ECONOMICS
PAPER - II

Note: This paper contains fifty (50) objective type questions of two (2) marks each. All questions are compulsory.

1. Consider the following diagram with two parallel demand curves AB and CD:

![Diagram showing two parallel demand curves AB and CD with a point R and S.]

The price elasticity of demand at:
(1) points R and S is equal
(2) point R is greater than that at point S
(3) point R is less than that at point S
(4) points R and S is infinity

2. In 2016, the Nobel prize in Economics was awarded for:
(1) analysis of trade pattern and location of economic activity
(2) analysis of asset prices
(3) analysis of globalization
(4) contributions to contract theory

3. Which of the following is not true for perfect competition?
(1) Price = LAC
(2) Market demand curve for a commodity is horizontal to X-axis
(3) Firms earn normal profits
(4) In the long run firms operate at the minimum point of average cost

4. Which amongst the following statements is correct?
(1) The minimum point of AVC and MC are at the same level of output
(2) Minimum of AVC is at lesser output than the minimum of MC
(3) Minimum of AVC is at larger output than the minimum of MC
(4) Any of the above is possible depending upon operating of the law of returns

5. A firm in monopolistic competition advertises in order to:
(1) make its product more similar to its competitors’
(2) shift the demand curve for its product to the left
(3) make the demand for its product less price elastic
(4) reduce the industry’s price
6. For an increase in the effective minimum wage to have less of an impact on employment, which of the following is correct?
   (a) The demand for labour is relatively inelastic
   (b) The demand for labour is relatively elastic
   (c) The demand for labour is a derived demand
Choose the correct answer from the code given below:
(1) (a) only  (2) (c) only  (3) (a) and (b)  (4) (a) and (c)

7. Assume that people like onions on their hamburgers. If the supply of hamburgers decreases, the demand for onions will most likely:
   (1) remain unchanged because hamburgers and onions are different goods
   (2) increase because hamburgers and onions are substitutes
   (3) increase because hamburgers and onions are complements
   (4) decrease because hamburgers and onions are complements

8. In the short run, which of the following costs must continuously decrease as output increases?
   (1) Total variable cost  (2) Total fixed cost
   (3) Average variable cost  (4) Average fixed cost

9. If export price increases by 5 percent and import price by 20 percent, the commodity terms of trade is:
   (1) 0.91  (2) 0.87  (3) 0.25  (4) 4

10. If economic agents perfectly anticipate policy changes and if all prices, including wages, are completely flexible, which of the following will be true in the long run?
    (1) There will be no trade-off between inflation and unemployment
    (2) The unemployment rate will be less than the natural rate of unemployment
    (3) The price level will be constant
    (4) Changes in the money supply will not lead to changes in the price level

11. Who made the statement, “Inflation is everywhere and always a monetary phenomenon”?
    (1) Milton Friedman  (2) James Tobin
    (3) T.W. Swan  (4) A.W. Phillips

12. Which amongst the following is not correctly matched?
    **Concept** | **Economists**
    --- | ---
    (1) New classical economics | Robert Lucas
    (2) Multiple effects of Balanced Budget | T.H. Haavelmo
    (3) New Keynesian economics | Paul Romer
    (4) Permanent income hypothesis | M. Friedman
13. Who argued that Keynes’s theory of equilibrium with involuntary unemployment is a special case of the general equilibrium model, augmented to include money?
(1) W. Leontief  (2) J.R Hicks  (3) M. Friedman  (4) D. Patinkin

14. Adam Smith advocated which of the following?
(a) laissez faire
(b) the invisible hand
(c) free trade policy
(d) competitive markets

Choose the correct answer from the code given below:
(1) (a) and (b)  (2) (b) and (c)
(3) (a), (b) and (c)  (4) (a), (b), (c) and (d)

15. Indicate the sequence of the following in terms of their implementation with reference to India:
(a) Income tax
(b) Expenditure tax
(c) Value-added tax at the state level
(d) Service tax

Choose the correct answer from the code given below:
(1) (a), (c), (b), (d)  (2) (a), (b), (d), (c)
(3) (b), (c), (d), (a)  (4) (c), (d), (a), (b)

16. Arrange the following grouping of the nations from lower to higher order of integration.
(a) F.T.A
(b) Economic Union
(c) Common Market
(d) Custom Union

Choose the correct answer from the code given below:
(1) (a), (d), (c), (b)  (2) (a), (c), (b), (d)
(3) (b), (c), (d), (a)  (4) (c), (d), (a), (b)

17. A Country can have an increased surplus in its balance of trade as a result of:
(1) declining imports and rising exports
(2) higher tariffs imposed by its trading partners
(3) an increase in domestic inflation
(4) an increase in capital inflow
18. Which of the following statements is/are true for the current account of a country?
   (a) it shows the net income generated in the foreign trade sector
   (b) it relates to claims and liabilities of financial nature
Choose the correct answer from the code given below:
   (1) Only (a) is true    (2) Only (b) is true
   (3) Both (a) and (b) are true    (4) Neither (a) nor (b) is true

19. Which amongst the following economists can be classified as strong advocate of protectionist policy of trade?
   (1) F. List and A. Hamilton    (2) Adam Smith and David Ricardo
   (3) J.S. Mill and P. Krugman    (4) A. Hamilton and J.S. Mill

20. An increase in which of the following would be most likely to increase Long-run growth in developing countries?
   (1) Tariffs on imported capital goods
   (2) Subsidies to business for purchases of capital goods
   (3) Unemployment compensations
   (4) Pension payments

21. What is Baran’s explanation for under development in Asia, Africa and Latin America?
   (1) Monopolistic business from abroad
   (2) Conservative ruling coalitions
   (3) Weak domestic middle class
   (4) All of the above

22. The Benefit Theory of allocation of tax burden was given by:
   (1) Seligman    (2) Lindhal    (3) Dalton    (4) Pigou

23. Consider the following:
   (a) Oligopolistic market structure
   (b) Economics of scale
   of the above, which are the essential feature of Rosenstein Rodan’s approach to development?
   Answer from the code below:
   (1) Both (a) and (b) above    (2) Neither (a) nor (b) above
   (3) Only (a)    (4) Only (b)
24. If marginal propensity to consume (m.p.c) = average propensity to consume (a.p.c) for all levels of income (Y) then the corresponding consumption function will be:
   (1) $C = a + bY$
   (2) $C = bY$
   (3) $C = bY^2$
   (4) $C = a + bY^2$

25. Which of the following goods is covered under GST as on 1st July, 2017?
   (1) Electricity
   (2) Liquified Petroleum Gas
   (3) High Speed Diesel
   (4) Petroleum Crude

26. The greater the elasticity of supply, the greater is:
   (1) Incidence of tax on buyers
   (2) Incidence of tax on sellers
   (3) Impact of tax on sellers
   (4) Impact of tax on buyers

27. The ability - to - pay principle of taxation is logically most consistent with the normative notion of:
   (1) tax neutrality
   (2) horizontal equity
   (3) value - added taxation
   (4) vertical equity

28. Principle of maximum social advantage is concerned with:
   (1) Taxation only
   (2) Public expenditure only
   (3) Public debt only
   (4) Both taxation and public expenditure

29. Consider the following statements about optimal tariff:
   (a) The beneficiary country is a large country in the world market for a particular good.
   (b) A deviation from optimal tariff will lead to fall in welfare.
   Of the above, which statement is correct? Choose the answer from the code below:
   (1) Both (a) and (b) are correct
   (2) Neither (a) nor (b) is correct
   (3) Only (a) is correct
   (4) Only (b) is correct
30. Which of the following is a distinctive implication of the New Trade Theory developed by Melitz as different from the New Trade Theory?
(1) Trade increases the average productivity as more productive firms expand
(2) Helpful state intervention
(3) Trade encourage R & D and lead to new products
(4) A country may both export and import the goods from the same industry

31. The conjecture that inequalities of income first increase with development and then decrease with further development also known as ‘Inverted U’ hypothesis has been:
(1) Supported by all empirical studies
(2) Supported mainly by cross section studies and not by time series studies
(3) Supported by time series and not by cross section studies
(4) Generally repudiated by empirical studies

32. The ultimate effect of the ‘invisibility of hand’ of Adam Smith is that in a competitive economy everyone:
(1) benefits if each acts in his/her own interest
(2) will increase their profits in a free market
(3) should act to maximise economic growth
(4) should act to promote the public interest

33. Match List - I with List - II and select the correct answers from the code given below:

<table>
<thead>
<tr>
<th>List - I</th>
<th>List - II</th>
</tr>
</thead>
<tbody>
<tr>
<td>(investment criteria)</td>
<td>(economists)</td>
</tr>
<tr>
<td>(a) The time series criterion</td>
<td>(i) Otto Eckstein</td>
</tr>
<tr>
<td>(b) The social marginal productivity criterion</td>
<td>(ii) A.K. Sen</td>
</tr>
<tr>
<td>(c) The marginal growth contribution criterion</td>
<td>(iii) A.E. Kahn</td>
</tr>
<tr>
<td>(d) The marginal per capita reinvestment criterion</td>
<td>(iv) Galenstein - Leibenstein</td>
</tr>
</tbody>
</table>

Code:

(1) (ii) (i) (iv) (iii)
(2) (iv) (iii) (i) (ii)
(3) (ii) (iii) (i) (iv)
(4) (iii) (ii) (iv) (i)
34. If the central prediction of the growth model of Solow is valid then:
   (1) Per capita real GDP difference among nations will increase
   (2) Per capita real GDP difference among the nations will diminish
   (3) Economic freedom as measured by Heritage Foundation Index will decrease
   (4) Population growth rate in rich countries will increase

35. Given the consumption function, \( C = 0.75 \, Y \) and the investment function, \( I = 110 - 0.25 \, i \), then the equation of the IS function will be:
   (1) \( Y = 110 - 0.75 \, i \)
   (2) \( Y = 440 - i \)
   (3) \( Y = 500 - 0.25 \, i \)
   (4) \( Y = 400 - 0.75 \, i \)

36. In which of the following sectors, the employment elasticity has been estimated to be greater than one during the period (2004 - 05 to 2009 - 10):
   (1) Agriculture
   (2) Construction
   (3) Manufacturing
   (4) Mining and Quarrying

37. Arrange the following in the chronological order:
   (a) Mahalanobis model
   (b) Introduction of rolling plan
   (c) Declaration of plan holiday
   (d) Inclusive growth strategy
   Select the answer from the code below:
   (1) (b), (a), (c), (d)
   (2) (a), (c), (b), (d)
   (3) (c), (a), (b), (d)
   (4) (a), (c), (d), (b)

38. Which amongst the following statements are true in relation to Indian economy during the period 2014-16?
   (1) Exports have been buoyant
   (2) Private capital investment happened at brisk pace
   (3) Both (1) and (2) are true
   (4) Neither (1) nor (2) is true

39. The code used under GST for classification of goods is called:
   (1) NIC
   (2) HSN
   (3) GSTN
   (4) ITC

40. If CPI based inflation rate in a country is given as:

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation rate (%)</td>
<td>2</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>9</td>
</tr>
</tbody>
</table>

This trend will be described as:
(1) Disinflation  (2) Deflation  (3) Creeping inflation  (4) Stagflation

41. Which among the following states has the smallest % of urban population as per census 2011?
(1) Bihar  (2) Odisha  (3) Himachal Pradesh  (4) Meghalaya

42. If the price data for 1980 and 2000 are given and quantity data are given only for the year 2000 then which type of index number, taking 1980 as the base can be constructed?
(1) Laspeyre’s Index  (2) Paasche Index  (3) Fisher Index  (4) Kelly Index

43. If two events A and B are mutually exclusive then which one of the following is correct?
(1) \( P(A + B) = P(A) + P(B) \)  (2) \( P(AB) = P(A) \cdot P(B) \)
(3) \( P(AB) = P(A)/P(B) \)  (4) \( P(A/B) = P(A) − P(B) \)

44. If a sample of 100 is to be taken from a population of 1,000 farmers consisting of marginal, small and large farmers, which of the following will be the most appropriate sampling method?
(1) Simple random sampling  (2) Cluster sampling
(3) Stratified random sampling  (4) Systematic sampling

45. The sum of squares of deviations of a set of values is minimum when deviations are taken about:
(1) Arithmetic mean  (2) Harmonic mean
(3) Median  (4) Geometric Mean
46. Match the following in List - I and List - II and answer from the code given below:

<table>
<thead>
<tr>
<th>List - I</th>
<th>List - II</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Sampling distribution</td>
<td>(i) Poisson distribution</td>
</tr>
<tr>
<td>(b) Discrete distribution</td>
<td>(ii) Chi-Square ($\chi^2$) distribution</td>
</tr>
<tr>
<td>(c) Measures of central tendency</td>
<td>(iii) Non-probability based sampling</td>
</tr>
<tr>
<td>(d) Purposive sampling</td>
<td>(iv) Mode</td>
</tr>
</tbody>
</table>

Code:

(a) (b) (c) (d)
(1) (i) (ii) (iii) (iv)
(2) (iii) (i) (ii) (iv)
(3) (ii) (i) (iv) (iii)
(4) (iv) (iii) (i) (ii)

Note: Questions 47 to 50 are Assertion (A) and Reason (R) type. Key to these questions is as follows:

(1) Both (A) and (R) are true and (R) is the correct explanation of (A).
(2) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(3) (A) is true, but (R) is false.
(4) (A) is false, but (R) is true.

47. **Assertion (A):** Many developing countries demand that movement of natural persons across countries should be promoted.
--- **Reasons (R):** The developing countries have comparative advantage in labour intensive services.

48. **Assertion (A):** Revealed preference theory excludes the explanation of Giffen good.
--- **Reasons (R):** Revealed preference theory considers only negative income elasticity of demand.

49. **Assertion (A):** Indian agriculture still absorbs a major part of workforce.
--- **Reasons (R):** Employment elasticity in agricultural sector is high.

50. **Assertion (A):** Friedman argues that money demand function is a stable function.
--- **Reasons (R):** Friedman treats money as one type of asset in which wealth holders can keep a part of their wealth.

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