

## NTA UGC NET ECONOMICS ANSWER KEY DEC 2018

Q1. Consider the following statements about the average fixed cost of a firm

- i. Its slope is always negative
- ii. Its slope is always greater than one
- iii. Its slope is always equal to one
- iv. Elasticity with respect to output is equal to one

Choose the correct answer from the code given below:

Code:

1. i & iv
2. only iii
3. ii & iii
4. only i

ANS: 1

Q2. In the year 2015-16, India has not been an importer of which of the following products?

- i. Apples
- ii. Rice
- iii. Pulses

Choose the correct answer from the code given below:

Code:

1. ii & iii
2. i & iii
3. only ii
4. i, ii & iii

ANS: 3

Q3. Planning from below is known as

1. functional planning
2. structural planning
3. centralized planning
4. decentralized planning

ANS: 4

Q4. Which is the required capital adequacy ratio for a new bank to apply for a license under the draft guidelines of RBI?

1. 9%
2. 10%
3. 11%
4. 12%

ANS: 4

Q5. Arrange the following crop insurance schemes in the chronological order of their launch

- i. Comprehensive crop insurance scheme
- ii. National agriculture insurance scheme
- iii. Modified national agriculture insurance scheme
- iv. Pradhan mantra fasal bima yojana

Choose the correct answer from the code given below:

1. i, iii, ii, iv
2. ii, iii, i, iv
3. i, ii, iii, iv
4. iii, ii, iv, i

ANS: 3

Q6. Balance of payment on capital account does not include

1. government loans to foreign governments
2. net income transfers
3. balancing foreign direct investments
4. foreign portfolio investment

ANS: 2

Q7. Which of the following statements is/are correct about Uzawa's theorem?

1. The technical progress is Harrod neutral only

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2. The growth rate of output per worker, consumption per worker and capital per worker are equal and constant over time
3. All of the above
4. The production function is linear homogeneous

ANS:3

Q8. The price elasticity of a linear supply curve through the origin is

1. Unity
2. Less than unity
3. Zero
4. Infinity

ANS:1

Q9. Opportunity cost theorem assumes that

1. Labour is homogeneous
2. Labour is the only factor of production
3. Cost of commodity is equal to labour cost only
4. None of the above

ANS:4

Q10. Which of the following statements about rational expectations is false?

1. It implies that the expected changes in demand have no effect on unemployment
2. It assumes that people take account of all information
3. It assumes that on an average the forecasts made by the public are correct
4. It implies that unexpected changes in demand have long lasting effect on both unemployment and price level

ANS:4

Q11. Consider the following statements in the context of the New trade theory

- i. It explains why countries trade in similar goods
- ii. It assumes free trade
- iii. It assumes that trade takes place in monopolistic conditions
- iv. It exploits the economies of scale in production

Which of the above statements are correct?

Choose the correct answer from the codes given below:

Codes:

1. ii & iv
2. i & iii
3. i & ii
4. i, iii & iv

ANS:4

Q12. Who among the following has been awarded the Nobel prize in Economics "for analysis of markets with asymmetric information"?

1. Robert A Mundell
2. George Akerlof
3. Richard Thaler
4. Paul Krugman

ANS:2

Q13. Intellectual property rights include

1. Patents
2. Copy rights
3. Trade mark
4. All of the above

ANS:4

Q14. Which of the following statements is true for the Indian economy according to the World bank figures for 2017?

1. India is now the world's sixth biggest economy
2. Both above

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3. India's GDP amounted to \$5 trillion at the end of 2017
4. None of the above

ANS:1

Q15. According to the cash balance approach the elasticity of demand for money

1. Is equal to one
2. Less than one
3. Fluctuates with the changes in the phases of inflation
4. Is more than one

ANS:1

Q16. Which of the following is considered as the third stage in the Rostow's stages of economic growth model?

1. High mass consumption
2. Traditional society
3. Pre- conditions for a take off
4. Take off

ANS:4

Q17. Which amongst the following is/are correct for the Keynesian model?

1. It is supply determined
2. It ignores the money market
3. It assumes full employment of resources
4. None of the above

ANS:4

Q18. What is not true for the third stage of the theory of demographic transition?

1. Population growth becomes zero
2. Population growth rate approximately stabilizes in a narrow range
3. Death rate declines but slowly
4. Birth rate declines faster

ANS:1

Q19. Devaluation will be more effective when

- i. International capital is freely mobile
- ii. International capital is not freely mobile
- iii. Marginal propensity to import is high

Which of the following statements is/are correct?

Choose the correct answer from the code given below:

1. Only iii
2. ii & iii
3. i & iii
4. only ii

ANS:4

Q20. Which of the following concept-economist pairs is not correctly matched

1. Super multiplier – J M Keynes
2. Golden rule of accumulation – E S Phelps
3. Turnpike conjecture – Dorfman, Samuleson & Solow
4. Knife edge problem – Harrod Domar

ANS:1

Q21. Technological dualism means

1. Prevalence of different production functions in the advanced and traditional sectors in under developed countries
2. Prevalence of different production functions in the industrial sector in under developed countries
3. Prevalence of different technologies in agricultural sector in under developed countries
4. Prevalence of different production functions I domestic and export sectors of under developed countries

ANS:1

Q22. "Round Tripping" in international trade is a method

1. To boost foreign direct investment
2. Of financing start ups
3. To evade tax
4. To increase exports

ANS:3

Q23. According to the union budget, which of the following fiscal deficit targets for 2018-19 is correct

1. 4.3% of the GDP
2. 5.3% of the GDP
3. 4.5 % of the GDP
4. 3.3 % of the GDP

ANS:4

Q24. If  $(K/L)_A > (K/L)_B$ , then

1. Country A is capital abundant
2. Country A is labour abundant
3. Capital is dear in country A
4. Country A is having cheap labour

ANS:1

Q25. Consider the following statements about the law of variable proportion

- i. Input ratio remains unchanged
- ii. Ultimately the marginal and average product of variable input becomes negative
- iii. Effect of technological change is visible on output

Choose the correct answer from the codes given below:

Codes:

1. Only ii is correct
2. None of the above statements is correct
3. i & ii are correct
4. ii & iii are correct

ANS:2

Q26. The original interpretation of balanced growth relates to

1. equal amount to investment in all sectors
2. large scale expansion of activities to overcome divergence between private and social benefits
3. all sectors growing at the same rate
4. absence of shortages or excesses

ANS:2

Q27. An income tax will be progressive if

1. marginal rate of tax is greater than average rate of tax
2. marginal rate of tax is equal to the average rate of the tax
3. marginal rate of tax is less than the average rate of tax
4. marginal rate of tax is zero

ANS:1

Q28. An increase in the level of government spending, other things being equal, will in the IS-LM model

1. increase the level of equilibrium income at all interest rate, shifting the IS curve right
2. Increase interest rates, shifting the LM curve to the left
3. Lower interest rates, shifting LM curve to the right
4. Always move an economy to full employment

ANS:1

Q29. Who is the author of the book, "I do what I do"

1. Raguram G Rajan
2. Amartya Sen
3. Jagdish N Bhagwati
4. Arvind Panagariya

ANS:1

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Q30. According to Schumpeter theory of development, which of the following statements is correct

1. Democracy enhances the efficiency of an economic system
2. None of the above are correct
3. All of the above are correct
4. The expansion of economic output is limited by the real savings of the economy

ANS:2

Q31. Which of the following correctly describes the Musgrave and Thin's measure of tax progressivity

Where

$G_a$  = Gini coefficient after tax

$G_b$  = Gini coefficient before tax

1.  $M = G_b / G_a$
2.  $M = 1 - G_a / 1 - G_b$
3.  $M = G_a / G_b$
4.  $M = 1 - G_b / 1 - G_a$

ANS:2

Q32. Who among the following said that "Money is a temporary abode of purchasing power"?

1. James Tobin
2. William J Baumol
3. Irving Fisher
4. Milton Friedman

ANS:4

Q33. In a hypothetical economy, the rate of growth of nominal GDP is 15% per annum, the annual rate of growth of GDP deflator is 5%. If the population is growing at the rate of growth of 2% per annum, what will be the annual rate of growth of per capita real GDP?

1. 10%

2. 3%
3. 7%
4. 8%

ANS:4

Q34. GST which came into effect from 1<sup>st</sup> July 2017 has four (04) tax slabs applicable to the commodities and services in India. Which of the following tax slabs are correct?

1. 8%, 12%, 15% & 18%
2. 5%, 8%, 12% & 18%
3. 5%, 12%, 18%, & 28%
4. 8%, 12%, 18% & 28%

ANS:3

Q35. Which amongst the following is not an instrument of money market?

1. Treasury bill
2. Commercial paper
3. Certificate of deposit
4. Preference share

ANS:4

Q36. An economic region of production consist of

1. The highest points of all isoquants
2. The negatively sloped portions of all isoquants
3. The positively sloped portions of all isoquants
4. The middle of all isoquants

ANS:2

Q37. Match list I with List II and choose the correct answer from the code given below

List I

- a.  $N = Pk$
- b.  $M = PKT$
- c.  $P = KR/M$
- d.  $M = KPY$

List II

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- i. A C Pigou
- ii. Keynes
- iii. Alfred Marshal
- iv. D H Robertson

ANS:1

Codes:

1. a-i, b-ii, c-iii, d-iv
2. a-iii, b-ii, c-i, d-iv
3. a-iv, b-i, c-ii, b-iii
4. a-ii, b-iv, c-i, b-iii

ANS:4

Q38. Arrange the following events in chronological order regarding Indian Economy

- i. first phase of Nationalism of banks
- ii. establishment of Narasimham committee on the banking system
- iii. enactment of FEMA act in India
- iv. Establishment of EXIM bank in India

Chose the correct answer from the code given below:

Codes:

1. i,ii,iii,iv
2. i,iii,ii,iv
3. i,iii,iv,ii
4. i,iv,ii,iii

ANS:4

Q39. Consider the following

- i. Fringe benefits tax
- ii. Capital gains tax
- iii. Securities transactions tax

Which of the above is/are direct tax/taxes?

Choose the correct answer from the code given below

1. i,iii & iii
2. ii & iii
3. i & iii
4. only i

Q40. Match List I (Authors) with List II (Books) and choose the correct answer from the code given below

List I (Author)

- a. Milton Friedman
- b. Joseph Schumpeter
- c. Karl Marx
- d. Thomas Piketty

List II (Book)

- i. Das Capital
  - ii. Capitalism & Freedom
  - iii. Capital in the twenty First century
  - iv. Capitalism, socialism & Democracy
1. a-iii, b-i, c-iv, d-ii
  2. a-iii, b-ii, c-i, d-iv
  3. a-iv, b-iii, c-i, d-ii
  4. a-ii, b-iv, c-i, d-iii

ANS:4

Q41. Which of the following is not included in the category of bio-fuels?

1. Bio diesel
2. Gobar gas
3. Bio ethanol
4. Compressed natural gas

ANS:4

Q42. The public expenditure in India is classified as capital and revenue. Which of the following is/are revenue expenditure?

- i. Subsidies
- ii. Interest payments on public debt
- iii. Wages and salaries

Choose the correct answer from code given below:

Codes:

1. ii & iii
2. i, ii & iii

3. i & ii
4. i & iii

ANS:2

Q43. Global competitiveness report is released by which of the following organizations?

1. World Trade Organisation
2. World Economic Forum
3. European Union
4. World Bank

ANS:2

Q44. Which of the following is not part of the Peacock- Wiseman hypothesis?

1. Announcement effect
2. Inspection effect
3. Concentration effect
4. Displacement effect

ANS:1

Q45. What is true for Neo-classical growth model?

- i. Rate of interest and profit are flexible
- ii. Capital is heterogeneous
- iii. Perfect competition prevails
- iv. Capital and labour are substitutable

Choose the correct answer from the code given below:

1. i, ii & iii
2. i, iii & iv
3. ii & iii
4. All of the above

ANS:2

Q46. Which of the following is the appropriate measure of openness of the economy?

1. Exports – Imports
2.  $\frac{\text{Exports} - \text{Imports}}{\text{population}}$
3.  $\frac{\text{Exports} - \text{Imports}}{\text{GDP}}$

4.  $\frac{\text{Exports}}{\text{Imports}}$

ANS:3

Q47. Development expenditure of the Central Government does not include

- i. Grant to state under centrally sponsored schemes
  - ii. Expenditure on social and community services
  - iii. Expenditure on economic services
  - iv. Defence expenditure
1. iii & IV
  2. Only iv
  3. i & ii
  4. ii & iii

ANS:2

Q48. The Inada conditions are applicable to

1. A well behaved investment function
2. A well behaved consumption function
3. A well behaved technical progress function
4. A well behaved production function

ANS:4

Q49. As per the SRS bulletin of September 2017, the estimated death rate for Kerala is 7.6, while for Bihar it is 6. From these data which is the correct inference to draw?

1. Life expectancy in Bihar is higher than that in Kerala
2. Health condition of people in Bihar is better than that in Kerala
3. Suicide rate in Kerala is very high
4. Ageing of population in Kerala is faster than in Bihar

ANS:4

Q50. A rise in general price level may be caused by which amongst the following?

- i. An increase in the money supply

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- ii. An increase in the aggregate level of output  
iii. An increase in the effective demand

Choose the correct answer from the code given below:

1. i, ii & iii
2. i, & ii
3. i & iii
4. only iii

ANS:3

Q51. The frequent farm loan waivers in India may give rise to the problem of

1. Moral Hazard
2. Debt Overhang
3. Risk Aversion
4. Adverse Selection

ANS:1

Q52. The presumption that costly new knowledge would be undersupplied by the private sector is based on the essential characteristic of new knowledge

It is (A) \_\_\_\_\_ and (B) \_\_\_\_\_

1. (A) Non rivalous (B) Excludable
2. (A) rivalous (B) non excludable
3. (A) Non rivalous (B) non excludable
4. (A) rivalous (B) excludable

ANS:3

Q53. Arrange the following states in descending order according to Maternal Mortality Ratio (MMR) as per the special Bulletin of SRS May 2018

- i. Assam
- ii. Bihar
- iii. Madhya Pradesh
- iv. Uttar Pradesh

Choose the correct answer from the code given below:

1. iii, ii, i, iv
2. ii, iv, iii, i
3. iv, i, ii, iii
4. i, iv, iii, ii

ANS:4

Q54. Which of the following is not an objective of Marginal cost of funds based Lending rate (MCLR)?

1. To enable banks to become more competitive
2. To ensure availability of bank credit at interest rates which are fair to borrowers as well as banks
3. To improve the transmission of policy rates into the lending rates of banks
4. To enable the RBI to achieve the inflation target

ANS:4

Q55. The problem of adverse selection arises due to

1. Full Information
2. Asymmetric information
3. Wrong information
4. No information

ANS:2

Q56. To compute the 'Index of sustainable Economic welfare', which of the following corrections is/are made in the value of GDP?

1. Subtract the monetary value of depreciation
2. Subtract the cost of environmental degradation
3. Subtract the monetary value of loss due to floods and droughts
4. Subtract the monetary value of expenditure on defence

ANS:2

Q57. Which of the following is/are true for Karl Marx's theory of economic development?



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1. Mode of production changes independently
2. Both above
3. Relations in production change independently
4. None of the above

ANS:1

Q58. In the context of 'Transformation of Aspirational districts' programme consider the following statements:

- i. There are 115 districts in this programme
- ii. The core strategy of this programme is convergence, collaboration and competition
- iii. There are 49 key performance indicators to measure the progress of the districts

Choose the correct answer from the code given below:

1. i & iii
2. i, ii & iii
3. ii & iii
4. i & ii

ANS:2

Q59. In the basis Neo classical growth model, where does the growth equilibrium occur?

1. Where capital per worker equals output per worker
2. Where investment per worker equals capital per worker
3. Where investment per worker is equal to savings per worker
4. Where investment per worker equals depreciation of capital for worker

ANS:3

Q60. T W Shultz has given following ratios in relation to education for economic growth?

1. Education- capital and labour ratio

2. Education – labour, education – income and education- investment ratio
3. Education – income ratio
4. Education – labour ratio

ANS: 2

Q61. Which of the following act as an instrument to help in the borrowing by the government?

- i. Repo rate
- ii. Reverse Repo rate
- iii. CRR
- iv. SLR

Choose the correct answer from the code given below:

1. iii & iv
2. only iv
3. i & iii
4. i & iv

ANS:2

Q62. Consider the following statements

- i. Minimum support price (MSP) policy of India covers only wheat, paddy and coarse cereals
- ii. Minimum Support Price (MSP) for Grade A paddy is always higher than that of the common paddy.

Choose the correct answer from the code given below:

Code:

1. Both i & ii
2. Only i
3. Only ii
4. Neither i nor ii

ANS:3

Q63. On which of the following do Keynesians and Monetarists agree?

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1. When there is recessionary gap, flexible wages will retrieve the labour market to equilibrium quickly
2. The most important cause of demand shock is changes in supply
3. Output deviates at times from the potential output because of demand shocks
4. The demand for money is interest elastic

ANS:4

Q64. Which one of the statements about Pareto optimality is incorrect?

1. Consumers maximize their satisfaction
2. There is perfect competition in the factor and commodity market
3. Consumers have cardinal utility functions
4. All the factors are used in production of all the commodities

ANS:3

Q65. Which of the following will result in the crowding effect in the economy?

- i. Public borrowings to finance spending on infrastructure
- ii. Public borrowings to finance spending on salaries and wages
- iii. Public borrowings to finance spending on health and education
- iv. Public borrowings to finance spending on skill development

Choose the correct answer from the code given below:

1. i & ii
2. iii & iv
3. i, ii & iii
4. i, iii & iv

ANS:4

Q66. Which of the following statements is/are correct about normal profit?

1. It is earned in the long period only
2. It is earned only in perfect competition
3. It is earned in both the long period and the short period
4. It is earned in the short period only

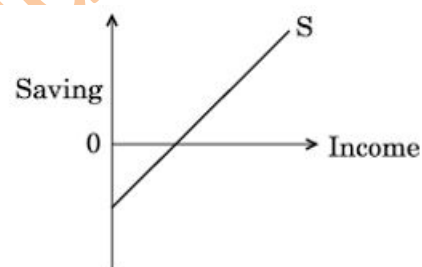
ANS:3

Q67. The concept of Universal Banking in India was recommended by which of the following committee?

1. Y H Malegam committee
2. S Padmanabhan committee
3. R H Khan committee
4. Abid Hussain committee

ANS:3

Q68. Consider the following diagram and the statements



- i. Saving is positively related to income
- ii. Marginal propensity to save is positive but less than 1

Choose the correct answer from the code given below:

Code:

1. Both i & ii
2. Neither i & ii
3. Only i
4. Only ii

ANS:1

Q69. In an economy with a linear homogeneous Cobb Douglas production function, the share of

capital and labour in total output are, respectively, 40% and 60%. The capital stock and labour force are growing, respectively at 8% and 3% per annum. If the rate of growth of output is recorded as 7% per annum, then the rate of growth of Total Factor Productivity will be

1. 2%
2. 10%
3. 4%
4. 11%

ANS:1

Q70. Which of the following is not a macroeconomic challenge before Indian Economy as of now?

1. Widening current account deficit
2. Rising protectionism in the world
3. High imports of gold
4. Depreciation of Indian rupee

ANS:3

Q71. Which of the following are the objectives of the Commission for Agricultural costs and prices (CACP)?

- i. To ensure meaningful real income levels to the farmers
- ii. To stabilize agricultural prices
- iii. To protect the interest of the consumers

Choose the correct answer from the code given below:

Code:

1. All of the above
2. ii & iii
3. i & iii
4. i & ii

ANS:1

Q72. According to the New classical economics, Real Business Cycles are the result of which of the following?

- i. Innovations
- ii. Bad weather
- iii. Tax policy
- iv. Debt policy

Choose the correct answer from the code given below:

1. i & ii
2. ii & iv
3. iii & iv
4. i & iii

ANS:1

Q73. Who amongst the following economists treated nature to be niggardly?

- i. J S Mill
- ii. David Ricardo
- iii. Karl Marx
- iv. Thomas Robert Malthus

Choose the correct answer from the code given below:

1. iii & iv
2. i, ii & iii
3. ii & iii
4. ii & iv

ANS:4

Q74. Why are indirect taxes are regressive?

1. None of the above are correct
2. They are charged at higher rates than direct tax
3. They are charged at the same rate for all income groups
4. Both above are correct

ANS:3

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Q75. According to Bent Hansen which amongst the following were treated as factors enhancing effective demand?

- i. Public expenditure
- ii. Rising population
- iii. Banking and financial system

Choose the correct answer from the code given below:

1. i & ii
2. i, ii & iii
3. ii & iii
4. i & iii

ANS:1

Q76. Match the List I with List II and choose the correct answer from the code given below

List I

- a. absorptive capacity of capital
- b. technological dualism
- c. physical quality of life index
- d. permissive and compulsive sequence of expanding industries.

List II

- i. M Kalecki
- ii. A O Hirschman
- iii. D Morris
- iv. B Higgins

Codes:

1. a- ii, b- iv, c-iii, d-i
2. a-i, b-iv, c-iii, d-ii
3. a-iv, b-iii, c-ii, d-i
4. a-i, b-ii, c-iii, d-iv

ANS:2

Q77. Historically the terms of trade of the developing countries have been unfavorable due to the fact that when income in developed countries rises, the demand for primary goods declines because

1. income elasticity of demand for primary goods is high
2. income elasticity of demand for primary goods is low
3. income elasticity of demand for primary goods is zero
4. price elasticity of demand for primary goods is high

ANS:2

Q78. The National Rural Health Mission was launched in the year

1. 1991
2. 1998
3. 2005
4. 2009

ANS:3

Q79. If for the constant elasticity of substitution production function, the value of the substitution parameter is -1, the elasticity of substitution will be

1. Indeterminate
2. Infinite
3. Zero
4. Unity

ANS:2

Q80. The statements, 'Too much money chasing too few goods' is based on which of the following theoretical concepts?

1. Real balance effects
2. Inventory theoretic approach to the demand for money
3. Quantity theory of prices
4. Quantity theory of money

ANS:4

Q81. Given below are two statements, one labeled as assertion (A) and the other labeled as Reason (R). read the statements and choose the correct answer using the code given below.

Assertion (A): In an oligopolistic market, there is price rigidity

Reason(R): Rival firms match price decrease but no price increase

Code:

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

ANS:1

Q82. Given below are two statements, one labeled as assertion (A) and the other labeled as Reason (R). read the statements and choose the correct answer using the code given below.

Assertion (A): In the P.N. Rosenstein Rodan model the positive role of indivisibilities in production has been analysed

Reason(R): Removal of indivisibilities leads to constant returns to scale in production

Code:

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

ANS:1

Q83. Given below are two statements, one labeled as assertion (A) and the other labeled as Reason (R). Read the statements and choose the correct answer using the code given below.

Assertion(A): a progressive income tax is based on equimarginal sacrifice

Reason(R): Higher the income, lower will be the marginal utility of money for the tax payer

Codes:

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

ANS:2

Q84. Below are two statements, one labeled as assertion (A) and the other labeled as Reason (R). read the statements and choose the correct answer using the code given below.

Assertion(A): India is a service sector driven economy

Reason(R): Share of the service sector in total employment is highest

Codes:

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

ANS:1

Q85. Below are two statements, one labeled as assertion (A) and the other labeled as Reason (R). read the statements and choose the correct answer using the code given below.

Assertion(A): Business cycles according to new classical economics are monetary in nature

Reason(R): These are the results of the fall in the real wage rates

Codes:

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

4. Both A and R are true, and R is the correct explanation of A

ANS:1

Q86. In the context of simultaneous equations econometric models, consider the following statements

- i. Both order and rank conditions for identification are to be satisfied before estimation
- ii. Order conditions is a necessary but not a sufficient condition of identification
- iii. Two stage least squares method is suitable for over identified equations

Which of the above statements is/are correct?

Choose the correct answer from the codes below:

1. Only ii
2. i & iii
3. i, ii & iii
4. Only i

ANS:3

Q87. In a two variable regression, the correlation coefficient between dependent and independent variables Y and X is 0.7. what is the percentage of variations in Y explained by X?

1. 49%
2. 7%
3. 0.7%
4. 70%

ANS:1

Q88. A series of index numbers is given as follows

Year :            2014   2015   2016

Index number: 100    120    126

If the base year is shifted to 2015 the value of index number in the year 2016, in the new series will be

1. 151.2
2. 106
3. 95.2
4. 105

ANS:4

Q89. By autocorrelation we mean that

1. The square of the residuals of a regression model are not equally spread
2. The variance of the residuals of a regression model is not constant for all observations
3. The residuals of a regression model are related with one more of the regressors
4. The residuals of a regression models are not independent

ANS:4

Q90. Consider the following statements about a time series of annual observations on sales of a firm for ten years

- i. The series will have seasonal variations
- ii. The series will have a secular trend
- iii. The series will have cyclic variations

Choose the correct answer from the codes given below:

1. ii & iii
2. i, ii & iii
3. i & iii
4. i & ii

ANS:1

Q91. Harrods growth model is given as under

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$$S_t = \alpha Y_t \quad 0 < \alpha < 1$$

$$I_t = \beta [Y_t - Y_{t-1}] \quad \beta > 0$$

$$S_t = I_t$$

where  $S_t$  = Savings,  $Y_t$  = Income,  $I_t$  = Investment,  $t$  = time

In this model for economic growth the conditions for economic growth is

1.  $\frac{\beta}{\alpha} > 0$
2.  $\frac{\beta}{\alpha - \beta} > 0$
3.  $\frac{\beta}{\beta - \alpha} < 0$
4.  $\frac{\beta}{\beta - \alpha} > 1$

ANS:4

Q92. A monopolist faces a linear demand curve  $p=100-4q$ , while his cost functions is  $C= 50+20q$ . The profit maximizing output for this monopolist is

1. 20
2. 5
3. 40
4. 10

ANS:4

Q93. A box contains 10 bulbs, 4 of which are defective. If 3 of the bulbs are drawn randomly without replacement what is the probability that all 3 bulbs are defective.

1. 8/10
2. 8/4
3. 4/10
4. 1/30

ANS:4

Q94. If demand for a consumer is given by the function  $p = 27-3x-x^2$  (where  $x$ = quantity demanded,  $p$  = price), the consumers surplus at  $x = 3$  is

1. 50.5
2. 49.5
3. 31.5
4. 32.5

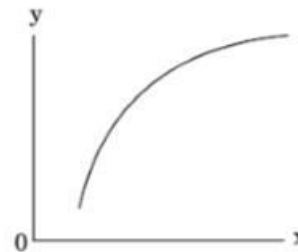
ANS:3

Q95. Though two time series are individually non stationary, the linear combination is stationary. This is an example of

1. Random walk
2. Cointegration
3. Trend stationarity
4. Spurious regression

ANS:2

Q96. For the diagram given below which of the following is correct in terms of derivatives?



1.  $\frac{dy}{dx} > 0, \frac{d^2y}{dx^2} > 0$
2.  $\frac{dy}{dx} < 0, \frac{d^2y}{dx^2} < 0$
3.  $\frac{dy}{dx} < 0, \frac{d^2y}{dx^2} > 0$
4.  $\frac{dy}{dx} > 0, \frac{d^2y}{dx^2} < 0$

ANS:4

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Q97. The price elasticity of demand for a good with the demand function  $q = kp^r$ , (where  $p$  is price  $q$  is quantity demanded and  $k$  and  $r$  are positive constants) is

1. 1
2.  $R$
3. Not constant as the function is non linear
4.  $1/r$

ANS:2

Q98. Match List I with List II and choose the correct answer from the code given below

List I

- a. Delphi method
- b. Dickey Fuller test
- c. Durbin Watson test
- d. Students t test

List II

- i. Stationarity
- ii. Autocorrelation
- iii. Testing significant of a regression coefficient
- iv. Forecasting

Codes:

1. a- iv, b-ii, c-i, d-iii
2. a-i, b-iv, c-iii, d-ii
3. a-i, b-ii, c-iii, d-iv
4. a-iv, b-i, c-ii, d-iii

ANS:4

Q99. In regression analysis if a quantitative variable has "m" categories, one can introduce

1. only  $m-1$  dummy variables
2. only  $m+1$  dummy variables
3. only  $2m$  variables
4. only  $m$  dummy variables

ANS:1

Q100. Match List I with List II and choose the correct answer from the code given below

List I

- a. Hawkins Simon conditions
- b. Saddle point
- c. Simplex method
- d. Kuhn Tucker conditions

List II

- i. Theory of games
- ii. Non linear programming
- iii. Input output analysis
- iv. Linear programming

Codes:

1. a-ii, b-i, c-iii, d-iv
2. a-iii, b-i, c-iv, d-ii
3. a-iii, b-ii, c-i, d-iv
4. a-i, b-ii, c-iv, d-iii

ANS:2