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- (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
9. The sequence of operation of the transmission of a change in monetary policy is—  
 1. Changes in real money supply  
 2. Adjustment in output  
 3. Adjustment in spending  
 4. Changes in interest rates and asset prices  
 Select the correct answer according to the codes—  
**Codes :**  
 (A) 1 2 4 3  
 (B) 1 2 3 4  
 (C) 1 4 3 2  
 (D) 1 3 2 4
10. In IS-LM model, under usual Keynesian assumption, an increase in government spending will cause—  
 (A) Both income and rate of interest to rise  
 (B) Income to rise and rate of interest to fall  
 (C) Income to remain unchanged and rate of interest to fall  
 (D) Income to rise and rate of interest to remain unchanged
11. The original Phillips curve postulates relation between two of the following—  
 1. Rate of unemployment  
 2. Level of unemployment  
 3. Rate of increase in money wages  
 4. Rate of increase in real wages  
 Choose the correct combination according to the codes—  
 (A) 1 and 3 (B) 1 and 4  
 (C) 2 and 4 (D) 1 and 3
12. **Assertion (A) :** Okun's Law is a useful guide to macro economic policy.  
**Reason (R) :** Okun's Law indicates how a particular growth target will affect the unemployment rate over time.  
 Select the correct answer according to the codes—  
**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
13. When money supply increases, price level rises proportionately according to—  
 (A) Marshall (B) Fisher  
 (C) Keynes (D) Cantillon
14. Investment demand in a Keynesian system is determined by—  
 1. Marginal efficiency of capital  
 2. Tax rates  
 3. Marginal efficiency of investment  
 4. Stock of capital  
 Select the correct answer according to the codes—  
 (A) 1 and 2 (B) 1 and 3  
 (C) 2 and 3 (D) 3 and 4
15. Which one of the following is not a sign of economic development ?  
 (A) Changing structure of GDP in favour of industry  
 (B) Larger share of GDP coming from primary sector  
 (C) Larger capital inflows  
 (D) Institutional changes in an economy
16. Rate of real income growth in a country is annual percentage growth of—  
 (A) Rate of GDP growth at current price  
 (B) GDP growth at factor cost at current prices  
 (C) Rate of GDP growth at factor cost at constant prices  
 (D) Rate of GDP growth at market prices
17. Consider the following statements—  
 1. Economic development which results in high level of GDP in present time.  
 2. A pattern of development that seeks to meet the needs of present without compromising to ability of future.  
 3. Development which ensures maximum welfare of present generation.  
 4. Development which takes into account environmental degradation.  
 Of the above, sustainable development includes—  
**Codes :**  
 (A) 2 and 4 only (B) 2 and 3 only  
 (C) 1, 2 and 3 (D) 1, 2, 3 and 4

18. **Assertion (A)** : Cumulative causation is an explanation of backwardness of developing nation. It is a hypothesis of geographical dualism.

**Reason (R)** : Expansion in a favoured region has a backwash effect on other regions causing regional disparities.

Select the correct answer using the codes—

**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 correct explanation of (A)
- (C) (A) is true, but (R) is false
- (D) (A) is false, but (R) is true

19. Human Development Index prepared by UNDP is based on some of the following variables—

- 1. Life expectancy at birth
- 2. Health facilities
- 3. Per capita income adjusted by purchasing power
- 4. Literacy and enrolment percentage

Of the above variables—

- (A) 1, 2 and 3 are correct
- (B) 2, 3 and 4 are correct
- (C) Only 1 and 3 are correct
- (D) 1, 3 and 4 are correct

20. Which of the following is not the assumption of Solow's model of long run growth ?

- (A) Saving ratio is constant
- (B) Prices and wages are constant
- (C) Production function is linear homogeneous
- (D) Labour and output not growing at same rate

21. The original interpretation of balanced growth relates to—

- (A) All sectors growing at the same rate
- (B) Equal amount of investment in all sectors
- (C) Absence of shortages or excesses
- (D) Large expansion of economic activities in all the areas

22. List-I includes names of some authors and List-II some theories/hypothesis related with these authors. Matching authors with their contribution select correct answer from the codes given below the lists—

**List-I**

**(Authors)**

- (a) Rodan, R.
- (b) Nelson, R.
- (c) Hirschman, A
- (d) Leibenstein, H

**List-II**

**(Contribution)**

- 1. Low level equilibrium trap
- 2. Critical minimum effort
- 3. Big push
- 4. Unbalanced growth

**Codes :**

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

23. In investment criteria shadow prices are the prices—

- (A) In black market parallel to controlled prices
- (B) Fixed by the government without a consideration of cost of production
- (C) Which reveal true scarcity value of goods and factor inputs
- (D) At which goods and factors are not available

24. A Progressive Tax is one in which—

- (A) The tax payment as a percentage of income falls
- (B) The tax payment as a percentage of income is constant
- (C) The tax payment as a percentage of income increases
- (D) There is no linkage between income and tax payment

25. One of the necessary conditions for correcting fiscal imbalance is—

- (A) The real interest rate on public debt is equal to GDP growth rate
- (B) The real interest rate on public debt is greater than GDP growth rate
- (C) The real interest rate on public debt is lower than GDP growth rate
- (D) None of the above

26. The 12th Finance Commission recommended, among other things, to raise the share of states in net proceeds of divisible pool of central tax to—  
 (A) 25.1% (B) 28.9%  
 (C) 30.5% (D) 45.5%
27. The Non-plan grants by the central government to the state governments in India are made on the recommendations of—  
 (A) Ministry of Finance  
 (B) Finance Commission  
 (C) RBI  
 (D) Planning Commission
28. A transfer payment is a payment—  
 (A) Made by the government to its current workers  
 (B) Made to people who are needy  
 (C) For in-kind services provided to the government  
 (D) For which no services or goods are rendered
29. Which one of the following does not constitute a problem in Centre-State financial relations in India ?  
 (A) Problem of State Autonomy  
 (B) Neglect of Horizontal transfers  
 (C) Problem of Inter-State Disparities  
 (D) Suicide by farmers in certain States
30. An act of devaluation of a currency, other things being equal, will—  
 (A) Increase the total quantum of the exports and reduce the total quantum of imports of the devaluing country  
 (B) Increase the total quantum of both exports and imports  
 (C) Decrease the total quantum of both imports and exports  
 (D) Decrease the total volume of exports and increase the total quantum of imports
31. India, at present, has full convertibility of rupee on—  
 (A) Current Account  
 (B) Capital Account  
 (C) Both on Current and Capital Account  
 (D) None of the above
32. The value of Special Drawing Right (SDR) at present is determined in the international market by—  
 (A) The price of gold  
 (B) The value of US \$  
 (C) The average value of the basket of a set of convertible currencies  
 (D) Euro
33. The quantum of intra-regional trade among the countries of the world is explained by—  
 (A) Heckscher-Ohlin theory  
 (B) Comparative cost theory  
 (C) Both (A) and (B)  
 (D) Theories based on imperfect competition
34. The income terms of trade of a country is defined by Dorrance as—  
 (A)  $(P_x)(P_m)(Q_x)$  (B)  $\frac{P_m}{P_x} \times 100$   
 (C)  $\frac{P_m}{P_x} \times Q_x$  (D)  $\frac{P_x}{P_m} \times Q_x$
35. Which of the following is not a full-fledged member of the ASEAN group at present (2006) ?  
 (A) Indonesia and Myanmar  
 (B) Philippines and Thailand  
 (C) India and Pakistan  
 (D) South Vietnam and Singapore
36. Match the years in the List-I with the events in List-II—  
**List-I**  
 (a) 1966 (b) 1969  
 (c) 1971 (d) 1995  
**List-II**  
 1. Creation of SDR  
 2. Collapse of the Bretton Woods System  
 3. Devaluation of the rupee during 60'S  
 4. Creation of WTO  
**Codes :**
- |     |     |     |     |     |
|-----|-----|-----|-----|-----|
|     | (a) | (b) | (c) | (d) |
| (A) | 4   | 2   | 1   | 3   |
| (B) | 3   | 1   | 2   | 4   |
| (C) | 1   | 3   | 4   | 2   |
| (D) | 2   | 4   | 3   | 1   |
37. Employment in the organised sector as a percentage of the total working force in 2003 accounted for—  
 (A) Below 10% but greater than 5%  
 (B) Below 15% but greater than 10%  
 (C) Below 20% but greater than 15%  
 (D) Below 25% but greater than 20%

38. In respect of GDI, India's rank in 2003 stood at—  
 (A) 90 (B) 92  
 (C) 98 (D) 105
39. Minimum support price in the agricultural sector is undertaken to—  
 (A) Prevent fall in the price in face of a glut in any given year  
 (B) Protect the interests of the farmers  
 (C) Provide incentive to farmers  
 (D) All of the above
40. The New Social Security Scheme for unorganised sector in India was launched in—  
 (A) 1991 (B) 1996  
 (C) 2001 (D) 2004
41. As per the tenth plan projections the percentage of population below the poverty line in 2007 would be around—  
 (A) 19.2 (B) 23.1  
 (C) 27.2 (D) 35.9
42. As per the report of the third working group (1998), which of the following measure is used by RBI to measure the total money supply ?  
 (A)  $M_1 + M_2$   
 (B)  $M_1 + M_3$   
 (C)  $M_2 + M_3$   
 (D)  $M_1 + M_2 + M_3 + M_4$   
 where  $M_1, M_2, M_3$  and  $M_4$  have the usual accepted meanings.
43. For a Binomial distribution the following information is given—  
 $N = 60$   
 $P = 0.70$   
 $q = 0.30$   
 Then the variance of the distribution is—  
 (A) 12.6 (B) 8.6  
 (C) 7.6 (D) 6.6
44. The geometric mean of the numbers 2, 4, 0, 16, 32 will be equal to—  
 (A) 3.2 (B) 4.0  
 (C) 2.0 (D) Zero
45. If the regression lines of  $y$  on  $x$  and  $x$  on  $y$  are given by—  
 $y = a_0 + a_1x$  and  
 $x = b_0 + b_1y$  respectively,  
 then the square of the co-efficient of ( $r^2$ ) is—  
 (A)  $a_0b_0$  (B)  $a_1b_1$   
 (C)  $a_0b_1$  (D) None of these
46. A ball is drawn at random from a box containing 6 red, 4 white and 5 blue balls, then probability of drawing not red ball is—  
 (A) 1.0 (B) 1.2  
 (C)  $\frac{3}{5}$  (D)  $\frac{7}{5}$
47. A weighted price index that uses the arithmetic average of the base period and given period quantities as weights is known as—  
 (A) Paasche's Index  
 (B) Marshall-Edgeworth Index  
 (C) Fisher's Ideal Index  
 (D) Laspeyre's Index
48. Which of the following test is used for examining the significance of the difference between two means of the population when variances are known and equal ?  
 (A) F test (B) Z test  
 (C)  $X^2$  (D) T test
49. The sum of the numbers  $x_1, x_2, x_3, \dots, x_n$  from their arithmetic mean  $\bar{x}$  is equal to—  
 (A) Unity (B) -1.0  
 (C) Zero (D) 2.0
50. If  $x$  and  $y$  are two independent variables, then their co-variance is—  
 (A) Unity (B) Zero  
 (C) 2.0 (D) -1.0

### Answers

1. (A) 2. (A) 3. (B) 4. (B) 5. (B)  
 6. (B) 7. (D) 8. (B) 9. (C) 10. (B)  
 11. (D) 12. (B) 13. (C) 14. (B) 15. (B)  
 16. (C) 17. (A) 18. (A) 19. (B) 20. (B)  
 21. (B) 22. (A) 23. (C) 24. (C) 25. (C)  
 26. (C) 27. (A) 28. (C) 29. (D) 30. (A)  
 31. (C) 32. (C) 33. (C) 34. (D) 35. (C)  
 36. (B) 37. (C) 38. (C) 39. (D) 40. (D)  
 41. (D) 42. (C) 43. (A) 44. (D) 45. (B)  
 46. (C) 47. (B) 48. (D) 49. (C) 50. (B)

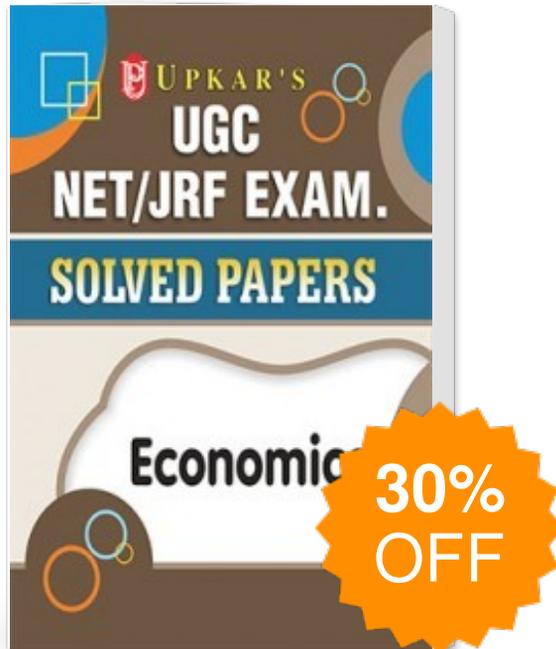


**December 2009**  
**Economics**  
**(Paper-II)**

**Directions**—This paper contains **fifty (50)** objective type questions, each question carrying **two (2)** marks. Attempt **all** of them.

1. The Law of Diminishing Returns to Scale holds true in the—  
(A) Market-Period (B) Short-Period  
(C) Long-Period (D) Secular-Period
2. The demand for labour by a firm is a derived demand because it depends upon—  
(A) The demand for goods and services that labour helps to produce  
(B) The degree of substitution between labour and other factors of production  
(C) The elasticity of demand for labour  
(D) The demand for other factors of production
3. Social Welfare Function is assumed—  
(A) Theoretically  
(B) Axiomatically  
(C) Hypothetically  
(D) Empirically
4. In the classical theory, an increase in money supply leads to—  
(A) Decrease in price level  
(B) Increase in savings  
(C) Decrease in investment  
(D) Increase in price level
5. Shift in LM curve takes place due to—  
(A) Increase in autonomous investment  
(B) Increase in money supply  
(C) Increase in consumption  
(D) Increase in saving rate
6. The Phillips Curve shows the relation between—  
(A) Income and consumption  
(B) Income and price level  
(C) Income and investment  
(D) Inflation and unemployment
7. Rolling Plan Concept was propounded by—  
(A) Gunnar Myrdal  
(B) J. K. Galbraith  
(C) Paul A. Samuelson  
(D) A. K. Sen
8. The 'Incremental Capital-output Ratio' is symbolically written as—  
(A)  $K/L$  (B)  $\Delta K/\Delta L$   
(C)  $\Delta K/\Delta Y$  (D)  $K/Y$
9. The doctrine of unbalanced growth has not been advocated by—  
(A) H. W. Singer  
(B) W. A. Lewis  
(C) A. O. Hirschman  
(D) C. P. Kindleberger
10. Which group represents the interests of the developing countries ?  
(A) G-7 (B) G-10  
(C) G-77 (D) G-80
11. Funds not belonging to the Government are called—  
(A) Contingency Fund  
(B) Consolidated Fund  
(C) Private Accounts  
(D) Public Accounts
12. The Deficit Budget in which the deficits are covered through taxes is called—  
(A) Balanced Budget  
(B) Unbalanced Budget  
(C) Surplus Budget  
(D) Zero-base Budget

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