

## ACHAMILLAI KALVI



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**ECONOMICS**  
**Paper – II**

**Note :** This paper contains **fifty (50)** objective type questions. **Each** question carries **two (2)** marks. Attempt **all** questions.

**Q. Nos. 1-10 :** Read the following questions and choose the correct answers from the options given below these questions.

1. Under the indifference curve analysis the consumer will be in equilibrium

- (A) At the highest indifference curve
- (B) At the lowest indifference curve
- (C) At the point of tangency between the indifference curve and the budget line
- (D) At the intersection of two indifference curves

2. Under monopoly

- (A) Marginal cost curve is the supply curve
- (B) Marginal cost curve is not the supply curve
- (C) Marginal cost curve is perfectly elastic
- (D) Marginal cost curve is perfectly inelastic

3. Under the Monopolistic Competitive Market, the seller

- (A) Has no discretion to make price
- (B) Has discretion only to make price
- (C) Has no discretion as regards product differentiation
- (D) Has discretion to make price and can differentiate the product

4. 'Supply creates its own demand'. This is

- (A) Grasham's Law
- (B) Giffen's Law
- (C) Say's Law
- (D) Gossen's Law

5. Neutrality of money implies changes in money affect

- (A) Nominal variables alone
- (B) Real variables alone
- (C) Both nominal and real variables
- (D) Neither nominal nor real variables

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6. The theory of unlimited supply of labour was propounded by
- (A) Simon Kuznets  
(B) A. W. Lewis  
(C) Harvey Leibenstien  
(D) Ragnar Nurkse
7. The concept of unbalanced growth was popularised by
- (A) A. O. Hirschman  
(B) R. Rodan  
(C) Joan Robinson  
(D) W. W. Roston
8. Zero Base Budget was first tried by
- (A) Philip E. Taylor  
(B) C. V. Brown  
(C) Jimmy Carter  
(D) James Cutt
9. The economist who reformulated the Ricardian theory of comparative cost advantage in terms of opportunity cost principle is
- (A) Adam Smith  
(B) J. S. Mill  
(C) G. V. Haberler  
(D) Alfrad Marshall
10. W. W. Leontief has empirically verified the theory of
- (A) Absolute cost advantage  
(B) Comparative cost advantage  
(C) Factor proportions  
(D) Reciprocal demand
11. The empirical relationship between mean, median and mode is
- (A) Mean – Mode = 3 (Mean – Median)  
(B) Mean – Mode = 2 (Mean – Median)  
(C) Mode – Mean = 3 (Mean – Mode)  
(D) Mode = 3 (Median – Mean)
- Read the following questions, choose the correct answer from the given codes :
12. The theory of functional distribution means
- I. Theory of factor pricing  
II. Theory related to individuals and their income  
III. Theory related to firms and their income  
IV. Theory related to markets
- Codes :**
- (A) I and IV only  
(B) I only  
(C) II and III only  
(D) IV only

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13. The objective of Welfare Economics is

- I. To identify the ways and means to attain the higher level of welfare ( $W^*$ ) from the lower level of welfare ( $W$ )
- II. To find out the ways and means to maintain  $W > W^*$
- III. To restore equilibrium between  $W$  and  $W^*$
- IV. To identify alternative ways of spending personal income

**Codes :**

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

14. Which of the following is/are the assumptions of the classical theory of employment ?

- I. Full employment
- II. Wage-price inflexibility
- III. Perfect competition
- IV. Neutrality of money

**Codes :**

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

15. Consider the following statements about the idea of 'Inclusive growth' and select the correct one using the codes

- I. The idea of inclusive growth was included in the 11<sup>th</sup> five year plan
- II. Inclusive growth takes into account both the economic and social inclusion
- III. The main idea behind inclusive growth is to include every sector in the country's overall development process
- IV. The third generation of economic reforms runs parallel to the idea of inclusive growth

**Codes :**

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

16. Which of the following are the assumptions of Leontief's static Input-Output model ?

- I. There is no substitution between inputs
- II. There is liner homogeneous production function
- III. Each industry produces only one homogeneous product
- IV. There are economics of scale in production

**Codes :**

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

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17. Consider the following statements regarding the forms of VAT

- I. The first variety is the production VAT
- II. The second variety is the consumption VAT
- III. The third variety is wage-type VAT
- IV. The fourth variety is Income-type VAT

Select the correct statement/s using the code/s :

**Codes :**

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

18. Consider the following statements

- I. NITI Aayog of India comprises two members in the executive committee
- II. NITI Aayog comprises the Chief Ministers of all States/UTs as its members
- III. NITI Aayog comprises the Governors of all the States
- IV. NITI comprises the Union Cabinet Ministers as its members

Select the correct one using the code/s :

**Codes :**

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

19. Which of the following are the assumptions of Krugman's Neo-Chamberlin Trade model ?

- I. The economy has only one homogeneous factor of production, namely, the labour
- II. The supply of labour is fixed
- III. The products are horizontally differentiated
- IV. The products are vertically differentiated

**Codes :**

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

20. Z test holds good only for

- I. Sample from normal population
- II. Sample from F distribution
- III. Large samples
- IV. Samples for Poisson distribution

**Codes :**

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

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Read the following questions and select the right combination of Assertion (A) and Reason (R) from the codes given below :

**21. Assertion (A) :** If there is a minor decrease in factor prices, firms will not disturb the price.

**Reason (R) :** The firms, afraid of triggering a price war, would pass on the benefit of cost reduction to the customers through improved quality or increased quantity at the given price

**Codes :**

- (A) Both (A) and (R) are incorrect
- (B) (A) is correct but (R) is incorrect explanation of (A)
- (C) (R) is correct, (A) is incorrect
- (D) Both (A) and (R) are correct, (R) is the correct explanation of (A)

**22. Assertion (A) :** A rational producer would always produce between the ridge lines

**Reason (R) :** Beyond the ridge lines the marginal products of factors would be negative

**Codes :**

- (A) (A) is correct, (R) is incorrect
- (B) (R) is correct, (A) is incorrect
- (C) Both (A) and (R) are correct, (R) is not the correct explanation of (A)
- (D) Both (A) and (R) are correct, (R) is the correct explanation of (A)

**23. Assertion (A) :** The speculative demand for money becomes perfectly elastic at very low rates of interest

**Reason (R) :** At very low rates of interest, people get less interest income and expect capital loss

**Codes :**

- (A) (A) is correct, (R) is incorrect
- (B) (R) is correct, (A) is incorrect
- (C) Both (A) and (R) are correct, (R) is the correct explanation of (A)
- (D) Both (A) and (R) are incorrect

**24. Assertion (A) :** Baumol has derived 'Square-root Rule' of demand for money.

**Reason (R) :** Baumol has shown that the transaction demand for money is sensitive to the rate of interest

**Codes :**

- (A) (A) is correct, (R) is not the correct explanation of (A)
- (B) Both (A) and (R) are incorrect
- (C) (A) is correct, (R) is incorrect
- (D) (A) is incorrect, (R) is correct

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**25. Assertion (A) :** Economic growth cannot be sensibly treated as an end in itself.

**Reason (R) :** Economic growth should always enhance the lives and freedoms of the people

**Codes :**

- (A) (A) is correct, (R) is correct, (R) is not the correct explanation of (A)
- (B) (A) is correct, (R) is also correct, (R) is the correct explanation of (A)
- (C) Both (A) and (R) are incorrect
- (D) (A) is correct, (R) is incorrect

**26. Assertion (A) :** The principle of ability to pay is justified in the taxation domain

**Reason (R) :** As income increases the marginal utility of the additional unit of income increases

**Codes :**

- (A) Both (A) and (R) are incorrect
- (B) (R) is correct, (A) is incorrect
- (C) (A) is correct but (R) is not the correct explanation of (A)
- (D) Both (A) and (R) are correct

**27. Assertion (A) :** According to Hans Singer and Raul Prebisch, the terms of trade of developing countries deteriorate in the long run

**Reason (R) :** The developing countries export manufactured products which have low price and income elasticities of demand

**Codes :**

- (A) Both (A) and (R) are correct
- (B) Both (A) and (R) are correct, (R) is the correct explanation of (A)
- (C) Both (A) and (R) are incorrect
- (D) (A) is correct, (R) is not the correct explanation of (A)

**28. Assertion (A) :** Devaluation of currency of a deficit nation reduces the domestic absorption

**Reason (R) :** Devaluation redistributes income from wage earners to profit earners

**Codes :**

- (A) Both (A) and (R) are correct, (R) is the correct explanation of (A)
- (B) Both (A) and (R) are correct, (R) is not the correct explanation of (A)
- (C) (A) is correct, (R) is incorrect
- (D) (A) is incorrect, (R) is correct

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**29. Assertion (A) :** In regression equation, the right hand side variable is called the explained variable

**Reason (R) :** The explanatory variable explains the variation in the explained variable

**Codes :**

- (A) Both (A) and (R) are incorrect
- (B) (A) is incorrect, (R) is correct
- (C) Both (A) and (R) are correct
- (D) (R) is incorrect, (A) is correct

**30.** Identify the chronology of the following models of Duopoly

- I. Cournot Model
- II. Stackleberg Model
- III. Bertrand Model
- IV. Paul Sweezy Model

**Codes :**

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

**31.** When  $MC = AC$ , arrange the following costs in the ascending order of their magnitude

- I. AVC
- II. AC
- III. AFC

**Codes :**

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

**32.** Sequentially arrange the process of interaction between multiplier and accelerator

- (I) Increase in income through multiplier
- (II) Increase in autonomous investment
- (III) Increase in induced investment through accelerator
- (IV) Increase in aggregate demand and income by larger amount

**Codes :**

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

**33.** Arrange the following contributions in chronological order using the codes given

- (I) Inverted U shaped hypothesis of Simon Kuznets
- (II) Theory of Economic growth of J. A. Schumpeter
- (III) Golden rule of accumulation of E. S. Phelps
- (IV) Learning by doing of K. J. Arrow

**Codes :**

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

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34. Rank the following countries according to their HDI 2013

- I. United Kingdom
- II. Norway
- III. United States
- IV. India

**Codes :**

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

35. Identify the following taxes in the descending order of their contribution to the gross tax revenue in the Union Budget 2015-16

- I. Union Excise Duties
- II. Service Tax
- III. Corporation Tax
- IV. Taxes on Income

**Codes :**

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

36. Arrange the following taxes in chronological order of their introduction in India.

- I. Income Tax
- II. Expenditure Tax
- III. Motor vehicles Tax
- IV. Entertainment Tax

**Codes :**

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

37. Arrange the following events in the International Monetary system in chronological order

- I. Snake in the Tunnel
- II. Two-tier gold market
- III. Brettonwoods conference
- IV. Suspension of convertibility of dollar into gold

**Codes :**

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

38. Arrange the following averages in the ascending order of their magnitude in a negatively skewed distribution

- I. Arithmetic mean
- II. Median
- III. Mode

**Codes :**

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

Read the following questions and match the correct pair from the List I and II. Use the codes given below for answering :

39.

**List I**

- a) Leon Walras
- b) Bains. J.
- c) Marris. R.
- d) Kenneth J. Arrow

**List II**

1. Impossibility theorem
2. General Equilibrium
3. Limit pricing
4. Model of Managerial Enterprise

**Codes :**

- |     | a | b | c | d |
|-----|---|---|---|---|
| (A) | 1 | 2 | 3 | 4 |
| (B) | 4 | 3 | 2 | 1 |
| (C) | 2 | 3 | 4 | 1 |
| (D) | 1 | 2 | 4 | 3 |



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40. **List I**
- a) Consumer equilibrium under Marshallian analysis
- b) Consumer Equilibrium under Indifference curve analysis
- c) Firms' equilibrium
- d) Equi-Marginal utility
- List II**
1.  $\frac{Mu_x}{P_x} = \frac{Mu_y}{P_y}$
2.  $Mu_x = P_x$
3.  $MRTS_{LK} = \frac{W}{r}$
4.  $MRS_{xy} = \frac{P_x}{P_y}$

Codes :

	a	b	c	d
(A)	2	4	3	1
(B)	1	2	3	4
(C)	2	4	1	3
(D)	1	3	2	4

41. **List I**
- a)  $M_1$
- b)  $M_2$
- c)  $M_3$
- d)  $M_4$
- List II**
1. C + DD + OD + Time Deposits with Banks
2. C + DD + OD
3. C + DD + OD + Savings Deposits with post offices
4. Broad Money + Total Post Offices Deposits

Codes :

	a	b	c	d
(A)	1	2	3	4
(B)	2	3	4	1
(C)	2	3	1	4
(D)	1	2	4	3

42. **List I**
- a) Breakdown of Capitalism
- b) Stationary end of Capitalism
- c) Secular stagnation
- d) Secular Deterioration of terms of Trade
- List II**
1. Karl Marx
2. Raul Prebisch
3. David Ricardo
4. Hansen

Codes :

	a	b	c	d
(A)	1	3	4	2
(B)	1	2	3	4
(C)	1	3	2	4
(D)	4	3	1	2

43. **List I**
- a) J. M. Buchannan
- b) Findlay Chirras
- c) R. N. Bhargava
- d) A. P. Lerner
- List II**
1. Federal Finance
2. Functional Finance
3. Public Choice Theory
4. Cannons of Public Expenditure

Codes :

	a	b	c	d
(A)	1	2	3	4
(B)	3	4	1	2
(C)	3	4	2	1
(D)	1	2	4	3

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44. Which of the following pairs of effects of tariffs is not correctly matched ?

- (A) Consumption – Falls
- (B) Production – Rises
- (C) Terms of Trade – Deteriorate
- (D) Income Redistribution – Favours scarce factor

45. **List I** **List II**

- |                          |                   |
|--------------------------|-------------------|
| a) Level of significance | 1. $(1 - \alpha)$ |
| b) Level of confidence   | 2. $\beta$        |
| c) Type-II Error         | 3. $\alpha$       |
| d) Range of $R^2$        | 4. 0 to 1         |

**Codes :**

- |     | a | b | c | d |
|-----|---|---|---|---|
| (A) | 1 | 2 | 3 | 4 |
| (B) | 3 | 1 | 4 | 2 |
| (C) | 1 | 2 | 4 | 3 |
| (D) | 3 | 1 | 2 | 4 |

Read the following paragraph carefully and answer the questions from 46 to 50

### Indian Economy – An overview

One of the redeeming features, while comparing economic performance across different countries for the year 2014-15, has been the emergence of India among the few large economies with propitious economic outlook, amidst the mood of pessimism and uncertainties that engulf a number of

advanced and emerging economies. Brighter prospects in India owe mainly to the fact that the economy stands largely relieved of the vulnerabilities associated with an economic slowdown, persistent inflation, elevated fiscal deficit, slackening domestic demand, external account imbalances, and oscillating value of the rupee in 2011-12 and 2012-13. From the macroeconomic perspective, the worst is clearly behind us. The latest indicators, emerging from the recently revised estimates of national income brought out by the Central Statistics Office, point to the fact that the revival of growth had started in 2013-14 and attained further vigour in 2014-15. Factors like the steep decline in oil prices, plentiful flow of funds from the rest of the world, and potential impact of the reform initiatives of the new government at the centre along with its commitment to calibrated fiscal management and consolidation bode well for the growth prospects and the overall macroeconomic situation. Encouraged by the greater macroeconomic stability and the reformist intent and actions of the government, coupled with improved business sentiments in the country, institutions like the IMF and the World Bank have presented an optimistic growth outlook for India for the year 2015 and beyond. The possible headwinds to such promising prospects, however, emanate from factors like inadequate support from the global economy saddled with subdued demand conditions, particularly in Europe and Japan, recent slowdown in China and on the domestic front, from possible spill-overs of below normal agricultural growth and challenges relating to the massive requirements of skill creation and infrastructural upgradation. The encouraging

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results from the Advance Estimates for 2014-15 suggest that though the global sluggishness has partly fed into the lacklustre growth in foreign trade ; yet this downward pressure has been compensated by strong domestic demand, keeping the growth momentum going.

46. Which of the following is not an appropriate reason for pessimism and uncertainty prior to the year 2014-15 ?

- (A) Demographic Dividend
- (B) Persistent Inflation
- (C) Slackening Domestic Demand
- (D) Fiscal Deficit

47. From the macro point of view the revival of growth and its further attainment are due to

- I. Steep reduction in oil prices
- II. New initiatives by the government
- III. Calibrated fiscal policy management
- IV. Current status of agriculture

**Codes :**

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

48. **Assertion (A)** : The IMF and World Bank have presented an optimistic growth outlook for India from 2015 and beyond

**Reason (R)** : India achieved macro economic stability, initiated several reforms to improve the business sentiments in the country

**Codes :**

- (A) Both (A) and (R) are correct, (R) is the correct explanation of (A)
- (B) Both (A) and (R) are incorrect
- (C) (A) is correct, (R) is incorrect
- (D) (A) is incorrect, (R) is correct

49. Brighter prospects in India might be due to overcoming the problems of

- I. Economic slowdown
- II. Persistent inflation
- III. High fiscal deficit
- IV. External account imbalance

**Codes :**

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

50. The global slowdown has an impact on India's

- (A) Agricultural sector
- (B) Industrial sector
- (C) Foreign demand
- (D) Domestic demand

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KSET - 2016

Subject: ECONOMICS

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KEY - Paper - II

Q.No	Ans	Q.No	Ans	Q.No	Ans
1	C	21	D	41	C
2	B	22	D	42	A
3	D	23	C	43	B
4	C	24	A	44	C
5	A	25	B	45	D
6	B	26	C	46	A
7	A	27	D	47	C
8	C	28	A	48	A
9	C	29	B	49	D
10	C	30	#	50	C
11	A	31	A		
12	B	32	B		
13	B	33	D		
14	D	34	A		
15	A	35	D		
16	C	36	C		
17	D	37	B		
18	B	38	A		
19	D	39	C		
20	A	40	A		