

Prepp

Your Personal Exams Guide



NDA



CDS



SSC CGL



CBSE UGC NET



IAS



SSC CHSL



CTET



MPSC



AFCAT



CSIR UDC NET



IBPS PO



UP POLICE



SSC MTS



SBI PO



BPS



UP TET



IBPS RRB



IBPS CLERK



IES



UPSC CAPF



SSC Stenogr..



RRB NTPC



SSC GD



RBI GRADE B



RBI Assistant



DSSSB

UGC NET 2022 Paper 2 Economics Prev Year Paper (02-Mar-2023) (Shift 1)

Total Time: 2 Hour

Total Marks: 200

Instructions

Sl No.	Section Name	No. of Question	Maximum Marks
1	Test	100	200

- 1.) A total of 120 minutes is allotted for the examination.
- 2.) The server will set your clock for you. In the top right corner of your screen, a countdown timer will display the remaining time for you to complete the exam. Once the timer reaches zero, the examination will end automatically. The paper need not be submitted when your timer reaches zero.
- 3.) There will, however, be sectional timing for this exam. You will have to complete each section within the specified time limit. Before moving on to the next section, you must complete the current one within the time limits.

Your Personal Exams Guide

Test

1. Which of the following is not true in case of Indifference curves? (+2)
- a. The Indifference curves are usually convex or bowed inward.
 - b. Indifference curve for two goods that are perfect compliments is shaped as right angles.
 - c. Indifference curve for two goods that are perfect substitutes is a downward sloping straight line.
 - d. Indifference curve for two normal goods is a downward sloping straight line.
-
2. Which one of the following is not true in case of producer's equilibrium? (+2)
- a. $\frac{MP_L}{MP_K} = \frac{w}{r}$
 - b. $MRTS_{LK} = \frac{MP_L}{MP_K} = \frac{w}{r}$
 - c. $\frac{MP_L}{w} = \frac{MP_K}{r}$
 - d. $MRTS_{LK} = \frac{r}{w}$
-
3. A game in which the gains or losses of one player or firm do not come at the expenses of or provide equal benefit to the other player or firm, is known as ----- (+2)
- a. Zero - Sum game
 - b. Non - Zero Sum game
 - c. Mixed game

d. Balanced game

4. The condition of preferring a risky income to a certain income with the same expected value is referred as : (+2)

- a. Risk averse
 - b. Risk loving
 - c. Risk neutral
 - d. Risk premium
-

5. _____ arises when the firm can produce any combination of the two outputs more cheaply than could two independent firms that each produced a single output. (+2)

- a. Learner's curve
 - b. Economies of scale
 - c. Dis - economies of scale
 - d. Economies of scope
-

6. In which oligopoly model, firms produce homogenous goods and each firm treats the price of its competitors as fixed and all firms decide simultaneously, what price to change? (+2)

- a. Bertrand model
- b. Cournot model
- c. Stackelberg model

d. Sweezy model

7. Who wrote that "every man thus lives by exchanging or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society." (+2)

- a. Milton Friedman
 - b. Keynes
 - c. Benjamin Olken
 - d. Adam Smith
-

8. The Sticky - Price Model is (+2)

- a. The upward sloping short run aggregate supply curve
 - b. The upward sloping long run aggregate supply curve
 - c. The downward sloping short run Aggregate Demand curve
 - d. The downward sloping long run Aggregate Demand curve
-

9. If the demand for labour increases, then (+2)

- a. Real wage rises
 - b. The amount of labour employed increases
 - c. Both 1 and 2 happen
 - d. None of the above
-

10. Macroeconomics distinguishes between real economy and _____ (+2)
- a. Virtual economy
 - b. Monetary economy
 - c. Normative economy
 - d. Underground economy
-

11. In accelerator theory, capital output ratio is assumed to be (+2)
- a. Increasing
 - b. Independent from level of National income
 - c. Decreasing
 - d. Constant
-

12. Government spending is (+2)
- a. a second element of autonomous expenditure.
 - b. to be controlled by policy makers.
 - c. does not depend directly on the level of income.
 - d. All of the above
-

13. Find the variance of random variables which constitute the number of heads in (+2)
a toss of two coins simultaneously.

- a. $1/2$
- b. 1
- c. 2
- d. 4

14. If the demand and supply functions are given $P_d = 20 - 5x$ and $P_s = 4x + 8$; (+2)
obtain Producer's surplus

- a. $31 / 9$
- b. $32 / 9$
- c. $129 / 9$
- d. $29 / 9$

15. The demand function for Good A is given by $Q_A = 100 - 2 P_A + 0.2 Y + 0.3 P_B$. (+2)

Find the cross - price elasticities of demand at $P_A = 6, Y = 500, P_B = 10$.

- a. 0.06
- b. 0.016
- c. 0.52
- d. 0.06

16. Test statistics used to test stationary of a time series in the presence of (+2)
correlated error term is

- a. Dickey - Fuller test
 - b. Engle - Granger test
 - c. Error - Correction mechanism
 - d. Augmented Dickey - Fuller test
-

17. In logit model as P_i goes from 0 to 1, logit L varies from (+2)

- a. 0 to $+\infty$
 - b. ∞ to $+\infty$
 - c. 0 to 1
 - d. ∞ to 0
-

18. Find the Elasticity of Substitution (σ) of Constant elasticity of substitution (CES) Production function. When the substitution parameter(p) lies between $0 < p < \infty$ (+2)

- a. $\sigma > 1$
 - b. $\sigma < 1$
 - c. $\sigma = \infty$
 - d. $\sigma = 1$
-

19. The regression model $Y_t = \alpha_1 + \alpha_2 D_t + \beta_1 X_t + \beta_2 (Y_t D_t) + U_t$ is used to (+2)

- a. Deseasonalize a time series data
- b. Analyze the seasonal trend in data

- c. Analyse structural break in data
 - d. Analyse piecewise linear relationship in data
-

20. A box of nine golf gloves contains two left handed and seven right - handed gloves. If two gloves are randomly selected from the box without replacement, what is the probability that one is left - handed and the other is a right - handed glove? (+2)

- a. $7 / 12$
 - b. $2 / 9$
 - c. $7 / 18$
 - d. $1 / 9$
-

21. Which institution has published the Human Development Report annually since 1990? (+2)

- a. International Monetary Fund
 - b. World Bank
 - c. Asian Development Bank
 - d. United National Development Programme
-

22. Which Five year plan proposed to make India, "Self - reliant and Self generating economy" (+2)

- a. IInd Five year plan
- b. IIIrd Five year plan

- c. IVth Five year plan
 - d. Vth Five year plan
-

23. The birth of World Trade Organisation emerged from which round? (+2)

- a. Geneva
 - b. HongKong
 - c. Uruguay
 - d. Tokyo
-

24. Total Budget Allocation in year 2022 - 23. For "Har Ghar, Nal Se Jal" in rupees is: (+2)

- a. 50,000/ - crore
 - b. 80,000/ - crore
 - c. 60,000/ - crore
 - d. 70,000/ - crore
-

25. A toll is a tax on those citizens who use toll roads. This policy can be viewed as an application of (+2)

- a. The benefit principle
- b. Horizontal equity
- c. Vertical equity
- d. Tax progressivity

26. Which of the following formulae is used to measure the tax multiplier: (+2)

a. $\frac{-MPC}{1-MPC}$

b. $\frac{1}{1-MPC}$

c. $\frac{1-MPC}{MPC}$

d. $\frac{2-MPC}{MPC}$

27. The Free-rider problem arises : (+2)

- a. when goods are congestible.
 - b. when goods are of a rival nature.
 - c. when number of beneficiaries is large and exclusion of any one of them is impossible.
 - d. when goods are available freely but on a first cum first serve basis till stocks last.
-

28. The money supply in the IS - LM model is assumed to be (+2)

- a. Real narrow money
 - b. Nominal money supply
 - c. Nominal Broad money
 - d. Real money supply
-

29. Which of the following two economists are associated with the problem of time inconsistency? (+2)

- a. J. M. Keynes and Joan Robinson
- b. Kydland and Prescott
- c. Baumol and Tobin
- d. Friedman and Schwartz

30. The Value - Trade ratio captures trading relative to the size of the (+2)

- a. economy
- b. market
- c. market and economy
- d. none of these

31. "Under-developed countries are the slums of the world economy", is a statement given by (+2)

- a. Keynes
- b. G. Myrdal
- c. Adam Smith
- d. Cairncross

32. The greater the divergence between the shadow price and the market price : (+2)

- a. the greater the need for social cost-benefit analysis in public investment decisions.
- b. the lesser the need for social cost-benefit analysis in public investment decisions.
- c. then there will be no social benefit in public investments.
- d. then the social cost will be minimum.

33. Which one of the following pairs is NOT correctly matched?

(+2)

Author		Book
1.	Simon Kuznets	Asian Drama
2.	Robinson	Essays on the Theory of Economic growth
3.	Karl Marx	Das Capital
4.	Arthur W. Lewis	Theory of Economic Growth

- a. 1
- b. 2
- c. 3
- d. 4

34. Which of the following is not true about the basic postulates of the Malthusian Perspective on population? (+2)
- a. The human population will invariably grow where the means of subsistence increase
 - b. The total amount of land available for agriculture is immutably fixed
 - c. Factor substitutions and technological advances can alleviate resource scarcities
 - d. The growth of population is limited by the amount of food available for subsistence
-

35. Which of the following criterion is used to judge the performance of instruments for environmental policy? (+2)
- a. Ensuring that for each firm, the marginal abatement cost is equal to the marginal damage from pollution
 - b. Achieving equality of marginal abatement costs across polluters
 - c. Minimising the total cost of the externality to the society
 - d. All of the above
-

36. Which of the following is true in the case of externality? (+2)
- a. It is not related to human interactions
 - b. It is not tied to consumer sovereignty
 - c. It is based on higher order judgements of right and wrong

d. It is an amoral concept

37. What does the case of 'Immiserising growth' state? (+2)

- a. Growth in richer nations would actually be self defeating
 - b. Growth in poorer nations would actually be self defeating
 - c. Growth in poorer nations would actually be self promoting
 - d. Growth in richer nations would actually be self promoting
-

38. In which stage of the product cycle model, the imitating country starts under selling the innovating country in third markets? (+2)

- a. Stage - V
 - b. Stage - II
 - c. Stage - III
 - d. Stage - IV
-

39. If the nominal tariff rate (t) on consumers of the final commodity is 10 percent; the ratio of the cost of the imported input to the price of the final commodity in the absence of tariffs $a_i = 0.8$; and the nominal tariff rate on the imported input $t_i = 20\%$, then find the rate of effective protection. (+2)

- a. 10%
- b. 8%
- c. 3%

d. 30%

40. The level of intra-industry index (T) can be measured as: (+2)

a. $T = 1 - \frac{|X-M|}{X+M}$

b. $T = 1 + \frac{|X-M|}{X+M}$

c. $T = 1 - \frac{X-M}{|X+M|}$

d. $T = 1 - \frac{|X-M|}{|X+M|}$

41. Nash equilibrium represents (+2)

- A. The outcome each time the game is played
- B. Long - run equilibrium
- C. A situation in which one player will not deviate, given the strategy of other player
- D. Best response of the first mover
- E. The pair of dominated strategies

Choose the **correct** answer from the options given below:

- a. A, B and C only
 - b. B and D only
 - c. B and C only
 - d. A, C and D only
-

42. Which of the following are correct about loanable fund theory? (+2)

- A. Disharding is a major source of supply of loanable funds.
- B. Demand for hoarding is inversely related to the interest rate.
- C. Equality between demand and supply of loanable funds is the only condition required for a stable equilibrium.
- D. Wicksell was one of the propounders of the theory.
- E. It introduced monetary factors into the theory of interest.

Choose the **correct** answer from the options given below:

- a. A, B and D only
- b. C, D and E only
- c. B, D and E only
- d. A, D and E only

43. Which of the following are correct assumptions of Arrow's conditions of Social Welfare? (+2)

- A. Responsiveness to individual preferences
- B. Impositions
- C. Dictatorship
- D. Transitivity or consistency
- E. Independent of irrelevant alternatives

Choose the **correct** answer from the options given below:

- a. A, B and D only

- b. B, D and E only
- c. B, C and D only
- d. A, D and E only

44. The consequences of a country having a persistent current account surplus include (+2)

- A. Employment generation
- B. Higher standard of living
- C. Low inflation pressure
- D. Currency appreciates in value
- E. More pressure on public debt

Choose the **correct** answer from the options given below:

- a. A, B, C and D only
- b. A, B and D only
- c. A and E only
- d. A, D and E only

45. For the computation of National income by the product method, which of the following sectors are considered: (+2)

- A. Registered manufacturing
- B. Agricultural and allied activities
- C. Mining and quarrying

- D. Unregistered manufacturing
- E. Non - monetised activities

Choose the **correct** answer from the options given below:

- a. A, B and C only
 - b. B and C only
 - c. A, B, C and D only
 - d. B, C and D only
-

46. Which of the following statements are correct? (+2)

- A. According to the accelerator model, investment demand is proportional to the change in GDP.
- B. The real rate of interest is the nominal rate of interest plus the inflation rate.
- C. The higher the real interest rate, the higher is the rental cost of capital.
- D. Investment is a stock concept.
- E. Residential investment is low when mortgage interest rates are high.

Choose the **correct** answer from the options given below:

- a. B, C and D only
 - b. A, C and E only
 - c. A, B and E only
 - d. C, D and E only
-

47. The properties of Mathematical Expectation are

(+2)

- A. $E(C) = 0$, where C is constant
- B. If X and Y are random variables, then $E(X+Y) = E(X) + E(Y)$
- C. $\text{Var}(X \pm C) = \text{Var}(X)$, where C is constant
- D. If X and Y are independent random variables, then $E(XY) = E(X).E(Y)$
- E. $\text{Var}(aX) = a.\text{Var}(X)$, where a is constant

Choose the **correct** answer from the options given below:

- a. A, B and D only
- b. B, D and E only
- c. B, C and D only
- d. B, C and E only

48. Which of the following are correct are OLS estimation in the presence of autocorrelation?

(+2)

- A. The estimated coefficients are linear
- B. The estimated coefficients are unbiased
- C. The estimated coefficients are biased
- D. The estimated coefficients are consistent
- E. The estimated coefficients are efficient

Choose the **correct** answer from the options given below:

- a. A, C and D only

- b. A, B and D only
- c. A, C and E only
- d. C, D and E only

49. Which of the following are correct in case of area under the standard normal probability curve. (+2)

- A. Distance from the mean ordinates in terms of $\pm \sigma$ at $Z = \pm 0.6745$ is 0.55
- B. Distance from the mean ordinates in terms of $\pm \sigma$ at $Z = \pm 1.96$ is 0.95
- C. Distance from the mean ordinates in terms of $\pm \sigma$ at $Z = \pm 2.0$ is 0.9544
- D. Distance from the mean ordinates in terms of $\pm \sigma$ at $Z = \pm 2.58$ is 0.98
- E. Distance from the mean ordinates in terms of $\pm \sigma$ at $Z = \pm 3.0$ is 0.9973

Choose the **correct** answer from the options given below:

- a. A, C and E only
- b. B, C and E only
- c. B, C and D only
- d. A, B and E only

50. Which of the following satisfy the assumptions of the classical linear regression model? (+2)

- A. The regression model is linear in the parameters
- B. Zero mean value of disturbance U_i
- C. The variance of U_i is not constant

- D. There is a serial autocorrelation between the disturbance terms
- E. The number of observations must be greater than the number of parameters to be estimated

Choose the **correct** answer from the options given below:

- a. B, C and E only
- b. A, B and E only
- c. B, D and E only
- d. A, C and D only

51. If A, B and C are three different non - empty sets, then find which of the following are correct in laws of the set operation. (+2)

- A. $A \cap \emptyset = \emptyset$
- B. $A \cap (B \cup C) = (A \cap B) \cup (A \cap C)$
- C. $A \cap A' = \emptyset$
- D. $B - A = B' \cap A'$
- E. $(A \cup B)' = A' \cup B'$

Choose the correct answer from the options given below:

- a. A, B, C and E only
- b. A, C and E only
- c. A, C and D only
- d. A, B and C only

52. Which among the following are main components of PM e - Vidya: (+2)

- A. One Nation, One Digital Education.
- B. Infrastructure and Electronic Governance.
- C. One Class, One T.V. Channel.
- D. Extensive use of radio, Community radio and Podcasts.
- E. Information and Communication Technology.

Choose the correct answer from the options given below:

- a. A, C, D and E only
- b. A, B, C and E only
- c. B, C, D and E only
- d. A, B, D and E only

53. Which of the followings are the alternative estimates of poverty in India? (+2)

- A. Dandekar and Rath Estimate
- B. O.P Chopra Estimate
- C. P. D. Ojha Estimate
- D. B. S. Minhas Estimate
- E. D. K. Rangnekar Estimate

Choose the correct answer from the options given below:

- a. A, B and C only
- b. B, C and E only

- c. A, C and D only
 - d. C, D and E only
-

54. Which of the following objectives are correct for the Public Sector? (+2)

- A. To create employment opportunities
- B. To promote balanced regional growth
- C. To promote agriculture growth
- D. To promote rapid economic development
- E. To promote the banking sector of the economy

Choose the correct answer from the option given below:

- a. A, B and D only
 - b. B, C and E only
 - c. C, D and E only
 - d. A, B, C, D and E
-

55. Which of the following are required for a good tax system? (+2)

- A. Revenue yield should be adequate.
- B. Tax system should be so that different income groups of people pay tax equally.
- C. Administrative and compliance cost of tax should be as minimum as possible.
- D. Tax system should not permit scope for tax leakage and tax evasion.

E. Tax should be chosen to maximise interference with market efficiency.

Choose the correct answer from the options given below:

- a. A and C only
 - b. A, C and E only
 - c. A, C and D only
 - d. A, B, C and D only
-

56. Federal transfers to states are required mainly: (+2)

- A. to offset unequal assignment of resources and responsibilities between Federal Government and State Government.
- B. to correct spillovers of benefits of public goods between jurisdictions.
- C. to address horizontal fiscal imbalances.
- D. to augment resources of local bodies.
- E. for overall efficiency of tax system.

Choose the correct answer from the options given below:

- a. A, B and C only
 - b. A, C and D only
 - c. A, B, C and D only
 - d. A, B, C, D and E
-

57. Which of the following are expansionary monetary policy measures to cure deflation? (+2)

- A. The Central bank buys government securities from commercial banks and public.
- B. The Central bank may hike the bank rate.
- C. The Central bank may increase the cash reserve ratio.
- D. The Central bank may reduce the cash reserve ratio.
- E. The Central bank may lower the bank rate.

Choose the correct answer from the options given below:

- a. A, B and D only
- b. A, C and E only
- c. B and C only
- d. A, D and E only

58. The main features of Treasury bills are that:

(+2)

- A. they are issued at a discount and are repaid at par on maturity.
- B. they have low liquidity on account of their short tenure.
- C. there is no default risk.
- D. they offer an assured yield.
- E. they have a high transaction cost.

Choose the **correct** answer from the options given below:

- a. A, B and C only
- b. A, C and D only

- c. A, D and E only
- d. A, C and E only

59. Which of the following are correct in case of probability of two independent events A and B? (+2)

- A. $P(A/B) = P(A)$
- B. $P(A/B) = P(B)$
- C. $P(A \cap B) = P(A) \cdot P(B)$
- D. $P(A \cap B) = P(A) \cdot P(B)$
- E. $P(A \cap B) = P(A) \cdot P(B)$

Choose the **correct** answer from the options given below:

- a. B, C and E only
- b. A, C and D only
- c. B, C and D only
- d. A, C and E only

60. Harrod - Domar classification of growth includes, which of the following? (+2)

- A. Natural growth rate
- B. Desired growth rate
- C. Warranted growth rate
- D. Possible growth rate
- E. Population growth rate

Choose the **correct** answer from the options given below:

- a. A and B only
- b. B and C only
- c. A, B, C and E only
- d. A, B and C only

61. Which of the following are true for an oligopolistic market? (+2)

- A. The demand curve of oligopolistic market is indeterminate.
- B. There is a possibility of only two sellers.
- C. The product may be homogenous or differentiated.
- D. There is free entry into and free exit out of the market.
- E. There is an importance of advertisement cost.

Choose the **correct** answer from the options given below:

- a. A, B, C and D only
- b. B, C and D only
- c. A, B, C and E only
- d. B, C, D and E only

62. Which of the following trends conform to the population projections for India (+2)
based on the Census of India 2011, as carried out by the Technical Group on
Population Projections under the aegis of National Commission on Population.

- A. The infant mortality rate is expected to decline in all states during 2011 – 2035.
- B. The average age of Indians is expected to be higher in 2036 compared to 2011.
- C. The crude birth rate is expected to increase due to increasing level of total fertility.
- D. The crude death rate is expected to decrease owing to the changing age structure of the population.
- E. As per the projected sex ratio, the population in 2036 is expected to be more feminine compared to the population in 2011.

Choose the **correct** answer from the options given below:

- a. A, B and C only
- b. A, B and E only
- c. A, D and E only
- d. B, C and E only

Your Personal Exams Guide

63. Consider a competitive polluting industry with identical firms and free entry. If the regulator sets an emission cap for each firm equal to the socially optimal long run level per firm, which of the following will characterize the long run impact of such an environmental policy on this competitive industry? (+2)
- A. The industry size will be larger than the social optimum.
 - B. The output produced by each firm will be less than socially optimal.
 - C. The industry size will be smaller than the social optimum.
 - D. The output produced by each firm will be larger than socially optimal.

E. Total output and total pollution are greater than the social optimum.

Choose the **correct** answer from the options given below:

- a. A, D and E only
 - b. B, C and E only
 - c. C, D and E only
 - d. A, B and E only
-

64. Which of the following are the members of SAARC countries? (+2)

- A. India
- B. Pakistan
- C. Sri Lanka
- D. Afghanistan
- E. China

Choose the **correct** answer from the options given below:

- a. A, C and E only
 - b. B, C and E only
 - c. A, D and E only
 - d. A, B, C and D only
-

65. Which of the following forms the credit side of the Balance of Payments? (+2)

- A. Unilateral transfer recieved

- B. Capital transfer recieved
- C. Income Payments (Import of factor services)
- D. Exports of factor services
- E. Merchandise imports

Choose the **correct** answer from the options given below:

- a. A, B and E only
- b. B, C and D only
- c. A, C and D only
- d. A, B and D only

66. Match List I with List II

(+2)

Your Personal Exams Guide

LIST I		LIST II	
A.	Extra risk that an investor must incur to enjoy a higher expected return.	I.	Risky Asset
B.	Tendency of individuals to value an item more when they own it than when they do not.	II.	Moral Hazard
C.	Provides an uncertain flow of money or services to its owner.	III.	Price of Risk
D.	When a party whose actions are unobserved can affect the probability of payment associated with an event.	IV.	Endowment effect

Choose the **correct** answer from the options given below:

- a. A - I, B - IV, C - III, D - II
- b. A - III, B - IV, C - I, D - II
- c. A - III, B - IV, C - II, D - I
- d. A - I, B - II, C - III, D - IV

67. Match **List I** with **List II**

(+2)

LIST I		LIST II	
A.	A. W. Phillips	I.	Trade off between wage and unemployment
B.	Findley Shiraz	II.	Money illusion
C.	Modigliani	III.	Life cycle hypothesis
D.	Pigou	IV.	Taxable capacity

Choose the **correct** answer from the options given below:

- a. A - II, B - I, C - III, D - IV
- b. A - I, B - IV, C - III, D - II
- c. A - I, B - II, C - III, D - IV
- d. A - III, B - IV, C - I, D - II

68. Match List I with List II

(+2)

LIST I		LIST II	
A.	Censored regression Model	I.	Probit Model
B.	Normit Model	II.	Marc Nerlove
C.	Distributed - lags Model	III.	Tobit Model
D.	Partial adjustment Model	IV.	L. M. Koyck

Choose the **correct** answer from the options given below:

- a. A - I, B - III, C - II, D - IV
- b. A - III, B - I, C - IV, D - II
- c. A - III, B - IV, C - I, D - II
- d. A - IV, B - III, C - I, D - II

69. Match List I with List II

(+2)

List I		List II	
Two - Variable Linear Regression Model		Elasticity	
A.	$y = \beta_1 + \beta_2 X$	I.	$\beta_2 X$
B.	$\ln y = \beta_1 + \beta_2 X$	II.	β_2
C.	$y = \beta_1 + \beta_2 \ln X$	III.	$\beta_2 (X / M)$
D.	$\ln y = \beta_1 + \beta_2 \ln X$	IV.	$\beta_2 (1 / y)$

Choose the **correct** answer from the options given below:

- a. A - III, B - IV, C - I, D - II
- b. A - III, B - I, C - IV, D - II
- c. A - II, B - I, C - III, D - IV
- d. A - II, B - III, C - IV, D - I

70. Match **List I** with **List II**

(+2)

List I		List II	
A.	GATS, Mode - 1	I.	Cross - border trade
B.	GATS, Mode - 2	II.	Commercial presence
C.	GATS, Mode - 3	III.	Temporary movement of natural persons
D.	GATS, Mode - 4	IV.	Consumption abroad

Choose the **correct** answer from the options given below:

- a. A - I, B - IV, C - III, D - II
- b. A - I, B - IV, C - II, D - III
- c. A - I, B - II, C - IV, D - III
- d. A - I, B - II, C - III, D - IV

71. Match **List I** with **List II**

(+2)

LIST I		LIST II	
A.	Functional Finance	I.	Peacock and Wiseman
B.	Displacement effect	II.	Keynes and Learner
C.	Law of increasing state activity	III.	Wagner
D.	Allocative, stabilization and distributive function of state	IV.	Musgrave

Choose the **correct** answer from the options given below:

- a. A - II, B - I, C - III, D - IV
- b. A - IV, B - I, C - III, D - II
- c. A - II, B - III, C - I, D - IV
- d. A - I, B - II, C - IV, D - III

72. Match List I with List II

(+2)

LIST I		LIST II	
A.	The establishment of a clearing house for settlement of transactions in BSE.	I.	1994
B.	Serial bomb blasts in BSE.	II.	1997
C.	Screen - based trading commenced in BSE.	III.	1921
D.	BSE launched the first stock index with 30 scrips.	IV.	1986

Choose the **correct** answer from the options given below:

- a. A - I, B - III, C - II, D - IV
- b. A - III, B - II, C - IV, D - I
- c. A - III, B - I, C - II, D - IV
- d. A - II, B - I, C - III, D - IV

73. Match **List I** with **List II**

(+2)

List I		List II	
A.	SCP approach	I.	James Buchanan
B.	Transaction cost theory	II.	New classical theory
C.	Public choice theory	III.	H. H. Index
D.	Industrial connection	IV.	Williamson

Choose the **correct** answer from the options given below:

- a. A - III, B - IV, C - I, D - II
- b. A - III, B - IV, C - II, D - I
- c. A - I, B - III, C - IV, D - II
- d. A - IV, B - II, C - I, D - III

74. Match List I with List II

(+2)

List I		List II	
Conference of the Parties (COP) - UNFCCC		Location	
A.	COP - 15	I.	Bali, Indonesia
B.	COP - 21	II.	Sharm el-Sheikh, Egypt
C.	COP - 13	III.	Copenhagen, Denmark
D.	COP - 27	IV.	Paris, France

Choose the **correct** answer from the options given below:

- a. A - IV, B - I, C - II, D - III
- b. A - III, B - IV, C - I, D - II
- c. A - III, B - I, C - II, D - IV
- d. A - IV, B - III, C - I, D - II

75. Match **List I** with **List II**

(+2)

List I		List II	
A.	Santa Cruz	I.	West Bengal
B.	Kandla	II.	Andhra Pradesh
C.	Falta	III.	Gujarat
D.	Vishakhapatnam	IV.	Maharashtra

Choose the **correct** answer from the options given below:

- a. A - I, B - II, C - IV, D - III
- b. A - IV, B - III, C - I, D - II
- c. A - II, B - IV, C - III, D - I
- d. A - III, B - I, C - II, D - IV

76. Arrange the percentage share of nominal GVA(RE), 2019 - 20 for the following sectors in descending order (+2)
- A. Agriculture and Allied
 - B. Manufacturing
 - C. Construction
 - D. Finance, Real estate and Professional services
 - E. Mining and Quarrying

Choose the **correct** answer from the options given below:

- a. D, A, B, C, E
- b. A, D, B, C, E
- c. D, B, A, C, E
- d. B, A, D, E, C

77. Arrange the books in ascending order based on their year of publication (+2)

- A. An Inquiry Into the Nature and Causes of Wealth of Nations
- B. The Theory of Moral Sentiments
- C. Capitalism, Socialism and Democracy
- D. The Great Transformation: The Political and Economic Origin of Our Time
- E. The Affluent Society

Choose the **correct** answer from the options given below:

- a. B, C, D, E, A
- b. B, A, C, D, E
- c. D, E, A, B, C
- d. A, C, E, B, D

78. Arrange the following in descending order on the basis of the year of WTO Ministerial Conferences held. (+2)

- A. Cancun, Mexico Conference.

- B. Nairobi, Kenya Conference.
- C. Bali, Indonesia Conference.
- D. Buenos Aires, Argentina Conference.
- E. Seattle, United States Conference.

Choose the **correct** answer from the options given below:

- a. A, C, D, B, E
- b. D, B, C, A, E
- c. B, C, A, E, D
- d. E, A, C, B, D

79. Arrange the following stages of the Budget in the correct sequence. (+2)

- A. Appropriation Bill.
- B. General Discussion.
- C. Finance Bill.
- D. Presentation to the Legislative Assembly.
- E. Voting on the Demand for Grants.

Choose the **correct** answer from the options given below:

- a. B, C, E, A, D
- b. A, B, E, C, D
- c. D, A, C, B, E
- d. D, B, A, C, E

80. Indicate the chronological sequence of the following in terms of their implementation in India. (+2)

- A. Service Tax
- B. Expenditure Tax
- C. State VAT
- D. Income Tax
- E. Goods and Services Tax (GST)

Choose the **correct** answer from the options given below:

- a. B, D, C, A, E
- b. D, B, C, A, E
- c. D, B, A, C, E
- d. B, A, D, C, E

81. According to the CMIE data (September, 2022) arrange the states in ascending order based on their unemployment rate. (+2)

- A. Madhya Pradesh
- B. Gujarat
- C. Chhattisgarh
- D. Assam
- E. Uttarakhand

Choose the **correct** answer from the options given below:

- a. D, B, A, C, E
 - b. C, D, E, A, B
 - c. C, B, D, E, A
 - d. A, B, C, D, E
-

82. Arrange the rates in descending order based on 'Reserve Bank of India' data, December 2022. (+2)

- A. Cash Reserve Ratio
- B. Repo rate
- C. Bank rate
- D. Reverse Repo rate
- E. Standing Deposit Facility rate

Choose the **correct** answer from the options given below:

- a. A, B, C, D, E
 - b. E, C, D, B, A
 - c. C, B, E, A, D
 - d. A, B, D, E, C
-

83. Arrange the followings chronologically in order of their introduction. (+2)

- A. Ad hoc Treasury bills (T - bills)
- B. 28 Days T - bills

- C. 14 Days T - bills
- D. 364 Days T - bills
- E. 182 Days T - bills

Choose the **correct** answer from the options given below:

- a. A, D, E, B, C
- b. A, E, D, C, B
- c. D, E, A, B, C
- d. E, A, C, D, B

84. Arrange the following in chronological order starting from the oldest relating to the theory of money. (+2)

- A. Patinkin
- B. Fisher
- C. Friedman
- D. Marshall
- E. Keynes

Choose the **correct** answer from the options given below:

- a. E, B, C, A, D
- b. B, D, E, A, C
- c. A, B, C, D, E
- d. D, B, A, C, E

85. Arrange the trading groups as per their year of establishment starting from the oldest (+2)

- A. European Free Trade Association
- B. North American Free Trade Agreement
- C. Asia Pacific Economic Cooperation
- D. Andean Community
- E. Association of South - East Asian Nations

Choose the **correct** answer from the options given below:

- a. A, E, D, B, C
- b. A, D, E, B, C
- c. A, E, D, C, B
- d. B, C, D, E, A

86. Given below are two statements: (+2)

Statement I: Every point on the Contract curve is Pareto efficient because one person could not be made better off without making someone else worse off.

Statement II: Every point on the Contract curve necessarily indicates equal level of economic welfare for the society.

In light of the above statements, choose the **most appropriate** answer from the options given below:

- a. Both Statement I and Statement II are correct.
- b. Both Statement I and Statement II are incorrect.

- c. Statement I is correct but Statement II is incorrect.
 - d. Statement I is incorrect but Statement II is correct.
-

87. Given below are two statements:

(+2)

Statement I: A rising ratio of interest payments to GNP imposes a burden because taxation is needed to finance the interest payment and imposes a dead weight loss.

Statement II: A rising rate of interest payment in the budget tends to crowd out other public programs.

s, choose the correct answer from the options given below:

- a. Both Statement I and Statement II are true.
 - b. Both Statement I and Statement II are false.
 - c. Statement I is true but Statement II is false.
 - d. Statement I is false but Statement II is true.
-

88. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).

(+2)

Assertion (A): The low income countries are far more likely to borrow money to finance their public sector expenditure.

Reason (R): Governments need not repay their loans, along with interest payment.

In light of the above statements, choose the correct answer from the options given below:

- a. Both (A) and (R) are true and (R) is the correct explanation of (A).

- b. Both (A) and (R) are true but (R) is NOT the correct explanation of (A).
- c. (A) is true but (R) is false.
- d. (A) is false but (R) is true.

89. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R). (+2)

Assertion (A): Partisan theory views macroeconomic policy outcomes as the result of ideologically motivated decisions by leaders of different political parties.

Reason (R): The parties represent constituencies with different preferences concerning macroeconomic variables.

In light of the above statements, choose the correct answer from the options given below:

- a. Both (A) and (R) are true and (R) is the correct explanation of (A).
- b. Both (A) and (R) are true but (R) is NOT the correct explanation of (A).
- c. (A) is true but (R) is false.
- d. (A) is false but (R) is true.

90. Given below are two statements: (+2)

Statement I: Supply side policies are long term measures to increase the productive capacity of the economy leading to an outward shift in the production possibility curve.

Statement II: Privatisation is the act of selling state owned assets in order to increase competition, productivity and efficiency.

In light of the above statements, choose the correct answer from the options given below:

- a. Both Statement I and Statement II are true.
- b. Both Statement I and Statement II are false.
- c. Statement I is true but Statement II is false.
- d. Statement I is false but Statement II is true.

91. Read the passage and answer the questions that follow

(+2)

U. Pagano and M.A. Rossi (2009) have advanced a hypothesis that states that, 'the crash of the knowledge economy is due to the intellectual monopolies, i.e. the huge protection inherent to Intellectual Property Rights (IPRs). The authors have stated - the institutions, which are facilitating IPRs are responsible for the crash. According to the authors, IPRs have acted as 'super - tariffs' as they have raised the cost of investment for countries that had neither abundant cheap labour nor high amounts of IPR resources. The IPRS may have subsequently exerted negative effect even on IP (Intellectual Property) rich firms or the conflicting rights of the firm may affect each other's investments and result in a situation of a savings glut. Therefore, the authors suggested - "if intellectual monopolies are one of the causes of the crash, the remedies should not only focus on monetary policy, financial regulation or even on standard Keynesian policies, rather regulation should be made to decrease the level of intellectual monopolization of economy". The policy measures they propose, however, aimed at redressing the balance between public and private knowledge, would not only have strong short - run super - multiplicative effects but would have long - run benefits as well.

Correctly state the hypothesis of Pagano and Rossi with regards to the crash of the knowledge economy.

- a. The root cause of the crash of knowledge economy is globalization, especially privatization.

- b. The root cause of the crash of knowledge economy is the poverty and inequality in the less developed countries.
- c. The root cause of the crash of the knowledge economy is the intellectual monopolies, i.e. the huge protection inherent to Intellectual Property Rights.
- d. The root cause of the crash of the knowledge economy is the promotion of ample digitization in the world.

92. Read the passage and answer the questions that follow

(+2)

U. Pagano and M.A. Rossi (2009) have advanced a hypothesis that states that, 'the crash of the knowledge economy is due to the intellectual monopolies, i.e. the huge protection inherent to Intellectual Property Rights (IPRs). The authors have stated - the institutions, which are facilitating IPRs are responsible for the crash. According to the authors, IPRs have acted as 'super - tariffs' as they have raised the cost of investment for countries that had neither abundant cheap labour nor high amounts of IPR resources. The IPRs may have subsequently exerted negative effect even on IP (Intellectual Property) rich firms or the conflicting rights of the firm may affect each other's investments and result in a situation of a savings glut. Therefore, the authors suggested - "if intellectual monopolies are one of the causes of the crash, the remedies should not only focus on monetary policy, financial regulation or even on standard Keynesian policies, rather regulation should be made to decrease the level of intellectual monopolization of economy". The policy measures they propose, however, aimed at redressing the balance between public and private knowledge, would not only have strong short - run super - multiplicative effects but would have long - run benefits as well.

According to the authors, who is responsible for the crash of the knowledge economy?

- a. The person / organisations who file the patent for protection of IPRs.
- b. The institutions which are facilitating IPRs.

- c. The person/organisation who are opposing to the IPRs.
- d. The sluggishness of the technological progress in the world.

93. Read the passage and answer the questions that follow

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U. Pagano and M.A. Rossi (2009) have advanced a hypothesis that states that, 'the crash of the knowledge economy is due to the intellectual monopolies, i.e. the huge protection inherent to Intellectual Property Rights (IPRs). The authors have stated - the institutions, which are facilitating IPRs are responsible for the crash. According to the authors, IPRs have acted as 'super - tariffs' as they have raised the cost of investment for countries that had neither abundant cheap labour nor high amounts of IPR resources. The IPRs may have subsequently exerted negative effect even on IP (Intellectual Property) rich firms or the conflicting rights of the firm may affect each other's investments and result in a situation of a savings glut. Therefore, the authors suggested - "if intellectual monopolies are one of the causes of the crash, the remedies should not only focus on monetary policy, financial regulation or even on standard Keynesian policies, rather regulation should be made to decrease the level of intellectual monopolization of economy". The policy measures they propose, however, aimed at redressing the balance between public and private knowledge, would not only have strong short - run super - multiplicative effects but would have long - run benefits as well.

Why have the authors considered IPRs as a super tariff?

- a. There is a large scale reduction in tariffs but substantial increase in some sectors, in some countries, hence it is considered as a super tariff.
- b. After the Uruguay Round, the tariff rate has declined multiple times and that boosts economic growth, hence it is considered as a super tariff.
- c. The reduction in tariff has benefited the developed countries, hence it is called a super tariff.

- d. The IPRs have raised the cost of investments for countries that had neither abundant cheap labour nor high amount of IPR resources, hence it acted as a super tariff.

94. Read the passage and answer the questions that follow

(+2)

U. Pagano and M.A. Rossi (2009) have advanced a hypothesis that states that, 'the crash of the knowledge economy is due to the intellectual monopolies, i.e. the huge protection inherent to Intellectual Property Rights (IPRs). The authors have stated - the institutions, which are facilitating IPRs are responsible for the crash. According to the authors, IPRs have acted as 'super - tariffs' as they have raised the cost of investment for countries that had neither abundant cheap labour nor high amounts of IPR resources. The IPRS may have subsequently exerted negative effect even on IP (Intellectual Property) rich firms or the conflicting rights of the firm may affect each other's investments and result in a situation of a savings glut. Therefore, the authors suggested - "if intellectual monopolies are one of the causes of the crash, the remedies should not only focus on monetary policy, financial regulation or even on standard Keynesian policies, rather regulation should be made to decrease the level of intellectual monopolization of economy". The policy measures they propose, however, aimed at redressing the balance between public and private knowledge, would not only have strong short - run super - multiplicative effects but would have long - run benefits as well.

How are the IPRs responsible for a savings glut?

- a. IPR has lead to economic growth, which has led to a savings glut.
- b. The aggregate demand has fallen substantially and that has led to the savings glut.
- c. The IPRs have given rise to conflicting rights for different firms, which has affected the volume of investment negatively and resulted in a situation of a savings glut.
- d. The IPRs have led to poverty and that has led to a savings glut.

95. Read the passage and answer the questions that follow

(+2)

U. Pagano and M.A. Rossi (2009) have advanced a hypothesis that states that, 'the crash of the knowledge economy is due to the intellectual monopolies, i.e. the huge protection inherent to Intellectual Property Rights (IPRs). The authors have stated - the institutions, which are facilitating IPRs are responsible for the crash. According to the authors, IPRs have acted as 'super - tariffs' as they have raised the cost of investment for countries that had neither abundant cheap labour nor high amounts of IPR resources. The IPRS may have subsequently exerted negative effect even on IP (Intellectual Property) rich firms or the conflicting rights of the firm may affect each other's investments and result in a situation of a savings glut. Therefore, the authors suggested - "if intellectual monopolies are one of the causes of the crash, the remedies should not only focus on monetary policy, financial regulation or even on standard Keynesian policies, rather regulation should be made to decrease the level of intellectual monopolization of economy". The policy measures they propose, however, aimed at redressing the balance between public and private knowledge, would not only have strong short - run super - multiplicative effects but would have long - run benefits as well.

What remedies do the authors suggest for the knowledge economy to recover from the crisis?

- a. The author have suggested standard Keynesian policies to recover from the crisis of the knowledge economy.
- b. The authors have suggested monetary policy to recover from the crisis of the knowledge economy.
- c. The authors have suggested financial regulations to recover the crisis of the knowledge economy.
- d. The recovery of the knowledge economy from the crisis can be achieved through the regulations, which can decrease the level of intellectual monopolisation (IPRS) in the economy.

96. Read the passage and answer the question that follows

(+2)

Globally, the understanding about the systematic impacts of climate change on the economic and financial systems is still evolving. Broadly, the climate-related risks impact the financials sector through two channels - (a) physical risks and (b) transition risks. Physical risks refer to the economic and financial losses such as risk to the value of a collateral etc., resulting from the increasing frequency and severity of extreme weather events, gradual long-term shifts of the climate and indirect effects of climate change (such as impact on ecosystem services etc.). Transition risks are the ones that arise from the process of adjustments towards a low-carbon economy. Its drivers include policies for climate mitigation, technological advances and shifts in public sentiments including that of customers and investors. To cope with such risks, the central bank needs to develop a multi-pronged strategy that puts adequate emphasis on climate-related financial disclosures, stress testing, climate scenario analysis and at the same time devising suitable regulatory initiatives. The Indian Central Bank has set up the Sustainable Finance Group in this regard. This aligns with its mission, "to promote the economic and financial well being of the people of India in terms of price and financial stability: fair and universal access to financial services and a robust, dynamic and responsive financial intermediation infrastructure."

Which of the following is not relevant as a climate-related risk for the financial sector?

- a. Occurrence of local or regional weather events.
- b. Risk to the value of collateral taken as security against loans.
- c. Insolvency of banks.
- d. Shifting sentiments and behaviour of customers and investors.

97. Read the passage and answer the question that follows

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Which of the following is not consistent with the mission of the RBI?

- a. Ensuring access to financial services.
- b. Maintaining price and stability.
- c. Setting national development priorities.
- d. Stability of the financial system.

98. Read the passage and answer the question that follows

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Which of the following is the purpose of setting up the Sustainable Finance Group by the RBI?

- a. To act as a knowledge center for macroeconomics policy oriented research.
- b. To lead regulatory initiatives on climate-risk.
- c. Facilitating core central banking function.
- d. To perform supervisory functions.

99. Read the passage and answer the question that follows

(+2)

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Which of the following cannot be instrumental towards integrating climate risks into the financial system?

- a. Climate-related financial disclosures
- b. Stress testing
- c. Scenario analysis
- d. Backward-looking risk assessment methods

100. Read the passage and answer the question that follows

(+2)

Globally, the understanding about the systematic impacts of climate change on the economic and financial systems is still evolving. Broadly, the climate-related risks impact the financials sector through two channels - (a) physical risks and (b) transition risks. Physical risks refer to the economic and financial losses such as risk to the value of a collateral etc., resulting from the increasing frequency and severity of extreme weather events, gradual long-

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Which of the following does not pertain to the category of transition risk drivers with respect to the climate-related risks?

- a. Climate-related mitigation policies
- b. Loss of ecosystem services
- c. Technological innovations
- d. Shift in public sentiment

Answers

1. Answer: d

Explanation:

The correct answer is Indifference curve for two normal goods is a downward sloping straight line.

★ Key Points

- **The Indifference curves are usually convex or bowed inward.**
 - The reason indifference curves are usually convex, or bowed inward, towards the origin is due to a principle known as diminishing marginal rate of substitution (MRS).
 - The marginal rate of substitution is the amount of a good a person is willing to give up to get an additional unit of another good, and still remain equally satisfied (on the same indifference curve). As a person consumes more and more of one good, the willingness to give up units of the second good to get more of the first good declines. This is the idea of diminishing marginal rate of substitution.
- **Indifference curve for two goods that are perfect compliments is shaped as right angles.**
 - An indifference curve is a graph that shows a combination of two goods that a consumer considers equally preferable, meaning they have the same level of satisfaction (or utility) with any of the combinations.
 - When the two goods are perfect complements, it means they are used together in a fixed ratio. Think of a car and gasoline, or a pen and ink. You need both together to achieve the desired use. Increasing one without the other doesn't add any value or satisfaction to the consumer.
- **Indifference curve for two goods that are perfect substitutes is a downward sloping straight line.**
 - Two goods are considered perfect substitutes if the consumer is perfectly okay with consuming one good instead of the other. That means the two goods are completely interchangeable from the consumer's viewpoint. For

example, imagine if you had two brands of plain bottled water – most people would be indifferent as to which brand of water they drink.

2. Answer: d

Explanation:

Option 4 is the right answer.

★ **Key Points**

- The Producer's equilibrium is the point where all of the variables used in production are at their respective minimum amounts.
- At this point, all costs would be zero, meaning that there would be no prices involved, and everyone would receive a profit. However, it is not entirely true that the Producer's equilibrium is reached at this point.
- To achieve his goal of producing maximum output with minimal costs, the Producer must also have cash on hand to pay for such items as raw materials, labour services, and rent on fixed capital equipment.

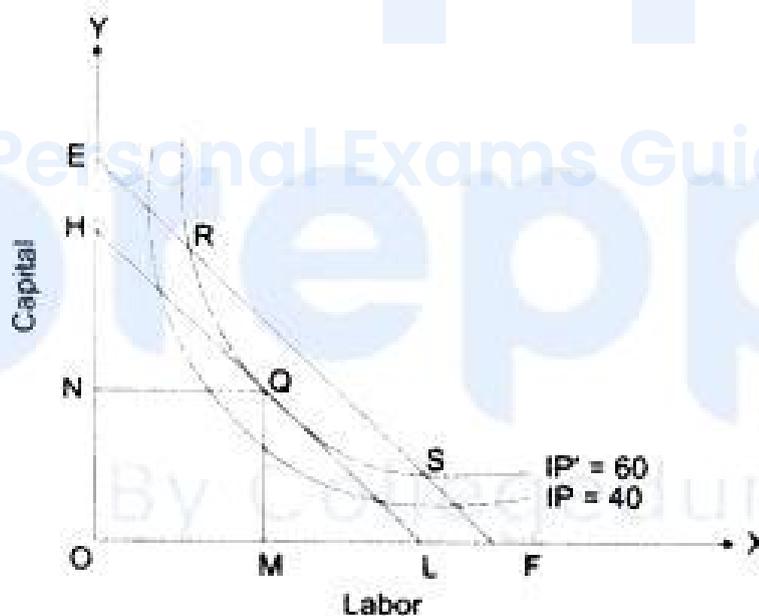


Figure-1 1: Producer's Equilibrium Using Isoquant and Iso-cost Line

- Producer's equilibrium occurs at the tangency of isocost and isoquant, where MRTS equals factor price ratios.

- $MRTS=w/r$.

3. Answer: b

Explanation:

Non-zero sum game.

★ Key Points

- A Non-Zero-Sum Game is a situation where one's win does not necessarily mean another's loss, and one's loss does not necessarily mean that the other party wins.
- In a Non-Zero-Sum Game, all parties could gain, or all parties could lose. This is in direct contrast to a Zero-Sum Game where one party's win necessitates another party's loss, such as in competitive games like basketball, where if one team wins, the other automatically loses.
- A classic example of a Non-Zero-Sum Game situation is called the Prisoner's Dilemma, where two prisoners are interrogated separately, and are offered a bargain where if one confesses, he is set free, while the other prisoner is convicted for 10 years.
- If both confess, they both face 2 years in prison. If both keep their mouth shut, they would both serve 6 months for a minor crime.
- Obviously, the optimal choice for both of them would be to keep silent and serve the 6 months. But since they don't know what the other person intends to do, they will both fear that the other one might confess, leaving them to suffer the 10 years.

4. Answer: b

Explanation:

The condition of preferring a risky income to a certain income with the same expected value is referred to as risk loving.

★ Key Points

- Risk lovers gravitate towards investments with extremely high potential payouts even if the potential for loss is comparatively larger.
- The types of investment a risk lover is willing to consider are the same ones that common valuation methods filter out.
- Risk lovers play an important market function by helping de-risk the market for more conservative investors.

5. Answer: d

Explanation:

Economies of Scope is the right answer.

★ Key Points

- An economy of scope means that the production of one good reduces the cost of producing another related good.
- Economies of scope occur when producing a wider variety of goods or services in tandem is more cost effective for a firm than producing less of a variety, or producing each good independently.

In such a case, the long-run average and marginal cost of a company, organization, or economy decreases due to the production of complementary goods and services.

★ Additional Information

- While economies of scope are characterized by efficiencies formed by variety, economies of scale are instead characterized by volume. The latter refers to a reduction in marginal cost by producing additional units.
- Economies of scale, for instance, helped drive corporate growth in the 20th century through assembly line production.

6. Answer: a

Explanation:

Bertrand model is the correct answer.

★ Key Points

- Bertrand competition is a model of competition used in economics, named after Joseph Louis François Bertrand (1822–1900).
- It describes interactions among firms (sellers) that set prices and their customers (buyers) that choose quantities at the prices set. The model was formulated in 1883 by Bertrand in a review of Antoine Augustin Cournot's book *Recherches sur les Principes Mathématiques de la Théorie des Richesses* (1838) in which Cournot had put forward the Cournot model.
- Cournot's model argued that each firm should maximise its profit by selecting a quantity level and then adjusting price level to sell that quantity.
- The outcome of the model equilibrium involved firms pricing above marginal cost; hence, the competitive price.
- In his review, Bertrand argued that each firm should instead maximise its profits by selecting a price level that undercuts its competitors' prices, when their prices exceed marginal cost.
- The model was not formalized by Bertrand; however, the idea was developed into a mathematical model by Francis Ysidro Edgeworth in 1889.

7. Answer: d

Explanation:

The correct answer is **Adam Smith**.

★ Key Points

- When the division of labour has been thoroughly established, it is but a very small part of a man's wants that the produce of his labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his labour, which is over and above his consumption, for such parts of the produce of other men's labour as he has occasion for. **Every man thus lives by exchanging or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.**
- "The Wealth of Nations," written by the influential economist Adam Smith. Published in 1776, the book provides one of the world's best-known rationales for free trade, competition, and the efficiency of market economics.

8. Answer: a

Explanation:

The correct answer is The upward-sloping short-run aggregate supply curve.

★ Key Points

- **The Sticky-Price Model** is an economic concept used in macroeconomics to explain how prices of goods and services adjust in the short run. According to this model, prices don't adjust instantly to changes in supply and demand but instead change slowly over time.
- The term "**sticky**" implies that prices tend to remain fixed or adjust only gradually.

★ Additional Information

- Price stickiness, or sticky prices, is the failure of market price(s) to change quickly, despite shifts in the broad economy suggesting a different price is optimal.
- When prices cannot adjust immediately to changes in economic conditions or in the aggregate price level, there is an inefficiency or disequilibrium in the market.
- Often the price stickiness operates in just one direction—for instance, prices will rise far more easily than they will fall.

- The concept of price stickiness can also apply to wages. When sales fall, the company doesn't resort to cutting wages
-

9. Answer: a

Explanation:

The correct answer is **Real wage rises**.

★ Key Points

- **If the demand for labor increases, typically two main outcomes can be expected in the labor market.**
 - **Wage increases:** Higher demand for labor generally results in an increase in wages, as firms are willing to pay more to attract the workers they need. This is based on the basic economic principle of supply and demand -- as demand rises while supply remains the same, the price, in this case, wages, should rise.
 - **Employment increases:** If the demand for labor increases, it means more jobs are being created in the economy, which leads to an increase in employment. Companies hiring more workers can lead to a reduction in unemployment rates, assuming there's a sufficient supply of workers.
 - **These outcomes**, however, rely on a number of assumptions, like the flexibility of wage rates, the preparedness and ability of the labor force to fill the new jobs, and how effectively the labor market matches workers to jobs. **For example**, there could be a situation where the demand for labor increases in a certain high-skill industry, but there may not be a sufficient supply of workers who possess these specific skills. Furthermore, changes might not be immediate as labor market adjustments often take time.
-

10. Answer: b

Explanation:

The correct answer is **Monetary economy**.

★ Key Points

- To sum up, macroeconomics distinguishes between the real economy and the **monetary economy**. The real economy deals with the production and consumption of goods and services, while the monetary economy deals with the creation, distribution, and use of money.
- **The monetary economy** refers to the part of the economy that deals with the creation, distribution, and use of money. It includes institutions such as banks, central banks, and financial markets. In the monetary economy, money is used as a medium of exchange, a store of value, and a unit of account. The monetary economy is measured by indicators such as money supply, interest rates, and exchange rates.

11. **Answer: d**

Explanation:

The correct answer is **Constant**.

★ Key Points

- In **accelerator theory**, the capital-output ratio (also known as the capital coefficient) is typically assumed to be constant. The theory is based on the notion that investment levels are determined by rates of change in income or consumption. It is seen as a response to changes in the rate of economic growth.
- This constant capital-output ratio assumption suggests a fixed relation between the capital stock necessary to produce a given level of output. If the demand for output increases, causing output to rise, firms will correspondingly need to increase their capital stock to meet this new demand level—thus, maintaining the constant capital-output ratio.
- However, one should note that this is an assumption to simplify the model, and in the real world, the capital-output ratio can change due to multiple factors,

including advances in technology, changes in labor efficiency, and shifts in production processes

12. Answer: a

Explanation:

The correct answer is a second element of autonomous expenditure.

★ Key Points

- **Government spending** refers to money expended by the public sector, funded by national revenues, to administer and manage the state and its objectives. The sources of such funds can be taxes, government borrowing, or revenue from government-controlled entities.
 - **Government spending can be categorized into three main types:**
 - **Current Spending (or revenue spending):** These are recurring and usually cover wages, rents, and daily expenditures.
 - **Capital Spending:** These are expenditures that result in the acquisition of assets or the enhancement of existing assets. These could include infrastructure projects, such as highways, airports, schools, hospitals, etc.
 - **Transfer Payments:** This is money the government gives without receiving goods or services in return, like social security benefits, unemployment benefits, welfare payments, and pensions.
 - The allocation and volume of government spending can have a significant impact on a country's economy, affecting everything from economic stability, and income distribution, to the level of infrastructure development.
-

13. Answer: a

Explanation:

★ Key Points

- When tossing two coins simultaneously, the possible outcomes for the number of heads are 0, 1, and 2. Let's denote the random variable X as the number of heads. The probability distribution for X is as follows:
- $P(X=0)=1/4$
- $P(X=1)=1/2$
- $P(X=2)=1/4$

★ **Additional Information**

- $\mu = 0.(1/4) + 1(1/2) + 2.(1/4)$
- $\mu = 1$
- let's find the variance (σ^2) using the formula:
- $\text{Variance} = (0-1)^2 \cdot 1/4 + (1-1)^2 \cdot 1/2 + (2-1)^2 \cdot 1/4$
- $\text{Variance} = (1/4) + (1/4)$
- $\text{Variance} = 1/2$

14. **Answer: b**

Explanation:

Producer surplus is $32/9$.

★ **Key Points**

- For market equilibrium, $P_d = P_s$
- $20 - 5x = 4x + 8$
- $9x = 12$
- $x = 4/3$
- Putting x into price equation, $P_d = 20 - 5x$
- we get $P_0 = 40/3$
- Consumer Surplus is calculated by :
- $\int_0^{4/3} (20 - 5x) dx - (4/3)(40/3)$
- $CS = [20(4/3) - (5(4/3)^2)/2] - 160/9$
- $CS = 80/3 - 80/18 - 160/9$
- $CS = 40/9$

- Producer surplus = $x_0 p_0 - \int_0^{x_0} (4x + 8) dx$
- $PS = (4/3)(40/3) - \int_0^{40/3} (4x + 8) dx$
- $PS = (160/9) - (32/9) - (32/3)$
- $PS = 32/9$ units

★ **Additional Information**

- Producer surplus is the difference between how much a person would be willing to accept for a given quantity of a good versus how much they can receive by selling the good at the market price. The difference or surplus amount is the benefit the producer receives for selling the good in the market.
- A producer surplus is generated by market prices in excess of the lowest price producers would otherwise be willing to accept for their goods. This may relate to Walras' law.

15. **Answer: b**

Explanation:

the cross - price elasticities of demand at $P_A = 6$, $Y = 500$, $P_B = 10$ is 0.016 approximately.

★ **Key Points**

- Cross-price elasticity measures how sensitive the demand of a product is over a shift of a corresponding product price.
- Often, in the market, some goods can relate to one another. This may mean a product's price increase or decrease can positively or negatively affect the other product's demand.
- Cross E of x and y equals % change in Q_x with respect to % change in P_x Where:
 $Q_x = \text{Average quantity between the previous quantity and the changed quantity, calculated as } (new\ quantity + previous\ quantity) / 2$
- $P_y = \text{Average price between the previous price and changed price, calculated as } (new\ price + previous\ price) / 2$
 $\Delta = \text{The change of price or quantity of product X or Y}$

★ Additional Information

$$Qa = 100 - 12 + 100 + 3$$

- $Qa = 189$
- $\text{Cross E} = (0.3) * 10 / 189$
- $\text{Cross E} = 0.0158$
- $\text{Cross E} = 0.016$ approx.

16. **Answer: d**

Explanation:

Augmented Dickey – Fuller test is used to test stationarity of a time series in the presence of correlated error term.

★ Key Points

- In statistics, an augmented Dickey–Fuller test (ADF) tests the null hypothesis that a unit root is present in a time series sample.
- The alternative hypothesis is different depending on which version of the test is used, but is usually stationarity or trend-stationarity.
- It is an augmented version of the Dickey–Fuller test for a larger and more complicated set of time series models.

17. **Answer: b**

Explanation:

The correct answer is $-\infty$ to $+\infty$.

★ Key Points

- In a logit model, the logit (L) of a probability (P_i) is calculated as the natural logarithm of the odds ratio, which is given by $P_i / (1 - P_i)$.

- As π goes from 0 to 1 (exclusive), the logit L varies from negative infinity to positive infinity. Specifically:
 - When π approaches 0, the logit L approaches negative infinity.
 - When π approaches 1, the logit L approaches positive infinity.
 - Therefore, the logit function maps probabilities from the $(0, 1)$ interval to the entire real line $(-\infty$ to $+\infty)$
-

18. Answer: a

Explanation:

The correct answer for the given question is option 1. The Elasticity of Substitution of Constant elasticity of substitution (CES) Production function is greater than 1 when the substitution parameter lies between 0

19. Answer: a

Explanation:

The regression model $Y_t = \alpha_1 + \alpha_2 D_t + \beta_1 X_t + \beta_2 (Y_t D_t) + U_t$ is used to deseasonalize a time series data.

20. Answer: c

Explanation:

the probability that one is left - handed and the other is a right - handed glove is 0.38 which is $\frac{7}{18}$

21. Answer: d

Explanation:

The correct answer is United National Development Programme.

★ Key Points

- **The Human Development Report** is published annually by the United Nations Development Programme (UNDP). This report provides comprehensive data about global poverty, literacy, education, lifespan, and other factors as a way to measure and compare overall human development across different countries.
 - The United Nations Development Programme (UNDP) was established on November 22, 1965.
- **The International Monetary Fund (IMF)** is an international organization headquartered in Washington, D.C., United States. It was established in 1944 at the Bretton Woods Conference and formally created in 1945. The IMF's primary goal is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to transact with one another.
- **World Bank** is an international organization dedicated to providing financing, advice, and research to developing nations to aid economic advancement.
 - Headquarters: **Washington D.C.**
 - Established: **July 7, 1944** Bretton Woods, Conference.
- **The Asian Development Bank** It is a regional development bank that was established on **December 19, 1966**. The aim of the ADB is to enhance social and economic development in Asia and the Pacific region.
 - Headquarters: **Manila, Philippines**

22. Answer: b

Explanation:

Third Five Year Plan.

★ Key Points

- The focus was on agriculture and improvement in the production of wheat.
 - States were entrusted with additional development responsibilities. Ex- States were made responsible for secondary and higher education.
 - Panchayat elections were introduced to bring democracy to the grassroots level.
 - The target growth rate was 5.6% and the actual growth rate only achieved 2.4%
 - This indicated a miserable failure of the Third Plan, and the government had to declare "Plan Holidays" (1966-67, 1967-68, and 1968-69). The Sino-Indian War and the Indo-Pak War, which caused the Third Five Year Plan to fail, were the primary causes of the plan holidays.
-

23. Answer: a

Explanation:

The correct answer is **Geneva**.

★ Key Points

- **The World Trade Organization (WTO)** is an international body that regulates and facilitates international trade between nations. Its main function is to ensure that trade flows as smoothly, predictably, and freely as possible.
 - World Trade Organization was founded on **1 January 1995**, but its trading system is half a century older. Since 1948, the General Agreement on Tariffs and Trade (**GATT**) has provided the rules for the system.
 - The Director General of the World Trade Organization is **Ngozi Okonjo Iweala** Since 1 March 2021.
-

24. Answer: c

Explanation:

The correct answer is **60,000/ - crore**.

★ Key Points

- The "Har Ghar Nal se Jal" scheme or the Jal Jeevan Mission is a program initiated by the Government of India with the aim to provide piped water supply (Har Ghar Nal se Jal) to all rural and urban households by 2024. The program was launched in August 2019 by Prime Minister Narendra Modi.
- An allocation of Rs. 60,000 crore has been made to cover 3.8 crore households in 2022-23 under Har Ghar, Nal Se Jal Scheme.
- Finance Minister said that the current coverage of Har Ghar, Nal Se Jal is 8.7 crores.
- Out of which 5.5 crore households were provided tap water in the last two years itself.

★ Additional Information

- Over 8.60 Crore Tap Water Connections provided in last 4 Years Up from 3.23 Crore in 2019 to 11.84 Crore till date One tap connection every second during January – March 2023
- At the time of the announcement of the Jal Jeevan Mission, only 3.23 crore (16.65%) rural households had tap water connections. Under the Mission, in a short span of less than four years, more than 8.60 Crore rural households have been provided with tap water connections. Thus, as on April 27, 2023, over 11.84 Crore (60.92%) rural households have a functional tap water supply in their homes. Further, Union Budget 2023-24 has allocated a massive Rs. 70,000 Crore for the implementation of the Jal Jeevan Mission.

25. Answer: a

Explanation:

The correct answer is **The benefit principle**.

★ Key Points

- **The Benefit Principle** of taxation asserts that those who receive more benefits from government programs should pay more taxes to support these

programs. Accordingly, in the case of tolls, drivers who use toll roads, and thus benefit from them, and the ones who pay for that usage via toll fees.

- **Horizontal Equity:** If everyone who uses the toll road pays the same fee, it can reflect horizontal equity in that people in the same economic situation are treated equally.
- **Vertical Equity** (which argues that those with a greater ability to pay, i.e., wealthier individuals, should pay more) or.
- **Tax Progressivity** (where the tax rate increases as the taxable amount increases),
- unless the toll fee is variable based on the type of vehicle or time of day, potentially correlating with the ability to pay. In the general case, tolls are flat fees regardless of the driver's income or wealth, which might be seen as regressive rather than progressive.

26. **Answer: a**

Explanation:

The tax multiplier is measured using the formula $-1(MPC/1-MPC)$.

27. **Answer: a**

Explanation:

The correct answer is **when goods are congestible**.

★ Key Points

- The free rider problem is an economic concept of a market failure that occurs when people are benefiting from resources, goods, or services that they do not pay for. If there are too many free riders, the resources, goods, or services may be overprovided.
- **Public Goods and the Free Rider Problem**

- Public goods commonly face a free rider problem due to the two characteristics of a public good:
 - Non-rival: Consumption of the good or service by one individual does not reduce the availability of the good to others.
 - Non-excludable: It is impossible to prevent other consumers from consuming the good or service

28. Answer: d

Explanation:

The correct answer is **Real money supply**.

★ Key Points

- **The nominal money supply** is the total amount of money in circulation in an economy. It includes all the currency and other liquid instruments in a country's economy as of a particular time. The nominal money supply does not adjust for inflation and is not related to the purchasing power of the money. It's simply the face value of the money in circulation.
- **Real narrow money** refers to the money supply in an economy, adjusted for inflation, and considering only the most liquid forms of money. Narrow money usually refers to the most liquid instruments, such as currency in circulation (coins and banknotes) and other money equivalents that can be quickly converted into physical cash, like checking accounts.
- **Nominal broad money** is the measure of broad money that has not been adjusted for inflation. The term "nominal" means that the measurement has not factored in inflation, so increases in nominal broad money could be due to real growth (more money being held), inflation (the value of money decreasing), or a combination of both.
- **Real money supply'** means the total amount of money available in the economy, but with the effect of inflation taken into account. This provides a measure of the purchasing power of the money supply—how much goods and services this money can actually buy. It helps to provide a more accurate sense of the economic reality and the available liquidity in the economy.

29. Answer: b

Explanation:

Kydland and Prescott.

★ Key Points

Time inconsistency refers to the following idea: • the government has a policy rule; • the people make commitments, based on an expectation of continuation of the policy rule; • later, the government can benefit society by changing its policy rule, taking advantage of the commitments made by the people.

30. Answer: a

Explanation:

The correct answer is **economy**.

★ Key Points

- The Value-Trade ratio captures trading relative to the size of the economy. This means it assesses the extent of trade activities in relation to the overall **economic** output of a country. It helps in understanding how much a country is engaged in international trade concerning the size of its economy.
 - The value-trade ratio captures trading relative to the size of the "market". This ratio is used to assess the importance of trade (imports and exports) concerning the size of a country's market. The market size could be represented by various indicators, such as the gross domestic product (GDP) for an overall measure, or by specific segments of the economy depending on the context. The Value-Trade ratio can provide insights into the openness and trade dependence of a particular market.
-

31. Answer: d

Explanation:

"Under-developed countries are the slums of the world economy", is a statement given by Cairncross.

★ Key Points

This statement was given by Cairncross a famous economist whose findings are basis for macroeconomic study in the current economic world.

32. Answer: a

Explanation:

The correct answer is the greater the need for social cost-benefit analysis in public investment decisions.

★ Key Points

- The shadow price generally reflects the economic cost or benefit of a commodity, including external costs or benefits not accounted for by the market price. As such, it is often used in cost-benefit analysis to help assess the economic viability of a project, typically in public sector investments.
- A significant divergence between the shadow price and the market price could suggest that there are significant external costs or benefits not reflected in the market price. This underscores the importance of using cost-benefit analysis in making public investment decisions, as it can help to ensure that these decisions take into account the full social costs and benefits.
- A higher divergence between shadow price and market price doesn't imply that there will be no social benefit in public investments, nor that social costs will be minimized. It also would not reduce the need for social cost-benefit analysis; indeed, it would increase it.

33. Answer: a

Explanation:

The correct answer is **option 1**.

★ Key Points

- **Gunnar Myrdal:** Asian Drama An Inquiry into the Poverty of Nations, in 1968.
- **Jon Robinson's:** Essays on the Theory of Economic Growth 1962.
- **Karl Marx** is the author of Das Capital
- **W. Arthur Lewis:** Theory of Economic Growth

34. Answer: a

Explanation:

The correct answer is The human population will invariably grow where the means of subsistence increase.

★ Key Point

- Thomas Malthus was an English cleric and scholar who proposed theories on population growth in the late **18th and early 19th centuries**. His major theory, often referred to as the Malthusian Theory of Population, had two basic postulates:
 1. Food is necessary for human existence.
 2. Human passion between the sexes is necessary and will continue nearly in its current state.
- The Malthusian Theory asserts that population growth is potentially exponential while the growth of the food supply or other resources is linear. It postulates that sooner or later, population will be checked by famine and

disease. Malthus also assumed that the total amount of land available for agriculture is fixed.

- However, Malthus did not foresee the massive strides that would be made in technology and how it would significantly increase the productive capacity of land. This includes the development of machinery, improved farming practices, use of fertilizers, etc.
-

35. Answer: d

Explanation:

The correct answer is **All of the above**.

★ Key Points

- **Ensuring that for each firm, the marginal abatement cost is equal to the marginal damage from pollution** – This is often known as the Pigovian condition where the optimal amount of pollution occurs where the social cost equals the private cost.
 - **Achieving equality of marginal abatement costs across polluters** – This is important to ensure efficiency and fairness. If two firms have different costs of reducing pollution (marginal abatement costs), there's potential for overall cost savings if the firm with the lower abatement cost does more of the reducing.
 - **Minimising the total cost of the externality to the society** – The overall objective of any environmental policy is to reduce the negative impacts (externalities) of pollution on society, and do so in a way that minimizes the total cost, including both the cost of abatement and the cost of the remaining pollution
-

36. Answer: c

Explanation:

It is based on higher order judgements of right and wrong

37. Answer: b

Explanation:

The correct answer is Growth in poorer nations would actually be self-defeating.

★ Key Points

- The term 'immiserising growth' was coined by the Indian economist **Jagdish Bhagwati** in 1958.
- 'Immiserizing growth' is a concept in economics that suggests growth in poorer nations may lead to a situation where the overall welfare or well-being of the nation decreases despite economic growth. In simpler terms, it means that the negative consequences of economic growth, such as increased debt or unfavorable terms of trade, may outweigh the positive impacts, causing a decline in the overall standard of living.
- This theoretical situation happens when a country's economic growth leads to a decline in its terms of trade. The country produces and exports more, but the prices of its exports fall relative to the prices of its imports. This can cause the total purchasing power of a country to decrease rather than increase.

38. Answer: c

Explanation:

The correct answer is **Stage - V.**

★ Key Points

- The **Product cycle model** is a marketing concept that describes the stages a product goes through from when it first enters the market until it is removed

from the market.

- **The stages typically include introduction, growth, maturity, and decline.**
 - **Introduction Stage:** This is the period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of product introduction and marketing efforts.
 - **Growth Stage:** A period of rapid market acceptance and substantial profit improvement often characterizes the growth stage. The company begins to recognize substantial profit and invest more in promotional activities to maximize the potential of this stage.
 - **Maturity Stage:** This is a period of slow sales growth because the product has achieved acceptance by most potential buyers. The aim here is to prolong the life cycle of the product, maintain market share and defend from competitors.
 - **Decline Stage:** The decline stage is characterized by diminishing market interests and sales drop. The reason could be technological advances, shifts in consumer tastes, or increased competition. Companies need to decide whether to maintain the product (possibly rejuvenating it) or discontinue it

39. Answer: d

Explanation:

The rate of effective protection is 30 %.

★ Key Points

- The rate of effective protection can be calculated using the formula $T = 1 - |X - M| / (X + M)$, where X is the price of the final commodity and M is the cost of the imported input.
-

40. Answer: a

Explanation:

The correct answer is $T = 1 - \frac{|X-M|}{X+M}$

★ Key Points

- **The intra-industry index (T)** measures the level of intra-industry trade. It is calculated as the ratio of the trade within a particular industry to the total trade of that industry. The formula for the intra-industry index (T) is:
 - $[T = \frac{\text{Intra-Industry Trade}}{\text{Total Trade of the Industry}} \times 100$
- Intra-industry trade refers to the exchange of similar types of goods or services between countries within the same industry. The index helps assess the extent to which a particular industry engages in intra-industry trade as opposed to inter-industry trade.

41. Answer: c

Explanation:

A Nash Equilibrium represents Long - run equilibrium and a situation in which one player will not deviate, given the strategy of other player.

★ Key Points

- Nash equilibrium is a concept in game theory where the game reaches an optimal outcome.
- This is a state that gives individual players no incentive to deviate from their initial strategy.
- The players know their opponent's strategy and still will not deviate from their initial chosen strategies because it remains the optimal strategy for each player.

★ Additional Information

- Overall, an individual can receive no incremental benefit from changing actions, assuming that other players remain constant in their strategies. A

game may have multiple Nash equilibria or none at all.

42. Answer: c

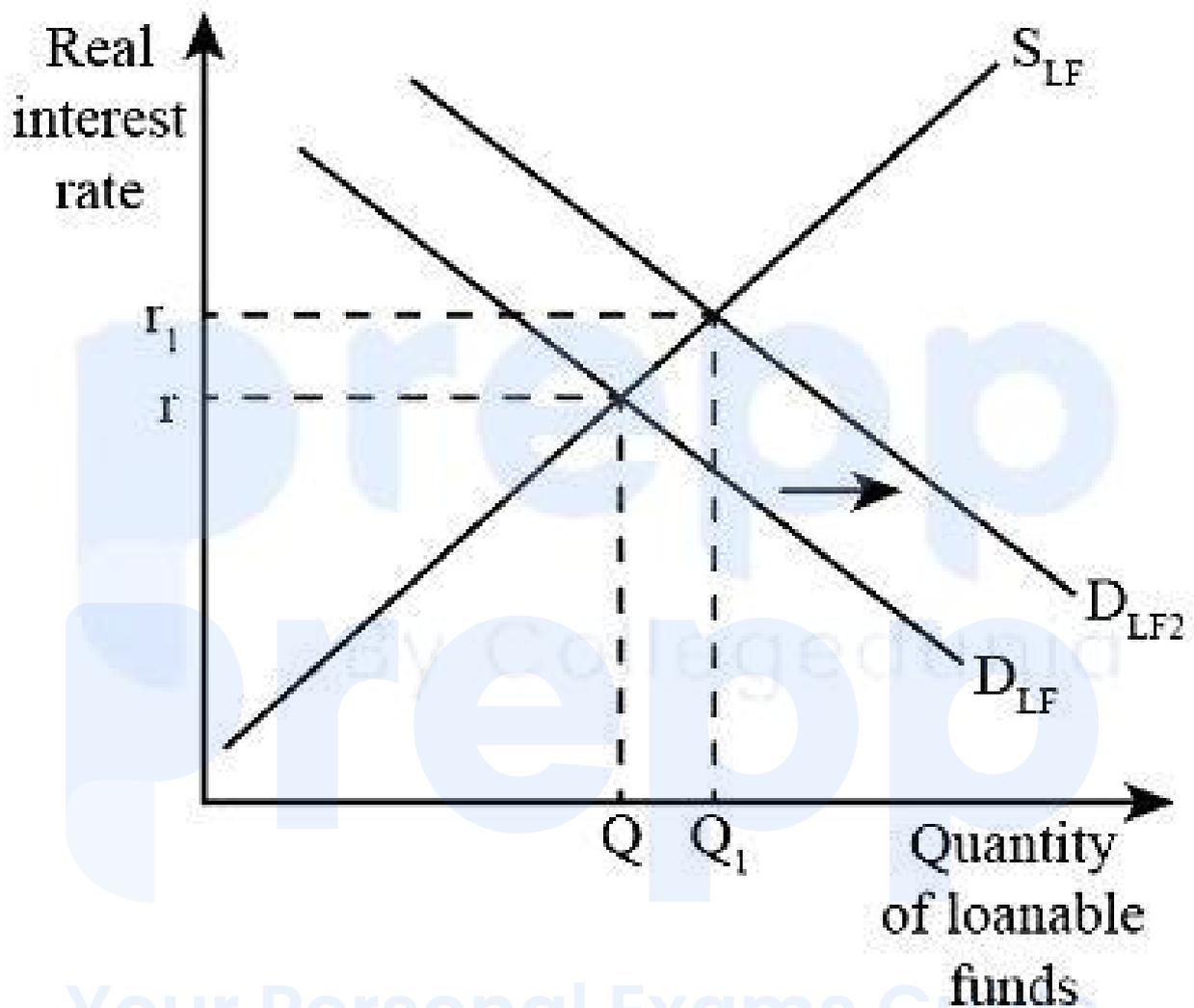
Explanation:

B, D and E only

★ Key Points

- The loanable funds doctrine is a theory of the market interest rate. According to this approach, the interest rate is determined by the demand for and supply of loanable funds. The term loanable funds includes all forms of credit, such as loans, bonds, or savings deposits.
- The loanable funds doctrine extends the classical theory, which determined the interest rate solely by saving and investment, in that it adds bank credit.
- The total amount of credit available in an economy can exceed private saving because the bank system is in a position to create credit out of thin air. Hence, the equilibrium (or market) interest rate is not only influenced by the propensities to save and invest but also by the creation or destruction of fiat money and credit.
- If the bank system enhances credit, it will at least temporarily diminish the market interest rate below the natural rate.
- Wicksell had defined the natural rate as that interest rate which is compatible with a stable price level. Credit creation and credit destruction induce changes in the price level and in the level of economic activity. This is referred to as Wicksell's cumulative process.

★ Additional Information



43. Answer: a

Explanation:

A, B and D only.

★ Key Points

- Arrow's impossibility theorem is a social-choice paradox illustrating the flaws of ranked voting systems. It states that a clear order of preferences cannot be determined while adhering to mandatory principles of fair voting procedures.

- Arrow's impossibility theorem, named after economist Kenneth J. Arrow, is also known as the general impossibility theorem.
- Assumptions :
 - Nondictatorship: The wishes of multiple voters should be taken into consideration.
 - Pareto Efficiency: Unanimous individual preferences must be respected: If every voter prefers candidate A over candidate B, candidate A should win.
 - Independence of Irrelevant Alternatives: If a choice is removed, then the others' order should not change: If candidate A ranks ahead of candidate B, candidate A should still be ahead of candidate B, even if a third candidate, candidate C, is removed from participation.
 - Unrestricted Domain: Voting must account for all individual preferences.
 - Social Ordering: Each individual should be able to order the choices in any way and indicate ties.
- According to Arrow's impossibility theorem, in all cases where preferences are ranked, it is impossible to formulate a social ordering without violating one of the above mentioned conditions.

44. Answer: b

Explanation:

A, B and D only.

★ **Key Points**

- A current account surplus means an economy is exporting a greater value of goods and services than it is importing. A country with a current account surplus will have a deficit on the financial/capital account. i.e. a country with a current account surplus will have surplus foreign exchange it can use to invest in other countries.
- There is no hard and fast rule about what will happen if a country has a current account surplus. It depends on the size of the current account and the reasons for the current account surplus.

- In theory, you could expect a current account surplus ($X-M$) to boost employment because it is indicative of higher domestic demand.
- Currency appreciation is very likely to happen because of stronger domestic currency against foreign currency.
- This will automatically lead to higher standard of living for domestic residents.

45. Answer: c

Explanation:

A, B, C and D only.

★ Key Points

- Product method is also known as output method or value added method. In this method, we calculate the national income in terms of final goods and services produced in an economy during a particular period of time.
- The final goods are those which are either available to the consumers for consumption or become a part of national wealth in the form of investment.
- Product method is that which estimates the national income by measuring the contribution of final output and services by each producing enterprise in the domestic territory of a country during a given accounting period.
- The first step in this method of measuring national income is the classification of enterprises. All the productive enterprises in the economy are classified into three main categories, viz. (i) Primary Sector, (ii) Secondary Sector and (iii) Tertiary Sector.
- Let us briefly explain these sectors.
 - (i) **Primary Sector** – Primary sector refers to that sector of the economy which exploits natural resources to produce goods. Agriculture and allied activities like mining, quarrying, fishing, forestry etc. are included in this sector.
 - (ii) **Secondary Sector** – The manufacturing sector of the economy which transforms one physical good into another is included in the secondary sector.
 - (iii) **Tertiary Sector** – Primary sector refers to that sector of the economy is known as the tertiary sector. This includes banking, insurance, education, trade, commerce etc.

46. Answer: b

Explanation:

A, C and E only

★ Key Points

- Consider A. According to the accelerator model, investment demand is proportional to the change in GDP.
- The accelerator theory, a key concept of Keynesian economics, stipulates that capital investment outlay is a function of output. For example, an increase in national income, as measured by the gross domestic product (GDP), would see a proportional increase in capital investment spending.
- So A is true.
- B. The real rate of interest is the nominal rate of interest plus the inflation rate. Nominal rate equals Real interest rate plus inflation. So B is False.
- C. The higher the real interest rate, the higher is the rental cost of capital. This statement is true because rental cost and interest rate are directly proportional.
- D. Investment is a stock concept. This statement is False because Investment is a flow concept.
- E. Residential investment is low when mortgage interest rates are high. This is true.

47. Answer: c

Explanation:

B, C and D only.

★ Key Points

- Probability is used to denote the happening of a certain event, and the occurrence of that event, based on past experiences.
- The mathematical expectation is the events which are either impossible or a certain event in the experiment.
- Probability of an impossible event is zero, which is possible only if the numerator is 0. Probability of a certain event is 1 which is possible only if the numerator and denominator are equal.

★ Additional Information

- **Mathematical expectation**, also known as the expected value, which is the summation of all possible values from a random variable.
- It is also known as the product of the probability of an event occurring, denoted by $P(x)$, and the value corresponding with the actually observed occurrence of the event.
- For a random variable expected value is a useful property. **$E(X)$ is the expected value and can be computed by the summation of the overall distinct values that is the random variable.**
- $E(X) = \sum (x_1p_1, x_2p_2, \dots, x_n p_n)$,
where, x is a random variable with the probability function, $f(x)$,
 p is the probability of the occurrence,
and n is the number of all possible values.
- **Properties of Mathematical Expectation:**
 - $E(X+Y) = E(X) + E(Y)$
 - $E(XY) = E(X)E(Y)$
 - $E(a+f(X)) = a + E(f(X))$,
 - $E(aX+b) = aE(X) + b$,
 - $E(\sum a_i X_i) = \sum a_i E(X_i)$
Where, $a_i, (i=1 \dots n)$ are constants.

48. Answer: a

Explanation:

A, C and D is correct answer.

★ Key Points

- The estimated coefficients are linear.
- The estimated coefficients are biased.
- The estimated coefficients are consistent

49. Answer: b

Explanation:

B,C and E only.

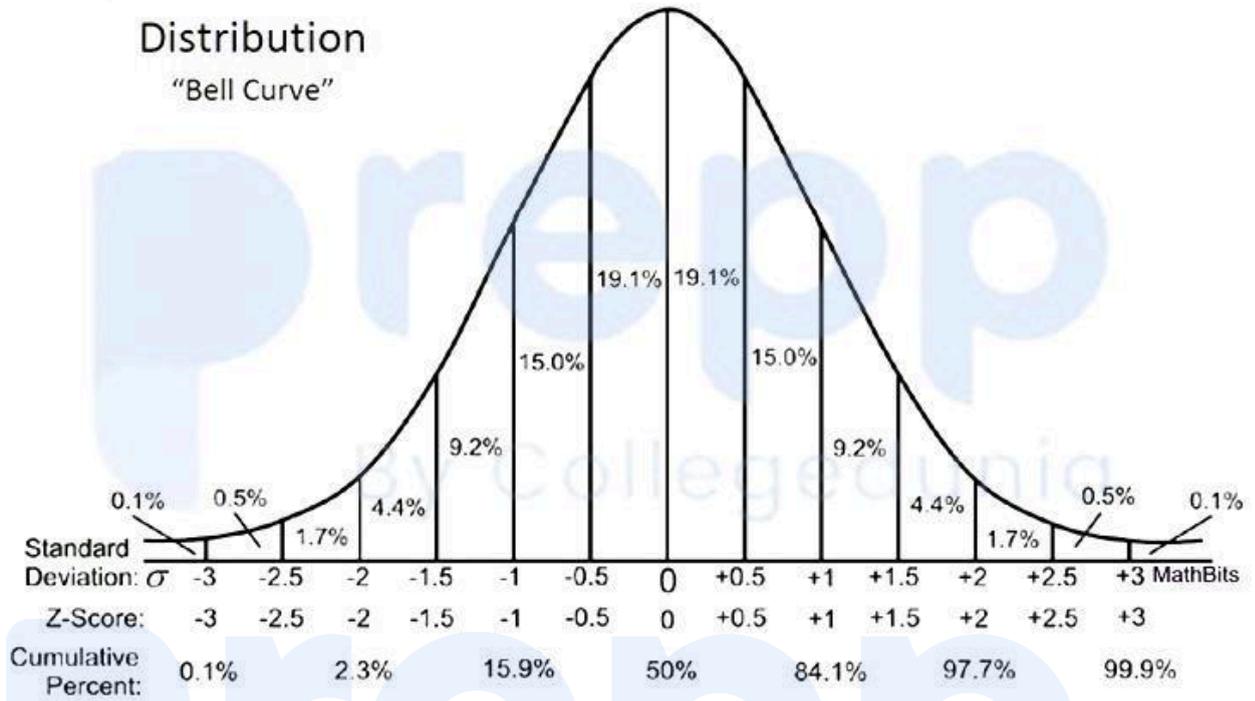
★ Key Points

- In statistics, a normal distribution or Gaussian distribution is a type of continuous probability distribution for a real-valued random variable.
- The parameter μ is the mean or expectation of the distribution (median/mode), while the parameter σ is its standard deviation
- The variance of the distribution is σ^2 . A random variable with a Gaussian distribution is said to be **normally distributed**, and is called a **normal deviate**.

★ Additional Information

- A normal distribution is sometimes informally called a bell curve. However, many other distributions are bell-shaped (such as the Cauchy, Student's t, and logistic distributions)
- Referring to the probability bell curve diagram
- Distance from the mean ordinates in terms of $\pm \sigma$ at $Z = \pm 1.96$ is 0.95 is true
- Distance from the mean ordinates in terms of $\pm \sigma$ at $Z = \pm 2.0$ is 0.9544 is true.
- Distance from the mean ordinates in terms of $\pm \sigma$ at $Z = \pm 3.0$ is 0.9973 is true
-

- Standard Normal Distribution
"Bell Curve"



50. Answer: b

Explanation:

A, B and E only

The assumptions of Classical Linear Regression Model are :

★ Key Points

- The regression model is linear in the parameters
- Zero mean value of disturbance U_i
- The number of observations must be greater than the number of parameters to be estimated

51. Answer: d

Explanation:

A, B and C is correct answer.

★ Key Points

- **Statement 1 is $A \cap \emptyset = \emptyset$ is correct.** The intersection of any set (A) with the empty set results in the empty set. Since the empty set has no elements, there are no elements to be shared between (A) and (empty set).
- **Statement 2 is $A \cap (B \cup C) = (A \cap B) \cup (A \cap C)$ is correct.**
- **This is known as the Distributive Law of sets.** It states that if you have a set (A) intersected with the union of sets (B) and (C), you can distribute (A) across the union. As a result, it becomes the union of two intersections: (A) with (B) and (A) with (C).
- **Statement 3 $A \cap A' = \emptyset$ is correct.** (A') denotes the complement of (A), meaning it contains all the elements not in (A). The intersection between a set and its complement is always the empty set, as they have no elements in common by definition.
- **Statement 4 $B - A = B' \cap A'$ This statement is False.** The correct relationship for the difference between two sets (B) and (A) ($(B - A)$) can be expressed using the intersection of (B) with the complement of (A), not as stated. The correct formulation is $(B - A = B \setminus A)$.
- $(A \cup B)' = A' \cup B'$ is incorrect. It negates De Morgan's law

52. Answer: a

Explanation:

A, C, D and E only

53. Answer: a

Explanation:

The correct answer is **A, B and C only**.

★ Key Points

- A common method used to estimate poverty in India is based on the income or consumption levels and if the income or consumption falls below a given minimum level, then the household is said to be Below the Poverty Line (BPL).
- **Poverty:** According to the World Bank, Poverty is pronounced deprivation in well-being and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity.
- **Poverty Line:** The conventional approach to measuring poverty is to specify a minimum expenditure (or income) required to purchase a basket of goods and services necessary to satisfy basic human needs and this minimum expenditure is called the poverty line.
- **Poverty Line Basket:** The basket of goods and services necessary to satisfy basic human needs is the Poverty Line Basket (PLB).
- **Poverty Ratio:** The proportion of the population below the poverty line is called the poverty ratio or headcount ratio (HCR).

★ Additional Information

- **International Poverty Line:**
 - **The World Bank** defines a person as extremely poor if she is living on less than 1.90 International dollars a day, which are adjusted for inflation as well as price differences between countries.
 - **Asian Development Bank** has its own poverty line which is currently at \$1.51 per person per day.

54. Answer: a

Explanation:

A, B and D only

55. Answer: c

Explanation:

A, C and D only.

★ Key Points

- A tax is a mandatory financial charge or a financial obligation that is placed on an individual or corporation by the government to finance public expenditures and government spending as a whole.
- A tax system refers to the set of rules and regulations that govern the collection and distribution of taxes in a particular country.
- It is designed to generate revenue for the government to fund public infrastructure, social programs, defense, and other necessary expenses.

★ Additional Information

A Good Tax System should have the following characteristics :

- **Equity** :A good taxation system should have a reasonable distribution of tax rates among the various groups within the community. The broadest shoulders should bear the greatest weight. The taxation system should properly combine direct and indirect taxes to accomplish this goal.
- **Elasticity**: The third quality a good tax system should have is a sufficient level of flexibility. In other words, when the national income rises, the tax system should raise its revenue for the government. In times of emergency or crisis, when the government's spending increases, the tax system must generate greater revenue. When tax rates are slightly raised, it should be able to earn more money.
- **Convenience**: When establishing the country's taxation system, the government must also consider the convenience of the taxpaying public. Since taxpayers make sacrifices to pay taxes, the government must ensure that they do not experience any unreasonable hardship
- **Absence of Tax Evasion**: The country's tax system should be set up in such a way that there is no room for tax evasion on the side of taxpayers. The right

mixing of different types of tax on commodities and personal taxes is necessary to accomplish this goal.

56. Answer: b

Explanation:

A, C and D only

57. Answer: d

Explanation:

A,D and E is correct answer.

★ Key Points

- Expansionary monetary policy works by expanding the money supply faster than usual or lowering short-term interest rates.
 - It is enacted by central banks and comes about through open market operations, reserve requirements, and setting interest rates.
 - Expansionary fiscal policy includes tax cuts, transfer payments, rebates and increased government spending on projects such as infrastructure improvements
 - For example, it can increase discretionary government spending, infusing the economy with more money through government contracts.
-

58. Answer: b

Explanation:

A, C, D only is the correct answer.

★ Key Points

- T-bills are typically issued at a discount, and the face value (par value) is repaid at maturity. The difference between the issue price and the face value represents the interest earned.
- T-bills issued by a government with a strong credit rating. They are considered low-risk investments.
- The yield on T-bills is determined by the difference between the discounted purchase price and the face value at maturity, providing an assured yield.

★ Additional Information

- A Treasury bill (T-Bill) is a short-term government debt obligation backed by the Treasury Department with a maturity of one year or less.
- Treasury bills are usually sold in denominations of \$1,000.
- However, some can reach a maximum denomination of \$5 million in non-competitive bids. These securities are widely regarded as low-risk and secure investments.

59. Answer: b

Explanation:

A, C and D only.

★ Key Points

- Independent events are those events whose occurrence is not dependent on any other event.
- For example, if we flip a coin in the air and get the outcome as Head, then again if we flip the coin but this time we get the outcome as Tail.
- In both cases, the occurrence of both events is independent of each other. It is one of the types of events in probability.
- If A and B are two independent events, then $P(A \cap B) = P(B) \cdot P(A)$

60. Answer: b

Explanation:

The correct answer is **B and C only**

★ Key Points

- The Harrod-Domar growth model is an economic theory that serves as a framework for economic development.
 - According to the Harrod-Domar model, increased savings leads to more investment, which in turn leads to increased economic output and growth. The model is based on the Keynesian theory of saving and investment. Simply put, it indicates that an increase in savings will increase investment, thereby stimulating economic growth. The model demonstrates that the growth rate of GDP (Gross Domestic Product) is directly related to the savings ratio (s) and inversely related to the capital-output ratio (v). With the equation as the Growth rate of GDP = savings ratio / capital-output ratio.
- **Two main components of economic growth in this model are:**
 - **The Warranted Growth Rate:** It refers to the rate of growth at which all increased production will be absorbed by an increase in consumption and therefore, no overproduction or underproduction will occur.
 - **The Desired Growth Rate:** This is the growth rate an economy should aim for in order to maintain full employment, taking into account factors like population growth, technological change, etc

61. Answer: c

Explanation:

The correct answer is **A, B, C and E only**.

★ Key Points

- **The demand curve of an oligopolistic market is indeterminate:** This is due to the interdependent nature of firms in an oligopoly. Each firm's demand depends not only on its own prices but also on the prices of its competitors. Also, the reactions of competitors to a firm's actions are uncertain, making the demand curve less defined.
- **There is a possibility of only two sellers:** An oligopoly can have a few dominant firms controlling the market. A duopoly, which is a specific type of oligopoly with exactly two sellers, is a possible scenario in an oligopoly.
- **The product may be homogenous or differentiated:** In an oligopoly, the firms can either sell identical products (like in the petroleum industry) or differentiated products (like in the auto industry).
- **There is an importance of advertisement cost:** specially in oligopolies with differentiated products, advertisement and branding can play a significant role to stand out and increase demand.
- **There is free entry into and free exit out of the market:** One characteristic of oligopolistic markets is the existence of barriers to entry. These could include high startup costs, control over a key resource, or regulations that prevent easy entry into the market. Therefore, free entry and exit is not typical.
- **So, options A, B, C, and E are true for an oligopolistic market**

62. Answer: b

Explanation:

A, B and E only is the correct answer.

★ Key Points

- According to Census of India 2011, as carried out by the Technical Group on Population Projections under the aegis of National Commission on Population:
 - The infant mortality rate is expected to decline in all states during 2011 - 2035.
 - The average age of Indians is expected to be higher in 2036 compared to 2011.

- As per the projected sex ratio, the population in 2036 is expected to be more feminine compared to the population in 2011.

★ Additional Information

- Out of the total population increase of 30.7 crores between 2011 and 2036, the share of the workers in the age-group 15-59 years in this total increase is 82.5 percent. This has implication in the availability of labour in future.
- • The sex ratio of the total population (females per 1000 males) is expected to increase (i.e. become more feminine) from 943 in 2011 to 957 during 2036.
- • The Total Fertility Rate (TFR) is expected to decline from 2.34 during 2011-2015 to 1.72 during 2031- 35. The assumption is that the Total Fertility Rate (TFR) would follow the recent pace of decline
- . • The urban population in the country, which is 31.8 percent in 2011, is expected to increase to 38.6 percent by 2036. The urban growth would account for over three-fourth (73 percent) of total population increase by 2036.
- Out of the total population increase of 30.7 crores during 2011-2036 in the country, the share of increase in urban population is expected to be 22.4 crores.

63. Answer: d

Explanation:

A, B and E only.

★ Key Points

- The industry size will be larger than the social optimum
- The output produced by each firm will be less than socially optimal.
- Total output and total pollution are greater than the social optimum.

64. Answer: d

Explanation:

The correct answer is **A, B, C and D only**.

★ Key Points

- **The South Asian Association for Regional Cooperation (SAARC)** was established with the signing of the SAARC Charter in Dhaka on **8 December 1985**.
- The SAARC Secretariat was established in Kathmandu on 16 January 1987.
- **The member countries of SAARC are:**
 - Afghanistan
 - Bangladesh
 - Bhutan
 - India
 - Nepal
 - Maldives
 - Pakistan
 - Sri Lanka

65. Answer: d

Explanation:

Unilateral transfer received, Capital transfer received and Exports of factor services will be reflected on credit side of Balance of Payments.

★ Key Points

- The balance of payments account follows a double-entry system.
- All receipts are entered on the credit side, whereas all payments are entered on the debit side.
- Theoretically, a balance of payments accounts is always zero, with the total on the debit side equaling the total on the credit side.
- All these items fall on credit side.

66. Answer: a

Explanation:

A - I, B - IV, C - III, D - II is the right answer.

★ Key Points

- Extra risk that an investor must incur to enjoy a higher expected return- Risky Asset
- Tendency of individuals to value an item more when they own it than when they do not- Endowment Effect
- Provides an uncertain flow of money or services to its owner- Price of Risk
- When a party whose actions are unobserved can affect the probability of payment associated with an event. - Moral Hazard

★ Additional Information

- "Moral hazard" refers to the risks that someone or something becomes more inclined to take because they have reason to believe that an insurer will cover the costs of any damages. The concept describes financial recklessness.
- The endowment effect describes a circumstance in which an individual places a higher value on an object that they already own than the value they would place on that same object if they did not own it.
- Endowment effect can be clearly seen with items that have an emotional or symbolic significance to the individual.
- Research has identified "ownership" and "loss aversion" as the two main psychological reasons causing the endowment effect.
- The endowment effect is closely tied to marketing in which companies often try to take advantage of this cognitive bias.
- Investors can overcome the endowment effect by having a clear investment strategy with a plan on when to sell specific investments.

67. Answer: b

Explanation:

A - I, B - IV, C - III, D - II is the right answer.

★ Key Points

- The Phillips curve is an economic theory that inflation and unemployment have a stable and inverse relationship. Developed by William Phillips, it claims that with economic growth comes inflation, which in turn should lead to more jobs and less unemployment
- Taxable Capacity means the maximum capacity of the people of a country to bear the burden of taxation without much hardship. It is nothing but the maximum limit that a government can tax the people- Findlay Shirras
- The life-cycle hypothesis (LCH) is an economic theory that describes the spending and saving habits of people over the course of a lifetime. The theory states that individuals seek to smooth consumption throughout their lifetime by borrowing when their income is low and saving when their income is high.
- The concept was developed by economists Franco Modigliani and his student Richard Brumberg in the early 1950s.
- The concept of Money Illusion was given by Pigou.

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68. Answer: b

Explanation:

A - III, B - I, C - IV, D - II is the right answer.

★ Key Points

- Tobit Model - When your regression model involves an interaction term, it is advisable to use a centered score regression model. It is because this

transformation can yield a proper interpretation of the data, and also make the scales of the dependent and independent variables comparable.

- A probit model- a type of regression where the dependent variable can take only two values, for example married or not married. The word is a portmanteau, coming from probability + unit.
- A distributed lag model - a model for time series data in which a regression equation is used to predict current values of a dependent variable based on both the current values of an explanatory variable and the lagged (past period) values of this explanatory variable.
- The partial adjustment model- has been used in many areas of applied economics as a description of optimal behavior in the face of adjustment costs. The model requires a specification of how expectations are formed; for example static or adaptive expectations are frequently specified.

69. Answer: d

Explanation:

A - II, B - III, C - IV, D - I is the correct sequence of answer.

★ Key Points

- Elasticity typically refers to the responsiveness or sensitivity of one variable to a change in another variable.
- Specifically, we can discuss the elasticity of y with respect to X .
- The elasticity (E) is defined as the percentage change in y resulting from a 1% change in X . Mathematically, it can be expressed as: $E = \frac{\% \Delta y}{\% \Delta X}$
 $E = \frac{(\% \text{ change in } y)}{(\% \text{ change in } X)}$
- For $y = \beta_1 + \beta_2 X$, E is β_2 .
- Two-Variable Linear Regression Model is represented as $y = \beta_1 + \beta_2 X$, Elasticity is represented as β_2 , $y = \beta_1 + \beta_2 \ln X$ is represented as $\beta_2(X/M)$
- In $y = \beta_1 + \beta_2 \ln X$ is represented as $\beta_2(1/y)$.

70. Answer: b

Explanation:

A - I, B - IV, C - II, D - III is the right answer.

★ Key Points

GATS covers services supplied

- from the territory of one Member into the territory of any other Member (Mode 1 – Cross border trade);
- in the territory of one Member to the service consumer of any other Member (Mode 2 – Consumption abroad);
- by a service supplier of one Member, through commercial presence, in the territory of any other Member (Mode 3 – Commercial presence); and
- by a service supplier of one Member, through the presence of natural persons of a Member in the territory of any other Member (Mode 4 – Presence of natural persons).

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71. Answer: a

Explanation:

A - II, B - I, C - III, D - IV is the right answer.

★ Key Points

- Functional finance is an economic theory proposed by Abba P. Lerner, based on effective demand principles and chartalism.

- It states that government should finance itself to meet explicit goals, such as taming the business cycle, achieving full employment, ensuring growth, and low inflation.
- peacock and Wiseman (1961) presented the displacement effect, according to which during times of war tax rates are increased to generate more revenues, sustaining the increase in defense spending.
- Wagner gave Law of Increasing activity.
- Wagner's law, also known as the law of increasing state activity, is the observation that public expenditure increases as national income rises. It is named after the German economist Adolph Wagner (1835–1917), who first observed the effect in his own country and then for other countries.
- Allocative, stabilization and distributive function of state was given by Musgrave.

72. Answer: c

Explanation:

A - III, B - I, C - II, D - IV is the right answer.

★ Key Points

- The establishment of a clearing house for settlement of transactions in BSE. - 1921
- Serial bomb blasts in BSE- 1994
- Screen - based trading commenced in BSE- 1997
- BSE launched the first stock index with 30 scrips- 1986

★ Additional Information

- Various events of Bombay Stock Exchange(BSE) are discussed in right sequence.
- BSE Limited, also known as the Bombay Stock Exchange, is an Indian stock exchange which is located on Dalal Street in Mumbai.
- Established in 1875 by cotton merchant Premchand Roychand,[8] it is the oldest stock exchange in Asia,[9] and also the tenth oldest in the world.[10] The

BSE is one of the world's largest stock exchanges by market capitalization with a market cap of US\$ 3.8 trillion as of June 2023.

73. Answer: a

Explanation:

The correct answer is **A - III, B - IV, C - I, D - II**.

★ Key Points

- **SCP approach** (Structure-Conduct-Performance model) - H. H. Index
Herfindahl-Hirschman Index is used to measure market concentration, which is a key element in SCP model.
- **Transaction cost theory** - Williamson (Oliver Williamson, a prominent economist, significantly contributed to transaction cost theory)
- **Public choice theory** - James Buchanan (James Buchanan is one of the main contributors to public choice theory)
- **Industrial connection** - New classical theory (This one does not seem to align well since 'industrial connection' is not a mainstream theory and the 'new classical theory' relates primarily to macroeconomics)

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74. Answer: a

Explanation:

The correct answer is **A - IV, B - I, C - II, D - III**.

★ Key Points

- **COP** is the highest decision-making body of the United Nations Framework Convention on Climate Change (UNFCCC). It's an annual meeting where all member countries ("parties") come together to negotiate and assess the

progress in dealing with climate change and develop and implement measures to stop global warming and cope with its impacts.

- Each COP event is numbered, starting from the first one held in 1995, so for example, COP25 was the 25th annual Conference of the Parties. These conferences have led to several significant agreements on addressing climate change, such as the Kyoto Protocol and the Paris Agreement.

•

Session	Location
COP 28	Dubai, United Arab Emirates- 2023
COP 27	Sharm el-Sheikh, Egypt-2022
COP 21	Paris, France-2015
COP 15	Copenhagen, Denmark-2009
COP 13	Bali, Indonesia-2007

Your Personal Exams Guide

75. Answer: b

Explanation:

The correct answer is A - IV, B - III, C - I, D - II.

★ Key Points

- **Santacruz** is located in the district of Mumbai, Maharashtra.
- **Kandla** also known as the Deendayal Port is a seaport in the Kutch District of Gujarat state in western India.
- **Falta** in West Bengal.
- **Vishakhapatnam** District is one of the Northern Coastal of Andhra Pradesh.

76. Answer: a

Explanation:

The correct answer is D, A, B, C, E.

★ Key Points

- **Gross Value Added (GVA)**
- Real GVA at Basic Prices is estimated to increase from ₹129.07 lakh crore in 2018-19 to ₹135.40 lakh crore in 2019-20. The estimated growth of real GVA in 2019-20 is 4.9 percent as against 6.6 percent in 2018-19.
- **GVA at Basic Prices** for 2019-20 from 'Construction' sector is expected to grow by 3.2 per cent as compared to growth of 8.7 per cent in 2018-19. Key indicators of Construction sector, namely, the Production of Cement and Consumption of Finished Steel registered growth rates of (-) 0.02 per cent and 3.5 per cent respectively during April-November, 2019-20.
- **The contribution of manufacturing** to GVA can be calculated by subtracting the cost of raw materials and other inputs from the total output value of the manufacturing sector. This gives the net value added by the process of manufacturing to the economy.

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77. Answer: b

Explanation:

B, A, C, D, E is the correct sequence in ascending order.

★ Key Points

- "The Theory of Moral Sentiments"- 1759
- "An Inquiry Into the Nature and Causes of the Wealth of Nations"- 1776
- "The Great Transformation: The Political and Economic Origins of Our Time"-1944

- "Capitalism, Socialism and Democracy"-1942.
- "The Affluent Society" -1958

78. Answer: b

Explanation:

The correct answer is D, B, C, A, E.

★ Key Points

- WTO Ministerial Conferences in descending order (from the most recent to the oldest), here's the correct sequence:
 - Buenos Aires, Argentina Conference (2017)
 - Nairobi, Kenya Conference (2015)
 - Bali, Indonesia Conference (2013)
 - Cancun, Mexico Conference (2003)
 - Seattle, United States Conference (1999)

79. Answer: a

Explanation:

The correct answer is B, C, E, A, D.

★ Key Points

- **The General Discussion** stage is usually the second phase in the budget process.
 - Once the budget is presented to the legislative assembly, it opens up for what's known as 'The General Discussion'. In this stage, members of the legislative assembly discuss the broad outlines, principles, and general themes of the budget. It is a more high-level debate, without detailed discussions on individual items or detailed figures laid out in the budget.

- **A Finance Bill** is a form of legislation proposed by a government related to fiscal matters, such as taxes. The main objective of this bill is to present the government's proposed changes to the financial structure, including proposed amendments to various tax laws.
- **Voting on Demand for Grants** is an essential step in the budget process in parliamentary democracies. After the presentation of the Annual Financial Statement or the Budget, the Constitution generally requires that any grant or expenditure from the Consolidated Fund of the country or region (like a state or a province) must be explicitly approved or sanctioned by the legislature.
- **Presentation to the Legislative Assembly** refers to the initial stage of the budget process where the Finance Minister presents the annual financial statement or proposed budget to the legislative assembly, which could be a Parliament, Congress, or State Legislature depending upon the country.
- **The Appropriation Bill** a crucial step in the budget process, is designed to provide the legal authority necessary for the government to spend or withdraw money from the Consolidated Fund of the nation (or a state or province) to meet various expenditure requirements.

80. Answer: a

Explanation:

The correct answer is: Option 2) D, B, C, A, E

★ Key Points

- Let's look at the implementation years of the listed taxes and financial reforms in India to understand the chronological order:
- **D. Income Tax** - The Income Tax was first introduced in India in 1860 by Sir James Wilson to compensate for the losses incurred by the British government during the First War of Independence in 1857. However, the Income Tax Act that governs taxation in modern India came into force on 1st April 1961.
- **B. Expenditure Tax** - The Expenditure Tax Act was introduced in 1987. This tax is levied on the amount spent on luxury items and services.

- C. State VAT (Value Added Tax) – VAT was introduced in India with the hope of replacing the existing sales tax system. It was implemented in a phased manner, starting with Haryana on April 1, 2003, and eventually adopted by all states by April 2005.
- A. Service Tax – Service Tax was introduced in 1994. It was levied on selected services at a rate of 5%. Over the years, the number of services taxed and the tax rate both increased.
- E. Goods and Services Tax (GST) – GST was implemented on July 1, 2017, and it subsumed almost all the indirect taxes except for a few state taxes. It was one of the biggest tax reforms in India, aiming to make the country a unified common market.
- Chronological Order: Based on the years and information provided, the correct chronological order of these tax implementations in India is Income Tax (D), Expenditure Tax (B), State VAT (C), Service Tax (A), and finally Goods and Services Tax (GST) (E).

Hence, the correct answer is Option 2) D, B, C, A, E.

81. Answer: a

Explanation:

The correct answer is D, B, A, C, E.

The full form of CMIE is the **Centre for Monitoring Indian Economy**.

★ Key Points

- Centre for Monitoring Indian Economy, is a leading independent Indian think-tank that provides data, information, and analysis on the Indian economy. Founded in 1976 and based in Mumbai, CMIE primarily offers services related to economic forecasting, business, and economic databases, as well as several types of research for a variety of sectors of the economy.
- List of Most Unemployed States in India CIME's data on Unemployment in India 2022.

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States Name	Unemployed Rate
Haryana	37.4%
Rajasthan	28.5%
Bihar	19.1%
Assam	4.7%
Chhattisgarh	3.4%
Uttarakhand	4.2%
Gujarat	2.3%

82. Answer: a

Explanation:

The correct answer is A, B, C, D, E.

★ Key Points

- **The Cash Reserve Ratio (CRR)** is a monetary policy tool used by central banks to control liquidity in the banking system. It refers to the minimum fraction of the total deposits of customers that commercial banks are required to hold as reserves, either in cash or as deposits with the central bank.
- **The Repo Rate** is the cost of borrowing short-term money for commercial banks from the central bank. This rate is a powerful tool because central banks can manipulate it to influence liquidity in the economy, control inflation, and stabilize the country's financial system. For example, if the central bank wants to reduce liquidity in the economy and control inflation, it could increase the Repo Rate to make borrowing more costly for commercial banks.
- **Bank rates** influence the lending rates of commercial banks. Higher bank rates will translate to higher lending rates by the banks. In order to curb liquidity, the central bank can resort to raising the bank rate and vice versa.

- **Reverse repo rate** is the rate at which the central bank of a country (Reserve Bank of India in the case of India) borrows money from commercial banks within the country. It is a monetary policy instrument that can be used to control the money supply in the country.
- **Standing Deposit Facility** is a liquidity window through which the RBI allows banks to keep excess liquidity. The Reserve Bank of India (RBI) has introduced a 3.75% standing deposit facility (SDF) as a measure to normalize monetary policy. It is a collateral-free liquidity absorption tool that tries to absorb money from the commercial banking sector into the RBI.

83. Answer: a

Explanation:

The correct answer is **A, D, E, B, C.**

★ **Key Points**

- **Ad hoc Treasury bills are issued on a need basis, typically for a short-term period. Now, let's break down the options:**
 - Ad hoc Treasury bills: These are issued based on specific needs, not on a regular schedule.
 - 28 Days T-bills: These are Treasury bills with a maturity period of 28 days.
 - 14 Days T-bills: These are Treasury bills with a maturity period of 14 days.
 - 364 Days T-bills: These are Treasury bills with a maturity period of 364 days, almost a year.
 - 182 Days T-bills: These are Treasury bills with a maturity period of 182 days, around six months

84. Answer: a

Explanation:

The correct answer is **E, B, C, A, D**.

★ Key Points

- The economists listed can be arranged in chronological order, based on when they primarily conducted their work or contributions to the theory of money.
 - **Don Patinkin (1922 - 1995)** - an Israeli economist, known for his work in monetary economics.
 - **Irving Fisher (1867 - 1947)** - an American economist known for his contributions to monetary theory.
 - **Milton Friedman (1912 - 2006)** - an American economist, known for his work on monetary theory and policy.
 - **Alfred Marshall (1842 - 1924)** - a British economist, and one of the pioneers in the development of economic theory.
 - **John Maynard Keynes (1883 - 1946)** - a British economist, and key figure in the development of macroeconomics.

85. **Answer: a**

Explanation:

The correct answer is **A, E, D, B, C**.

★ Key Points

- **The European Free Trade Association (EFTA)** is a regional trade organization and free trade area consisting of four European states: Iceland, Liechtenstein, Norway, and Switzerland. Operational since **1960**, the organization operates in parallel with, and is linked to, the European Union (EU).
- **The Andean Community (CAN)** is a customs union that comprises the South American countries of Bolivia, Colombia, Ecuador, and Peru. The organization promotes the expansion of member nations through integration and economic and social cooperation. The Andean Community was established in **1969** with the signing of the Cartagena Agreement. The organization provides a framework for the exchange of goods, services, and factors contributing to the economic process.

- **The Association of Southeast Asian Nations**, or ASEAN, is an intergovernmental organization composed of ten Southeast Asian countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. Formally established on August 8, **1967**, with the signing of the ASEAN Declaration, it promotes intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration among its members and other countries in Asia.
- **The Asia-Pacific Economic Cooperation**, or APEC, is an intergovernmental forum for 21 economies that promotes free trade throughout the Asia-Pacific region. This organization was established in **1989** in response to the increasing interdependence of Asia-Pacific economies and the advent of regional trade blocs in other parts of the world.
- **The North American Free Trade Agreement** (NAFTA) was an agreement signed by Canada, Mexico, and the United States, creating a trilateral trade bloc in North America. It took effect on January 1, **1994**, and it aimed to eliminate barriers to trade and investment between the three countries.

86. **Answer: c**

Explanation:

The correct answer is Statement I is correct but Statement II is incorrect.

★ **Key Points**

- The contract curve in economics represents the set of efficient combinations of goods, where it's impossible to find a different allocation that both parties would prefer. This concept comes from the Edgeworth Box, a popular graphical representation in general equilibrium theory.
- The contract curve reflects different allocations that are Pareto efficient, meaning you can't make one individual better off without making at least one other individual worse off. But this doesn't necessarily mean that the resources are equally distributed among individuals or that all individuals have the same level of welfare. For instance, you might have a Pareto efficient point on the contract curve where one individual has a lot of both goods and the other has

very little. That's Pareto efficient because you can't give more to the person with less without taking away from the person with more. But it's not equal – you could say one person is better off in that situation.

87. Answer: a

Explanation:

The correct answer is Both Statement I and Statement II are true.

★ Key Points

- **High-interest** rates can lead to a larger portion of the nation's Gross National Product (GNP) being committed to interest payments on government debt. This payment, in turn, is financed through taxation, which can impose a deadweight loss. Deadweight loss refers to the lost economic efficiency when the equilibrium for a good or service is not achieved, in this case, because taxation has diverted resources away from more productive uses.
 - **Crowding-out effect happens** when government spending increases interest rates, which leads to a reduction in private investment that offsets the increase in government spending. A rising rate of interest payment in the budget means that more of the budget is being dedicated to paying off interest rather than being spent on other public programs. This reduction in government spending on public programs is the crowding-out effect.
-

88. Answer: b

Explanation:

The correct answer is **Both (A) and (R) are true and (R) is not the correct explanation of (A)**.

★ Key Points

- **Low-income** countries often face challenges in generating sufficient revenue domestically to cover public sector expenditures. they are more likely to resort to borrowing money from external sources to finance government projects, programs, and services.
- **Some reasons why low-income countries may be more inclined to borrow.**
 1. Limited Revenue Base
 2. Development Needs
 3. Vulnerability to Economic Shocks
 4. Global Economic conditions
 5. Capacity constraints
 6. Debt sustainability concerns
- Governments are generally obligated to repay the loans they take, along with the agreed-upon interest payments. Failing to repay loans and interest can have serious consequences for a government's financial stability and creditworthiness.
- **Government debt repayment:**
 - Creditworthiness
 - Legal Obligations
 - IMF and World Bank
 - Market confidence
 - consequences of Default
 - Debt Restructuring

89. **Answer: a**

Explanation:

The correct answer is **Both (A) and (R) are true and (R) is the correct explanation of (A).**

★ **Key Points**

- The partisan theory suggests that the outcomes of macroeconomic policies are influenced by ideological preferences and decisions made by political

leaders belonging to different political parties.

- **Partisan Theory Include**
- **Ideological motivations**
 - In partisan theory, political leaders have ideological motivations that shape their policy preferences and ideological preferences influence the economic policies they pursue.
- **Policy Outcomes**
 - The theory contends that macroeconomic policy outcomes, such as fiscal and monetary policies, are not solely driven by economic consideration but are influenced by the ideological stance of the political party in power.
- **Partisan Differences**
 - Partisan theory emphasizes the differences in economic policy preferences between political parties. These differences can manifest in areas such as taxation, government spending, and approaches to economic regulation.
- **Policy Inertia**
 - They recognize that there can be policy inertia, where changes in policy direction may be gradual and influenced by the persistence of party ideology over time.
- **Empirical Studies**
 - Empirical studies testing the partisan theory often analyze the impact of political party affiliation on economic policy choices and outcomes.

90. **Answer: a**

Explanation:

The correct answer is **Both Statement I and Statement II are true.**

★ **Key Points**

- **Supply-side policies** are economic measures implemented by governments to enhance the productive capacity and efficiency of the economy. The primary goal is to stimulate long-term economic growth and improve the economy's

overall performance. These policies often result in an outward shift of the production possibility curve.

- Supply-side economics holds that increasing the supply of goods translates to economic growth for a country.
- In supply-side fiscal policy, tax cuts, lower interest rates, and deregulation help foster increased production.
- Supply-side fiscal policy was formulated in the 1970s as an alternative to Keynesian, demand-side policy.
- **Privatization** is indeed the process of transferring ownership or control of state-owned assets to private entities, such as individuals or corporations. The primary goals of privatization are often as you mentioned to increase competition, productivity, and efficiency in the economy.

91. Answer: c

Explanation:

★ Key Points

- The root cause of the crash of the knowledge economy is the intellectual monopolies, i.e. the huge protection inherent to Intellectual Property Rights.
- It is evident from statement - "U. Pagano and M.A. Rossi (2009) have advanced a hypothesis that states that, 'the crash of the knowledge economy is due to the intellectual monopolies, i.e. the huge protection inherent to Intellectual Property Rights (IPRs)."

92. Answer: b

Explanation:

★ Key Points

- The authors have stated – the institutions, which are facilitating IPRs are responsible for the crash.
- It is evident from statement from passage.

93. Answer: d

Explanation:



The IPRs have raised the cost of investments for countries that had neither abundant cheap labour nor high amount of IPR resources, hence it acted as a super tariff.

Key Points

- According to the authors, IPRs have acted as 'super – tariffs' as they have raised the cost of investment for countries that had neither abundant cheap labour nor high amounts of IPR resources. The IPRS may have subsequently exerted negative effect even on IP (Intellectual Property) rich firms or the conflicting rights of the firm may affect each other's investments and result in a situation of a savings glut.

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94. Answer: c

Explanation:

The IPRs have given rise to conflicting rights for different firms, which has affected the volume of investment negatively and resulted in a situation of a savings glut.

★ Key Points

- The IPRS may have subsequently exerted negative effect even on IP (Intellectual Property) rich firms or the conflicting rights of the firm may affect each other's investments and result in a situation of a savings glut.

- Therefore, the authors suggested – "if intellectual monopolies are one of the causes of the crash, the remedies should not only focus on monetary policy, financial regulation or even on standard Keynesian policies, rather regulation should be made to decrease the level of intellectual monopolization of economy".

95. Answer: d

Explanation:

The recovery of the knowledge economy from the crisis can be achieved through the regulations, which can decrease the level of intellectual monopolisation (IPRS) in the economy.

★ Key Points

- Therefore, the authors suggested – "if intellectual monopolies are one of the causes of the crash, the remedies should not only focus on monetary policy, financial regulation or even on standard Keynesian policies, rather regulation should be made to decrease the level of intellectual monopolization of economy".
- The policy measures they propose, however, aimed at redressing the balance between public and private knowledge, would not only have strong short – run super – multiplicative effects but would have long – run benefits as well.

96. Answer: c

Explanation:

The correct answer is Insolvency of banks.

★ Key Points

- Physical risks are described as "the economic and financial losses such as risk to the value of a collateral etc., resulting from the increasing frequency and severity of extreme weather events, gradual long-term shifts of the climate and indirect effects of climate change (such as impact on ecosystem services etc.)." Transition risks are described as those that "arise from the process of adjustments towards a low-carbon economy."
-

97. Answer: c

Explanation:

The correct answer is **Setting national development priorities.**

★ Key Points

- The Indian Central Bank has set up the Sustainable Finance Group in this regard. This aligns with its mission, "to promote the economic and financial well being of the people of India in terms of price and financial stability: fair and universal access to financial services and a robust, dynamic and responsive financial intermediation infrastructure."
-

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98. Answer: b

Explanation:

The correct answer is **To lead regulatory initiatives on climate-risk.**

★ Key Points

- The purpose of setting up the Sustainable Finance Group by the RBI is regulatory initiatives dynamic and responsive financial intermediation infrastructure."
-

99. Answer: d

Explanation:

The correct answer is **Backward-looking risk assessment methods**

★ Key Points

- Based on the passage provided, aspects that directly contribute to integrating climate risks into the financial system include climate-related financial disclosures, stress testing, climate scenario analysis, and regulatory initiatives by central banks, such as the Indian Central Bank's Sustainable Finance Group.

100. Answer: b

Explanation:

The correct answer is **Loss of ecosystem services**

★ Key Points

- Transition risks are associated with the process of transitioning to a lower-carbon economy and can include policy and legal changes, technology shifts, market dynamics, and reputational impacts. Therefore, a factor that does not pertain to the category of transition risk drivers with respect to climate-related risks would be one unrelated to the economic, policy, technological, or societal adjustments required for this transition.