

**SET 2013**  
**PAPER – III**  
**ECONOMICS**

Signature of the Invigilator

Question Booklet No. ....

1.

OMR Sheet No.. ....

**Subject Code**

**ROLL No.**

**Time Allowed : 150 Minutes**

**Max. Marks : 150**

**No. of pages in this Booklet : 15**

**No. of Questions : 75**

**INSTRUCTIONS FOR CANDIDATES**

1. Write your Roll No and the OMR Sheet No in the spaces provided on top of this page.
2. Fill in the necessary information in the spaces provided on the OMR response sheet.
3. This booklet consists of seventy five (75) compulsory questions each carrying 2 marks.
4. Examine the question booklet carefully and tally the number of pages/questions in the booklet with the information printed above. **Do not accept a damaged or open booklet.** Damaged or faulty booklet may be got replaced within the first 5 minutes. Afterwards, neither the Question Booklet will be replaced nor any extra time given.
5. Each Question has four alternative responses marked (A), (B), (C) and (D) in the OMR sheet. You have to completely darken the circle indicating the most appropriate response against each item as in the illustration.



6. All entries in the OMR response sheet are to be recorded in the original copy only.
7. Use only Blue/Black Ball point pen.
8. Rough Work is to be done on the blank pages provided at the end of this booklet.
9. If you write your Name, Roll Number, Phone Number or put any mark on any part of the OMR Sheet, except in the spaces allotted for the relevant entries, which may disclose your identity, or use abusive language or employ any other unfair means, you will render yourself liable to disqualification.
10. You have to return the Original OMR Sheet to the invigilators at the end of the examination compulsorily and must not carry it with you outside the Examination Hall. **You are, however, allowed to carry the test booklet and the duplicate copy of OMR Sheet** on conclusion of examination.
11. Use of any calculator, mobile phone or log table etc. is strictly prohibited.
12. **There is no negative marking.**

12-13

**ECONOMICS**  
**PAPER-III**

**Note :—** This paper contains **seventy five (75)** objective type questions of **two (2)** marks each.  
**All** questions are compulsory.

1. Select the right combination of Assertion (A) and Reason (R) from the codes given below :
- Assertion (A) :** One of the characteristics of many underdeveloped countries is that they have a low saving rate and low capital formation.
- Reason (R) :** In underdeveloped countries like India, this is mainly due to a high level of consumption.
- Codes :**
- (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
2. Which one of the following pairs is not correctly matched ?
- (A) Rolling plan for developing countries : Kaldor
- (B) Economic determinism : Marx
- (C) Balanced growth theory : Nurkse
- (D) Development with unlimited surplus of labour : Lewis
3. Human Development Index (HDI) is a composite index of :
- (A) Health, literacy and employment
- (B) National income, size of population and general price level
- (C) National income, per capita income and per capita consumption
- (D) Physical resources, Monetary resources and population size
4. Choose the correct sequence for demographic transition associated with economic development from the codes below :
- a. Low birth rate with low death rate
- b. High birth rate with high death rate
- c. High birth rate with low death rate
- (A) a, b, c
- (B) b, a, c
- (C) b, c, a
- (D) c, b, a
5. The World Bank's Environmentally Sustainable Development Division has developed the Green Index. Which one of the following is not a constituent of this index ?
- (A) Produced assets
- (B) Natural resources
- (C) Social Assets
- (D) Human resources

6. The National Food Security Mission was launched in India on :
- (A) 2003-04  
(B) 2004-05  
(C) 2006-07  
(D) 2007-08
7. The targeted rate of growth of agriculture in India during the XIth Five Year Plan was :
- (A) 2%  
(B) 3%  
(C) 4%  
(D) 5%
8. The Thirteenth Finance Commission has recommended the share of States in shareable central taxes at :
- (A) 29.00%  
(B) 28.50%  
(C) 32.00%  
(D) 31.25%
9. The pioneers in estimating poverty in India for rural and urban areas separately were :
- (A) P.K. Bardhan and B.S. Minhas  
(B) V.M. Dandekar and N. Rath  
(C) M. Ahluwalia and P.D. Ojha  
(D) E.P.W. DaCosta and N. Rath.
10. The Lorenze Curve shows the relationship between :
- (A) Asset creation and income generation  
(B) Population groups and their respective income shares  
(C) Unemployment and inflation  
(D) Wages, labour hours and leisure
11. The Prebisch-Singer Hypothesis deals with :
- (A) Terms of trade of less developed countries  
(B) Terms of trade of developed countries  
(C) Balance of payments of less developed countries  
(D) Balance of payments of developed countries
12. According to Friedman, the velocity of circulation of money depends on :
- a. Market interest on bonds  
b. Rate of change in general price level  
c. Ratio of physical non-human wealth to human wealth  
d. Ratio of savings to investment
- Select the correct code :
- (A) a and c  
(B) a, b and d  
(C) a, b and c  
(D) only d
13. According to Life Cycle Hypothesis, consumption is related to :
- (A) Current income  
(B) Past peak level income  
(C) Life time expected income  
(D) Price expectations over one's lifetime
14. If two commodities are perfect substitutes, the cross elasticity of demand between them will be :
- (A) Zero  
(B) Positive  
(C) Negative  
(D) Infinity

15. If the price a producer pays for each of the inputs that it uses is equal to the VMP of that factor, the producer earns :

- (A) Positive supernormal profit
- (B) Zero supernormal profit
- (C) Negative supernormal profit
- (D) Monopoly profit

16. Match the Lists and select the correct answer from the codes given below :

**List I**

**List II**

- |                       |   |
|-----------------------|---|
| (a) Revenue deficit   | (i) Government borrowing from the RBI           |
| (b) Fiscal deficit    | (ii) Revenue expenditure minus revenue receipts |
| (c) Primary deficit   | (iii) Fiscal deficit minus interest payments    |
| (d) Monetised deficit | (iv) Total expenditure minus non-debt receipts  |

**Codes :**

- |     |       |       |       |       |
|-----|-------|-------|-------|-------|
|     | (a)   | (b)   | (c)   | (d)   |
| (A) | (ii)  | (iv)  | (iii) | (i)   |
| (B) | (i)   | (ii)  | (iv)  | (iii) |
| (C) | (ii)  | (iii) | (iv)  | (i)   |
| (D) | (iii) | (i)   | (ii)  | (iv)  |

17. Which one of the following is a qualitative credit control method ?

- (A) Open market operations
- (B) Bank rate
- (C) Variable cash reserve ratio
- (D) Moral suasion

18. The time Preference theory of Interest was developed by :

- (A) I. Fisher
- (B) N. Senior
- (C) J.R. Hicks
- (D) J.M. Keynes

19. Which of the following is not a non-tariff barrier ?

- (A) Export restraint
- (B) Health and product standards
- (C) Environmental protection laws
- (D) Ad-valorem duties

20. Match the Lists and select the correct answer from the codes given below :

**List I**

**List II**

- |                  |                                    |
|------------------|------------------------------------|
| (a) Pareto       | (i) Compensation Principle         |
| (b) Hicks-Kaldor | (ii) Social Welfare Function       |
| (c) Bergson      | (iii) Social Optimum               |
| (d) Scitovsky    | (iv) Double Criterion Compensation |

**Codes :**

- |     |       |      |       |      |
|-----|-------|------|-------|------|
|     | (a)   | (b)  | (c)   | (d)  |
| (A) | (iii) | (i)  | (ii)  | (iv) |
| (B) | (ii)  | (iv) | (iii) | (i)  |
| (C) | (iii) | (iv) | (ii)  | (i)  |
| (D) | (ii)  | (i)  | (iii) | (iv) |

21. The coefficient of correlation is independent of :

- (A) Change of origin only
- (B) Change of scale only
- (C) Change of origin and scale
- (D) None of the above

22. Infant mortality rate refers to :

- (A) The ratio of number of children who die before their fifth birthday out of every 1000 live births
- (B) The ratio of number of children who die before their first birthday out of every 100 live births
- (C) The ratio of number of children who die before their fifth birthday out of every 100 live births
- (D) The ratio of number of children who die before their first birthday out of every 1000 live births

23. The Chairman of the Committee appointed in 2006 for setting out a roadmap towards fuller capital account convertibility was :

- (A) S.S. Tarapore
- (B) C. Rangarajan
- (C) M. Narasimham
- (D) O.P. Sodhani

24. For a Cobb-Douglas production function  $Y = AL^aK^b$ ,  $a, b > 0$  :

*List I*

*List II*

- (a) Increasing returns to scale (i)  $a, b < 1$
- (b) Diminishing returns to scale (ii)  $a+b > 1$
- (c) Constant returns to scale (iii)  $a+b < 1$
- (d) Diminishing returns to factors (iv)  $a+b = 1$

Match the Lists and select the correct answer from the codes given below :

**Codes :**

- |     |      |       |       |       |
|-----|------|-------|-------|-------|
|     | (a)  | (b)   | (c)   | (d)   |
| (A) | (i)  | (iv)  | (iii) | (ii)  |
| (B) | (iv) | (i)   | (ii)  | (iii) |
| (C) | (ii) | (iii) | (iv)  | (i)   |
| (D) | (ii) | (iii) | (i)   | (iv)  |

25. An isoquant is L-shaped when :

- (A) The two factors are complementary
- (B) The two factors are perfect substitutes
- (C) The two factors are used in fixed proportions
- (D) The two factors are imperfect substitutes

26. The long run cost function for a commodity sold in a perfectly competitive market is given by  $C(q) = q^3 - 2q^2 + 2q$ . The equilibrium price of the commodity in the long run is :

- (A) 7
- (B) 1
- (C) 4
- (D) 2

27. Which one of the following is considered as non-debt creating foreign investment inflow ?
- (A) External assistance  
 (B) Foreign direct investment  
 (C) Borrowing from the IMF  
 (D) Commercial borrowings
28. Which one of the following does not constitute a part of the jurisdiction of WTO ?
- (A) Trade related tariff and non-tariff barriers  
 (B) Trade related intellectual property rights  
 (C) Agreement related to agriculture  
 (D) Regional trade agreements
29. An increase in government expenditure will lead to a net increase in aggregate demand if the crowding-out effect is :
- (A) 100%  
 (B) 1%  
 (C) more than 1% but less than 100%  
 (D) zero
30. Which one of the following is not a special category state for the purposes of Central Grants-in Aid ?
- (A) Assam  
 (B) Tripura  
 (C) Sikkim  
 (D) Kerala

31. Match the Lists and select the correct answer from the codes given below :

**List I**

**List II**

- |   |                           |
|---|---------------------------|
| (a) Development Planning                          | (i) J.N. Bhagwati         |
| (b) Poverty in India                              | (ii) R.K. Hazari          |
| (c) Immiserizing growth                           | (iii) Dandekar and Rath   |
| (d) The structure of the corporate private sector | (iv) Sukhamoy Chakravarty |

**Codes :**

- |     |       |       |      |      |
|-----|-------|-------|------|------|
|     | (a)   | (b)   | (c)  | (d)  |
| (A) | (iv)  | (iii) | (ii) | (i)  |
| (B) | (iv)  | (iii) | (i)  | (ii) |
| (C) | (iii) | (i)   | (iv) | (ii) |
| (D) | (iii) | (i)   | (ii) | (iv) |

32. Arrange the following in chronological order :

- (a) Foreign Exchange Management Act  
 (b) Industrial Development and Regulation Act  
 (c) Monopolies and Restrictive Trade Practices Act  
 (d) Foreign Exchange and Regulation Act

**Codes :**

- (A) (c), (b), (d), (a)  
 (B) (b), (c), (d), (a)  
 (C) (b), (d), (c), (a)  
 (D) (a), (d), (b), (c)

33. Which of the following dealt exclusively with taxation of agricultural wealth and income in India ?
- (A) J. Mathai Committee, 1953  
 (B) Kaldor's Report, 1956  
 (C) Wanchoo Committee, 1971  
 (D) Raj Committee, 1972
34. Which one of the following measures comes under stabilisation policies for agricultural goods ?
- (A) Increases in irrigation facilities  
 (B) Adoption of HYV seeds  
 (C) Strengthening the PDS  
 (D) Appropriate support prices
35. Select the right combination of Assertion (A) and Reason (R) from the codes given below :
- Assertion (A) :** There is an inter-locking of product and factor markets in Indian Agriculture.
- Reason (R) :** India's agricultural economy is overwhelmingly market-oriented.
- Codes :**
- (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
36. Which one of the following labour laws seeks to protect the interests of agricultural labour in India ?
- (A) Employees' State Insurance Act, 1948  
 (B) Minimum Wages Act, 1948  
 (C) Employees' Provident Fund Act, 1952  
 (D) Workmen's Compensation Act, 1923
37. Which one of the following is not correctly matched ?
- (A) Rural credit : NABARD  
 (B) Industrial finance : SIDBI  
 (C) Rural poverty : SJSRY  
 (D) Disguised unemployment : Subsistence agriculture
38. A high birth rate of population along with a declining death rate in a densely populated country like India leads to :
- (A) Balanced population growth in the long run  
 (B) an increase in the economically active population  
 (C) rapid economic development  
 (D) an increase in the dependency load
39. The Coase Theorem deals with :
- (A) Internalisation of externalities  
 (B) Pricing of public goods  
 (C) Solution to the problem of externalities in terms of well defined and exchangeable property rights  
 (D) None of the above

40. The two-gap theory as applied to development planning refers to :
- (A) inflationary gap and investment gap  
 (B) savings gap and deflationary gap  
 (C) foreign exchange gap  
 (D) savings constraint and foreign exchange constraint.
41. The infant industry argument is advocated in the context of :
- (A) price discrimination  
 (B) product diversification  
 (C) protection  
 (D) resource mobilisation
42. Power of a test is :
- (A) Probability of Type-I error  
 (B) Probability of Type-II error  
 (C) 1–(Probability of Type-I error)  
 (D) 1–(Probability of Type-II error)
43. Hot money refers to :
- (A) short-term capital movements from one country to another seeking either a higher rate of interest or safety of capital irrespective of the rate of interest  
 (B) long-term capital movements from one country to another seeking a higher rate of interest  
 (C) medium-term capital movements from one country to another  
 (D) currency which is very much in demand in the foreign exchange market.
44. Which of the following pairs is correctly matched ?
- (A) Lowering of the value of a country's currency in terms of other currencies : Revaluation  
 (B) Decline in the value of a country's currency in terms of other currencies : Depreciation  
 (C) Increase in the value of a country's currency in terms of other currencies : Devaluation.  
 (D) Increase in a country's foreign exchange reserves : Depression

45. Match the Lists and select the correct answer from the codes given below :

**List-I**

**List-II**

- |                      |   |
|----------------------|---|
| (a) Forward exchange | (i) A device of covering exchange risk against the price rise of foreign currency   |
| (b) Hedging          | (ii) A contract to buy and sell foreign exchange against another currency at some fixed rate in the future at a price agreed upon now |
| (c) Arbitrage        | (iii) The movement of exchange rate between two limits set by the cost of moving gold from one country to another                     |
| (d) Specie points    | (iv) A mechanism which makes two markets that are physically separate into a single market in the economic sense                      |

**Codes :**

- |     |      |       |      |       |
|-----|------|-------|------|-------|
|     | (a)  | (b)   | (c)  | (d)   |
| (A) | (iv) | (iii) | (ii) | (i)   |
| (B) | (ii) | (i)   | (iv) | (iii) |
| (C) | (iv) | (i)   | (ii) | (iii) |
| (D) | (ii) | (iii) | (iv) | (i)   |

46. Which of the following pairs is not correctly matched ?
- (A) Gross barter terms of trade : Taussig  
 (B) Purchasing power parity theory : J.S. Mill  
 (C) Offer curves : A. Marshall  
 (D) Factor endowment model : Heckscher-Ohlin
47. Choose the correct sequence from the codes below in terms of increasing degree of integration between member countries :
- (a) Free Trade Area  
 (b) Economic Union  
 (c) Common Market  
 (d) Custom Union
- Codes :**
- (A) (a), (b), (c), (d)  
 (B) (c), (d), (a), (b)  
 (C) (a), (d), (c), (b)  
 (D) (c), (b), (a), (d)
48. In India,  $M_3$  represents :
- (A)  $M_1$  + post office savings bank deposits  
 (B) Currency with the public + demand deposits with banks  
 (C)  $M_1$  + time deposits with banks  
 (D)  $M_2$  + post office savings bank deposits
49. The theory that the transactions demand for money also depends on the rate of interest was put forward by :
- (A) Keynes and Pigou  
 (B) Baumol and Tobin  
 (C) Hicks and Solow  
 (D) Samuelson and Meade
50. Justice in taxation is best ensured by applying the principle of :
- (A) equal absolute sacrifice  
 (B) equal proportional sacrifice  
 (C) equal marginal sacrifice  
 (D) quid pro quo
51. Select the right combination of Assertion (A) and Reason (R) from the codes given below :
- Assertion (A) :** Indirect taxes are generally regressive in character.
- Reason (R) :** They are imposed uniformly on all taxpayers irrespective of their income.
- Codes :**
- (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
52. Which of the following pairs is not correctly matched in the Indian context ?
- (A) Cash reserve ratio : Monetary policy  
 (B) Non-performing assets : Profitability of commercial banks  
 (C) Market-determined rate of interest : Post office deposits  
 (D) Administered rate of interest : Public Provident Fund

53. The IS-LM model has been formulated by :
- (A) J.R. Hicks
  - (B) F. Modigliani
  - (C) P.A. Samuelson
  - (D) J.M. Keynes

54. Match the Lists and select the correct answer from the codes given below :

**List I**

**List II**

- |                       |                          |
|-----------------------|--------------------------|
| (a) Value added       | (i) Constant prices      |
| (b) Nominal income    | (ii) Input-output matrix |
| (c) Real income       | (iii) Pension            |
| (d) Transfer earnings | (iv) Current prices      |

**Codes :**

- |     |      |      |       |       |
|-----|------|------|-------|-------|
|     | (a)  | (b)  | (c)   | (d)   |
| (A) | (iv) | (ii) | (iii) | (i)   |
| (B) | (ii) | (iv) | (i)   | (iii) |
| (C) | (iv) | (ii) | (i)   | (iii) |
| (D) | (ii) | (iv) | (iii) | (i)   |

55. The accelerator theory of investment relates the current rate of investment to the :
- (A) long-term rate of interest
  - (B) short-term rate of interest
  - (C) current level of output
  - (D) change in the level of output

56. Stagflation refers to a situation characterised by :
- (A) deflation and rising unemployment
  - (B) inflation and falling unemployment
  - (C) inflation and rising unemployment
  - (D) stagnant employment and deflation

57. Arrange the following theories of interest in chronological order :

- (a) Liquidity Preference Theory
- (b) Loanable Funds Theory
- (c) Classical Theory
- (d) IS-LM Theory

- (A) (a), (d), (c), (b)
- (B) (c), (b), (a), (d)
- (C) (a), (b), (c), (d)
- (D) (c), (d), (b), (a)

58. Select the right combination of Assertion (A) and Reason (R) from the codes given below :

**Assertion (A) :** There is no active role for the government to use counter-cyclical stabilisation policy if the real business cycle theory is valid.

**Reason (R) :** The real business cycle theory asserts that cyclical fluctuations in output and employment are the result of responses of economic agents to real shocks, with markets adjusting rapidly and always remaining in equilibrium.

**Codes :**

- (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

59. In his adding up theorem Euler assumes that elasticity of substitution is :
- (A) Zero  
 (B) Greater than zero but less than one  
 (C) One  
 (D) Greater than one
60. A locus of constant utility is called the :
- (A) Expansion path  
 (B) Utility function  
 (C) Indifference curve  
 (D) Demand function
61. In the leadership model of duopoly if one is a (quantity) leader and the other is a (quantity) follower, equilibrium takes place :
- (A) At a point on the reaction curve of the leader  
 (B) At a point on the reaction curve of the follower  
 (C) At the point of intersection of the two reaction curves  
 (D) Nowhere
62. The opportunity cost of a factor of production is :
- (A) What it is earning in its present use  
 (B) What it can earn in the long run  
 (C) What it can earn in the best alternative use  
 (D) None of the above
63. The implication of the kinked demand curve is reflected in a discontinuity in the :
- (A) Total cost curve  
 (B) Marginal cost curve  
 (C) Total revenue curve  
 (D) Marginal revenue curve
64. A queue of a large number of farmers before a single cold storage in the area is a case of :
- (A) Monopoly  
 (B) Oligopoly  
 (C) Monopsony  
 (D) Monopolistic competition
65. The famous 'Diamond-Water' paradox was formulated by :
- (A) A. Smith  
 (B) J.M. Keynes  
 (C) A. Marshall  
 (D) F.Y. Edgeworth
66. Arrange the following authors chronologically in the context of development of the theory of oligopoly :
- (a) E. Stackelberg  
 (b) P. Sweezy  
 (c) J. Bertrand  
 (d) A. Cournot
- Codes :**
- (A) (b), (a), (c), (d)  
 (B) (d), (c), (a), (b)  
 (C) (a), (b), (d), (c)  
 (D) (c), (d), (a), (b)

67. Match the Lists and select the correct answer from the codes given below :

**List I**

- (a) Asian Drama
- (b) Choice of Technique
- (c) Stages of economic growth
- (d) Strategy of economic development

**List II**

- (i) A.K. Sen
- (ii) W.W. Rostow
- (iii) Gunnar Myrdal
- (iv) A.O. Hirschman
- (v) Leibenstein

**Codes :**

- |     |       |       |       |       |
|-----|-------|-------|-------|-------|
|     | (a)   | (b)   | (c)   | (d)   |
| (A) | (i)   | (ii)  | (iv)  | (iii) |
| (B) | (iii) | (i)   | (ii)  | (iv)  |
| (C) | (i)   | (ii)  | (iii) | (iv)  |
| (D) | (v)   | (iii) | (ii)  | (i)   |

68. Select the right combination of Assertion (A) and Reason (R) from the codes given below :

**Assertion (A) :** The open economy Keynesian multiplier is less than the closed economy Keynesian multiplier.

**Reason (R) :** The marginal propensity to import is always greater than the marginal propensity to consume.

**Codes :**

- (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) are true

69. Limit price refers to the :

- (A) Price which prevents entry of new firms
- (B) Maximum price which the firm is allowed to charge
- (C) Price which maximises the profits of the firm
- (D) Price at which firm just starts earning a surplus over cost

70. Which of the following is not one of the goals of the Sarva Shiksha Abhiyan ?

- (A) Universal enrolment of children in schools
- (B) Retention till upper primary stage of all children by 2010
- (C) Bridging gender and social gaps in enrolment, retention etc.
- (D) Increasing Gross Enrolment Ratio to 20 by 2015

71. Which of the following is not a Maharatna under the Maharatna Scheme introduced in India in December 2009 ?

- (A) Indian Oil Corporation
- (B) NTPC
- (C) ONGC
- (D) BHEL

72. According to Census 2011, the literacy rate in India is :

- (A) 71%
- (B) 74%
- (C) 76%
- (D) 73%

73. According to the World Development Report 2012, India falls in the category of :

- (A) Upper middle income countries
- (B) Low middle income countries
- (C) High income countries
- (D) Low income countries

74. The oldest stock exchange in Asia is the :

- (A) Calcutta Stock Exchange
- (B) Bombay Stock Exchange
- (C) Ahmedabad Stock Exchange
- (D) None of the above

75. Arrange the following States in descending order in terms of their share in India's exports in 2010-11 :

- (a) Maharashtra
- (b) Gujarat
- (c) Tamil Nadu
- (d) Karnataka

**Codes :**

- (A) (a), (b), (c), (d)
- (B) (b), (a), (c), (d)
- (C) (a), (c), (b), (d)
- (D) (b), (d), (c), (a)

**ROUGH WORK**

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