - (3) Montreal Protocol
 - (4) G-8 Summit, Heiligendamm
- 58.** When the Reserve Bank of India announces an increase of the Cash Reserve Ratio, what does it mean?
- (1) The commercial banks will have less money to lend.
 - (2) The Reserve Bank of India will have less money to lend.
 - (3) The Union Government will have less money to lend.
 - (4) The commercial banks will have more money to lend.
- 59.** The national income of a country for a given period is equal to the
- (1) total value of goods and services produced by the nationals
 - (2) sum of total consumption and investment expenditure

- (3) sum of personal income of all individuals
- (4) money value of final goods and services produced

60. 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.

- (1) I only
- (2) I and II only
- (3) II and III only
- (4) I, II, III and IV

61. 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.

- (1) I, II, III
- (2) I, III, IV
- (3) II, III
- (4) I, II and IV

62. **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:

- (1) Both (A) and (R) are correct
- (2) Both (A) and (R) are incorrect
- (3) (A) is correct, but (R) is incorrect.
- (4) (A) is incorrect, but (R) is correct.

63. 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)

- (1) A-(ii) B-(iv) C-(i) D-(iii)
- (2) A-(iv) B-(ii) C-(i) D-(iii)
- (3) A-(iii) B-(i) C-(iv) D-(ii)
- (4) A-(iii) B-(iv) C-(ii) D-(i)

64. 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.

- (1) II, III and IV
- (2) I, II and III
- (3) II, III
- (4) I, II, III and IV

65. 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 ?

- (1) I only
- (2) II only
- (3) Both I and II
- (4) Neither I nor II

66. 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.

- (1) 1 and 3 only
- (2) 1, 2 and 4 only
- (3) 1 and 4 only
- (4) 4 only

67. 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) |
|-----|--------|---------|--------|---------|
| (1) | A-(i) | B-(iii) | C-(ii) | D-(iv) |
| (2) | A-(iv) | B-(iii) | C-(ii) | D-(i) |
| (3) | A-(iv) | B-(i) | C-(ii) | D-(iii) |
| (4) | A-(iv) | B-(ii) | C-(i) | D-(iii) |

68. Liquidity preference is a theory of

- | | |
|---------------------|----------------------|
| (1) Supply of money | (2) Saving |
| (3) Investment | (4) Demand for money |

69. According to Keynes consumption is a function of
- (1) Investment
 - (2) Capital
 - (3) Saving
 - (4) Income
70. The problem why rational people are unwilling to participate in a fair game, refers to
- (1) Leontiff paradox
 - (2) St. Petersburg Paradox
 - (3) Bernoulli's Paradox
 - (4) Neumann's Paradox
71. The economist who popularized indifference curve approach is
- (1) Simon Kuznets
 - (2) Paul Samuelson
 - (3) J.R. Hicks
 - (4) Sweezy
72. Public debt implies loans raised by government
- (1) Within the country
 - (2) Outside the country
 - (3) Within and outside the country
 - (4) Not applicable
73. The term sustainable development was first used by
- (1) World conservation strategy
 - (2) The world development Report 1999
 - (3) The world development Report 2000
 - (4) None of these
74. The effect of population growth on per capita income is
- (1) Favourable
 - (2) Unfavourable
 - (3) No effect
 - (4) Very low
75. Selling a product in a foreign market at a lower price than in home market is called
- (1) Cartel
 - (2) Dumping
 - (3) Subsidy
 - (4) Import Quota
76. Which protective device aims at restricting and regulating imports?
- (1) Dumping
 - (2) Subsidy
 - (3) Import Quota
 - (4) Tariff quota
77. The function that shows the functional relationship between utility and quantity of goods is known as

- (1) General utility function
- (2) Specific utility function
- (3) Total utility function
- (4) Marginal utility function

78. What is the first order condition of consumer's equilibrium?

- (1) Bordered Hessian Determinant > 0
- (2) $\frac{f_2 p_1}{f_1 p_2}$
- (3) Bordered Hessian Determinant < 0
- (4) $\frac{f_2 p_2}{f_1 p_1}$

79. 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 :

- (1) I only
- (2) II only
- (3) Both I and II
- (4) Neither I nor II

80. Who is the exponent of the principle of correlation?

- (1) Bowleg
- (2) Spearman
- (3) Connor
- (4) Karl Pearson

81. $r_{\frac{xy}{N_{xy}}}$ refers to

- (1) Price index
- (2) Karl Pearson's coefficient of correlation
- (3) Spearman's rank Differences methods
- (4) Mean Deviation

- 82.** Agricultural Development banks are sponsored by
- (1) RBI (2) Nationalized Banks
(3) SBI (4) Cooperative Banks
- 83.** Most of the disguised unemployed persons in India are found in
- (1) Transport (2) Industry
(3) Agriculture (4) Trade
- 84.** Keynes defined Money demand as
- (1) Cash + Time deposit
(2) Cash + Demand deposit
(3) Cash + High powered money
(4) Cash + Saving with post office
- 85.** Horizontal equity refers to
- (1) Equal treatment of equals
(2) Unequal treatment of unequals
(3) Equal treatment of unequals
(4) Unequal treatment of equals
- 86.** Age is given on the vertical axis so that the youngest age group isand the oldest age group is
- (1) At the bottom; at the top
(2) At the top; at the bottom
(3) On the left side; on the right side
(4) On the right side; on the left side
- 87.** Who is known as the father of input output analysis?
- (1) W.W Leontiff (2) Hicks
(3) Samuelson (4) Trance is Quesnay
- 88.** Between income and consumption there is generally
- (1) No correlation (2) Positive correlation
(3) Negative correlation (4) Partial correlation
- 89.** Blue revolution is related to
- (1) Poultry (2) Fisheries
(3) Drinking water (4) Space research

90. Narrow definition of money is
(1) M_4 (2) M_3 (3) M_2 (4) M_1
91. In case of inferior goods, the income effect is
(1) Positive (2) Negative
(3) Zero (4) Infinite
92. Which bank meets the long-term credit needs of agriculturists?
(1) Primary agricultural credit societies
(2) Central cooperative bank
(3) Land Development bank
(4) State cooperative banks
93. Globalization signifies a process of
(1) Internationalization
(2) Liberalisation
(3) Internationalization and liberalization
(4) Privatization
94. According to Harrod-Domar Growth Model, Growth is directly related to
(1) k/o ratio and inversely related to savings
(2) Savings and inversely related to k/o ratio
(3) Savings and k/o ratio
(4) Savings and k/o ratio directly
95. Euro-currency market is a means of transferring
(1) Long term and medium term funds with in the country
(2) Short - term and medium term funds with in the country
(3) Short - term and medium term funds from one country to another country.
(4) Long term funds from one country to another
96. According to the minimum wage Act, 1948
(1) Wages for agricultural labourers are to be fixed by the state governments
(2) Wages for agricultural labourers are to be fixed by the central governments
(3) Wages for industrial labours are to be fixed by the entrepreneurs
(4) Wages for industrial labours are to be fixed by the central governments
97. Bretton woods led to formation of
(1) GATT (2) IBRO (3) INF (4) All of the above

- 98.** The LPG model of development was introduced by
- (1) Vijay kelkar
 - (2) V. K. R. V Rao
 - (3) Jagdish Bhagwati
 - (4) Dr. Manmohan singh
- 99.** In new economic policy of 1991
- (1) Government has restricted foreign investment policy
 - (2) Government has liberalized foreign
 - (3) Several concessions and facilities have been given on foreign direct investment
 - (4) Both (2) and (3)
- 100.** The new endogeneous growth theory was developed as a reaction to missions and deficiencies in
- (1) Hicks - Samuelson model
 - (2) Jargenson's neo - classical model
 - (3) Solow - swan neo - classical growth model
 - (4) Meade's Neo - classical Model of economic growth

ANSWER KEY

PAPER-II

Question	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Answer	3	1	1	1	2	3	1	4	1	2	4	2	1	1	2	2	1	2	2	3
Question	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
Answer	3	2	2	2	1	2	1	2	1	3	1	2	1	2	2	4	2	4	1	2
Question	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
Answer	2	1	1	1	2	4	4	2	1	4	1	1	2	3	4	3	2	1	4	2
Question	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
Answer	3	1	3	4	1	4	1	4	4	2	3	3	1	2	2	3	1	2	3	4
Question	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Answer	2	3	3	3	1	1	1	2	2	4	2	3	3	2	3	1	4	4	4	3

HINTS AND SOLUTIONS

PAPER-II

1.(3) 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 Authorisations, Export Authorisation, 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.(1) 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 nonplan classification of expenditure to facilitate a holistic view of allocations for sectors and ministries.

3.(1) 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.(1) Agenda for 2017-18 is : "Transform, Energise and Clean India" - TEC India
TEC India seeks to

Transform the quality of governance and quality of life of our people;

Energise 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 : energising 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: honouring the honest.

5.(2) 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.(3) 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 demonetisation

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.(1) 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.

8.(4) 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.

9.(1) 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 judgements.

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.

10.(2) 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.

11.(4) 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

12.(2) 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.

13.(1) 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.

14.(1) 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.

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

16.(2) 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.

- 17.(1)** Cardinal means utility is measurable and quantifiable and can be measured in terms of utils.
- 18.(2)** According to Keynesian theory of determination of output and employment, effective demand results in Output. Output creates income and income provides employment.
- 19.(2)** High powered money is equal to $H = C + RR + ER$
Where, C = Currency RR = Required reserves ER = Excess reserves.
- 20.(3)** Indicators is included in measuring Economic Growth are:
- (1) Health Facility
 - (2) Literacy
 - (3) Less Growth of Population
- 21.(3)** Revenue Budget consist both tax revenue and non tax revenue. Interest receipt is non-tax revenue.
- 22.(2)** 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.
- 23.(2)** This Burden is known as The Indirect money burden Because it indirectly falls on consumer and ultimately he has to pay it.
- 24.(2)** 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.
- 25.(1)** Net national Product at factor cost(NNPFC) is also called National Income.
- 26.(2)** When marginal revenue is equal to marginal cost then the firm earns profit in short run.
- 27.(1)** 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.
- 28.(2)** Fiscal deficit in the union budget is the sum of budgetary deficit and net increase in internal and external borrowings.
- 29.(1)** The debit side (-) of the balance sheet includes Imports of Goods and Services, Because debit side includes all the payments.
- 30.(3)** When tariff is imposed on any good them the price of exports increased because

tariff raised the price of good.

31.(1) IRDP - Integrated rural Development Programme

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

33.(1) Keynesians favour Fiscal policy.

34.(2) Life insurance corporation is non - tax revenue.

35.(2) Medical and Health

Education

Irrigation Work

All are developmental expenditure's item.

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

37.(2) P_{o_1} = index for current period based on base period.

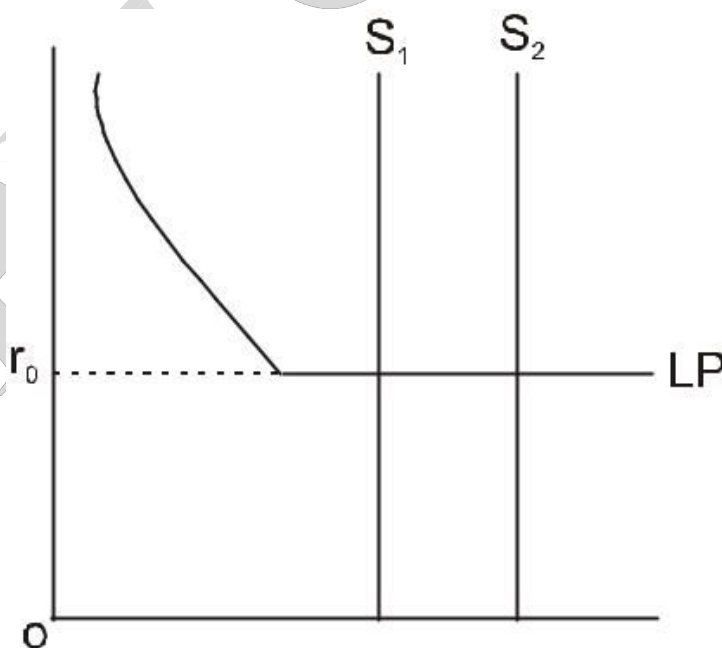
p_0 = index for base period.

q_1 = Quantity index for current year

p_1 = Price index for current year.

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

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



40.(2) The United Nations Development Programme (UNDP) publishes the 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 the value of HDI.

41.(2) 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. 50 crore) rate reduced to 25%. LNG: customs duty reduced to 2.5%. Limit of cash donation for charitable trusts reduced to Rs. 2,000.

42.(1) 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.

43.(1) 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

44.(1)

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".

45.(2) 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.

46.(4) 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.

47.(4) 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,-

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

(2) 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

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

48.(2)

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.

49.(1) 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 subdivisions, 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.

50.(4) 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.

51.(1) 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).

52.(1)

'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.

53.(2) 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.

54.(3) 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.

55.(4) 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.

56.(3) 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.

57.(2) 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

(1) global warming exists and (2) 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.

58.(1) 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.

59.(4) 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.

60.(2) 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.

61.(3) 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.

62.(1) 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.

63.(3) 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.

64.(4) 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.

65.(1) 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.

66.(4) 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.

67.(1) 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.

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

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

69.(4) When income rises, consumption also rises but not as much as income.

70.(2) 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.

71.(3) The economist J.R. Hicks popularized indifference curve approach.

According to this approach, a higher indifference curve shows higher utility.

72.(3) Public authorities can raise loans within or outside the country to fulfill their requirements.

73.(1) The term was first used by the 'world conservation strategy' presented by international union for the conservation of Nature and natural resources in 1980.

74.(2) 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.

75.(2) 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.

76.(3) In order to protect domestic industries from foreign competition and to correct disequilibrium in the balance of payments, import quota aims.

77.(1) The function that shows the functional relationship between utility and quantity of goods is known as :

General utility function $U = f(q_1, q_2)$.

78.(2) 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 slop 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.

79.(3) 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.

80.(4) Karl Pearson is the exponent of the principle of correlation. Correction helps us in determining the degree of relationship between two or more variables.

81.(2) $r_{\frac{xy}{N_{xy}}}$ 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.

82.(3) Agricultural Development banks are sponsored by SBI - State bank of India.

83.(3) 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.

84.(3) 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.

85.(1) Horizontal equity refers to equal treatment of equals. Horizontal inequality meant that people of equal economic position are not treated equally.

86.(1) 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).

87.(1) W.W Leontiff is known as the father of input output analysis. Leontiff published his work in 1941.

88.(2) Between income and consumption there is generally a positive correlation. As income increases, consumption also increases, that's why they are positively correlated.

89.(2) As green revolution is related to agricultural strategies, blue revolution is related to fisheries.

- 90.(4)** Narrow definition of money is M_1 . M_1 includes currency with public, demand deposits in banks, other deposits with RBI.
- 91.(2)** In case of inferior goods, the income effect is negative. As consumer's income increases, the consumption of inferior goods decreases.
- 92.(3)** Land Development bank meets the long-term credit needs of agriculturists. These banks earlier known as Land Mortgage banks.
- 93.(3)** 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..
- 94.(2)** According to Harrod-Domar Growth Model, Growth is directly related to savings and inversely related to k/o 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.
- 95.(3)** 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.
- 96.(1)** 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.
- 97.(4)** GATT - General Agreement on Tariff and Trade.
IBRO - International bank for reconstruction and development
IMF - International monetary fund.
- 98.(4)** 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.
- 99.(4)** In new economic policy of 1991 Government has liberalized foreign and Several concessions and facilities have been given on foreign direct investment
- 100.(3)** The new endogenous growth theory was developed as a reaction to missions and deficiencies in Solow - swan neo - classical growth model