

2022 – 2023

CHENNAI DISTRICT

HIGHER SECONDARY SECOND YEAR

ECONOMICS

LEARNING MATERIAL

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1 Mark	1 x 20	20
2 Marks	2 x 7	14
3 Marks	3 x 7	21
5 Marks	5 x 7	35
Total Marks		90

Part - B

1 – Introduction to Macro Economics

1. Define Macro Economics.

- Macro Economics is the study of the economy as a whole.

2. Define the term “inflation”.

- “Too much of Money chasing too few goods” - Coulbourn

3. What is meant by an ‘Economy’?

- A.J.Brown defined economics as “ A system by which people earn their living”.

4. Classify the economics based on status of development.

Developed , Underdeveloped , Undeveloped , Developing Economies

5. What do you mean by Capitalism?

Capitalism is the system where the means of production are privately owned and market determines the economic activities

6. Define ‘Economic Model’

- A model is a simplified representation of real situation.
- It is an explanation of how the economy or part of the economy works.

7. ‘Circular Flow of Income’ – Define.

- The circular flow of income is a model of an economy showing connections between different sectors of an economy.

2 : National Income

8. Define National Income.

- *National income is the total money value of all final goods and services produced in a country during a particular period of time .(one year)*

9. Write the formula for calculating GNP.

GNP at Market Prices = GDP at Market Prices + Net Factor Income from Abroad.

$$\text{GNP} = \text{C} + \text{I} + \text{G} + (\text{X} - \text{M}) + (\text{R} - \text{P})$$

10. What is the difference between NNP and NDP?

1. $\text{NNP} = \text{GNP} - \text{Depreciation Allowance}$ $\text{NDP} = \text{GDP} - \text{Depreciation}$
2. The difference between NNP and NDP is NFIA.

11. Trace the relationship between GNP and NNP.

1. $\text{GNP} = \text{C} + \text{I} + \text{G} + (\text{X} - \text{M}) + (\text{R} - \text{P})$ $\text{NNP} = \text{GNP} - \text{Depreciation Allowance.}$
2. GNP and NNP includes NFIA

12. What do you mean by the term ‘Personal Income’?

- **Personal income = National income – (Social Security Contribution and undistributed corporate profits) + Transfer payments**

13. Define GDP deflator.

- GDP deflator is an index of price changes of goods and services included in GDP.

$$\text{GDP deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

14. Why is self - consumption difficult in measuring national income?

- Farmers keep a large portion of food and other goods produced in the farm for self consumption.
- The problem is whether that part of the produce included in national income or not.

3 : Theories of Employment and Income

15. Define full employment.

- Keynes defines full employment as the absence of involuntary unemployment.

16. What is the main feature of rural unemployment?

Disguised unemployment and seasonal unemployment.

17. Give short note on frictional unemployment.

- It arises due to imbalance between **supply of labour** and **demand for labour**.

18. Give reasons for labour retrenchment at present situation.

- invention and innovations lead to the adoption of new techniques there by the existing workers are retrenched.

19. List out the assumptions of Say's law.

- Full employment.
- There is no possibility for over production or unemployment.
- Money acts only as a medium of exchange.
- There will be a perfect competition in labour and product market.

20. What is effective demand?

- "Effective demand signifies the money spent on consumption of goods and services and on investment
- **ED = Y = C + I = Output = Employment**

21. What are the components of aggregate supply?

Aggregate supply = **C + S + T + R_f** = Aggregate income generated in the economy

4 : Consumption and Investment Functions

22. What is consumption function?

- It is a 'functional relationship between **consumption** and **national income**'.
- **C = f (Y)**

23. What do you mean by propensity to consume?

- It is the portion of income spent on consumption.
- **C = f (Y)**

24. Define average propensity to consume (APC).

- It is the ratio of the consumption expenditure to income.
- **APC = C / Y**

25. Define marginal propensity to consume (MPC).

- It is the ratio of **change in consumption** to **change in income**.
- **MPC = $\Delta C / \Delta Y$**

26. What do you mean by propensity to save?

- It is the portion of saving to income.
- **S = f (Y)**

27. Define average propensity to save (APS).

- It is the ratio of saving to income.
- **APS = S / Y**

28. Define Marginal Propensity to Save (MPS).

- It is the ratio of change in saving to change in income.
- **MPS = $\Delta S / \Delta Y$,**

29. Define Multiplier.

- It is the ratio of change in national income to change in investment.
- **K = $\Delta Y / \Delta I$.**

30. Define Accelerator.

- It is the ratio of change in induced investment to change in consumption
- **(β) = $\Delta I / \Delta C$**

5 : Monetary Economics

31. Define Money.

- “Money is , what money does”. **Walker**

32. What is barter?

- Exchange of goods for goods was known as “Barter system “.

33. What is commodity money?

- Some commodities were used as money.
- Hence it is called as commodity money
- (eg) furs, skins, salt, rice and wheat

34. What is Gold Standard?

- Gold standard is a system in which the value of the monetary unit or the standard currency is directly linked with gold.

35. What is Plastic Money? Give example.

- As it is made up of hard plastic cards, It is called as plastic money,.
- (eg) Cash Cards, Credit Cards, Debit Cards,

36. Define Inflation.

- “Too much of Money chasing too few goods” - **Coulbourn**

37. What is Stagflation?

- Stagflation is a combination of stagnant economic growth, high unemployment and high inflation

6 : Banking

38. Define Commercial Banks.

- Commercial banks conduct business with profit motive by accepting public deposits and lending loans for various investment purposes.

39. What is credit creation?

- It is the multiplication of loans and advances.
- Commercial banks receive deposits from the public and use these deposits to give loans.

40. Define Central Bank.

- It is an Institution that manages a State’s currency, money supply and Interest rates.
- It oversees the commercial banks system.

41. Distinguish between CRR and SLR.

Cash Reserve Ratio (CRR)	Statutory Liquidity Ratio (SLR)
The commercial banks has to maintain reserves with central bank is called as Cash Reserve Ratio	It is the amount which a bank has to maintain in the form of Cash, Gold or approved securities.

42. Write the meaning of Open Market Operations.

- It is the system of Central Bank by which it purchases and sells government securities in the money market.

43. What is rationing of credit?

- RBI allows to control and regulate the purposes for which credit is granted by commercial banks.

44. Mention the functions of Agriculture Credit Department.

- To maintain an expert staff to study all questions on agricultural credit.
- To provide advice to the government related to agricultural credit

7 : International Economics

45. What is International Economics?

International Economics is that branch of economics which is concerned with the exchange of goods and services between two or more countries.

46. Define international trade.

- It refers to the trade or exchange of goods and services between two or more countries

47. State any two merits of trade.

- Availability of variety of goods for consumption.
- Division of labour and specialization.
- Expansion in transport facilities.

48. What is the main difference between Adam Smith and Ricardo with regard to the emergence of foreign trade?

- **Adam Smith** stresses to have trade based on **absolute cost advantages** whereas **Ricardo** stresses to have trade on the basis of **comparative cost advantages**.

49. Define Terms of Trade.

- It is the rate at which goods of one country are exchanged for goods of another country .

Index of Export Prices (P_x)

- **Terms of Trade (TOT) = $\frac{\text{Index of Export Prices (P}_x\text{)}}{\text{Index of Import Prices (P}_m\text{)}} \times 100$**

50. What do you mean by balance of payments?

- Balance of Payments (BOP) is a systematic record of a country's economic and financial transactions with the rest of the world over a period of time.

51. What is meant by Exchange Rate?

- It is the rate at which one currency is exchanged for another currency.

8 : International Economic Organisations

52. Write the meaning of Special Drawing rights.

- Special drawing Rights are a form of international reserves created by the IMF in 1969 to solve the problem of international liquidity.
- Special Drawing Rights (SDR_s) is otherwise called as "**Paper Gold**".

53. Mention any two objectives of ASEAN.

- To accelerate the economic growth, social progress and cultural development in the region
- To promote regional peace and stability.

54. Point out any two ways in which IBRD lends to member countries.

- Loans out of its own fund
- Loans out of borrowed capital and
- Loans through Banks guarantee

55. Define Common Market.

- Common market is established through trade pacts. A group formed by countries within a geographical area to promote duty free trade and free movement of labour and capital among its members.
- e.g. European Common Market

56. What is Free trade area?

- A region encompassing a trade block whose member countries have signed a free trade agreement.
- e.g. **SAFTA**

57. When and where was SAARC Secretariat established?

- The SAARC Secretariat was established in Kathmandu on 16th January 1987

58. Specify any two affiliates of World Bank Group.

- International Development Association (IDA)
- International Finance Corporation (IFC)

9 : Fiscal Economics

59. Define public finance.

- Public finance is an investigation into the nature and principles of the state revenue and expenditure.
Adam Smith

60. What is public revenue?

- The income of the government through all sources is called public revenue.

61. Differentiate tax and fee.

TAX	FEE
Tax is a compulsory payment by the citizens to the Government to meet the public expenditure.	A fee is charged by public authorities for rendering a service to the citizens
EX : Income Tax , Sales Tax	EX : Charged for issuing of passports and driving license

62. Write a short note on zero based budget.

- It involves fresh evaluation of expenditure in the Government budget, assuming it as a new item.
- The review has been made to provide justification

63. Give two examples for direct tax.

Income Tax , Wealth Tax , Property Tax, Corporation tax

64. What are the components of GST?

The components of GST are of 3 types. They are CGST, SGST and IGST.

65. What do you mean by public debt?

- Public debt is a loan taken by the Government from the citizens or from different institutions within or outside country.

10 : Environmental Economics

66. State the meaning of environment.

- Environment means " all the conditions, circumstances and influences surrounding and affecting the development of an organism or group of organisms".

67. What do you mean by ecosystem?

An ecosystem includes all living things (Plants, animals and organisms) in a given area, interacting with each other and also with their non-living environments such as weather, earth, sun, soil, climate, atmosphere etc.

68. Mention the countries where per capita carbon dioxide emission is the highest in the world

USA, Japan, Russian Federation, China, India

69. What are environmental goods? Give examples.

- Environmental goods are typically non-market goods.
- Eg: clear air, clean water, landscape, green transport infrastructure .

70. What are the remedial measures to control noise pollution?

- Use of noise barriers
- Traffic control
- Regulating times for heavy vehicles
- Regulation of Loudspeakers

71. Define Global warming.

Global warming is the current increase in temperature of the Earth's surface (both land and water) as well as its atmosphere.

72. Specify the meaning of seed ball.

A seed ball (or seed bomb) is a seed that has been wrapped in soil materials, usually a mixture of clay and compost and then dried . It can be replaced anywhere.

11 : Economics of Development and Planning

73. Define economic development

- **According to Michael P. Todaro,** "Development must, therefore, be conceived as a multidimensional process involving major changes in social, structures, popular attitudes and national institutional as well as the acceleration of growth, the reduction of inequality and eradication of absolute poverty".

74. Mention the indicators of development.

- Gross National Product (GNP)
- GNP per Capita
- Welfare Social Indicators
- Social indicators

75. Distinguish between economic growth and development

Economic Growth	Economic Development
Deals with the problems of developed countries	Deals with the problems of UDCs
Change is gradual and steady	Change is discontinuous and spontaneous
Narrow	Wider concept. Development = Growth + Change

76. What is GNP?

Gross National Product (GNP) :

- GNP is the total market value of all final goods and services produced within a nation in a particular year, plus Net factor income earned from abroad.
- **GNP = GDP + NFIA**

77. Define economic planning.

- Economic Planning is "Collective control or suppression of private activities of production and exchange" – **Robbins**

78. What are the social indicators of economic development?

- Health, education, food, water, sanitation and housing facilities.

79. Write a short note on NITI Aayog.

- National Institution for Transforming India (NITI) Aayog was formed on January 1, 2015
- The Prime Minister is the Chairperson of NITI Aayog .

12 : Introduction to Statistical Methods and Econometrics

80. What is Statistics?

- Statistics as a science of estimates and probabilities. - **Boddington**

81. What are the kinds of Statistics?

- (i) Descriptive Statistics and (ii) Inferential Statistics.

82. What do you mean by Inferential Statistics?

The branch of statistics concerned with using sample data to make an inference about a population of data is called inferential statistics.

83. What are the kinds of data?

- (i) Quantitative data and (ii) Qualitative data.

84. Define Correlation.

- Correlation is a statistical device that helps to analyse the co variation of two more variables.

85. Define Regression.

- "Regression" is stepping back towards the average. It is the study of the relationship between the variables.

86. What is Econometrics?

Econometrics may be considered as the integration of economics, statistics and mathematics.

PART - C

1 – Introduction to Macro Economics

1. State the importance of Macro Economics.

- There is a need to understand the functioning of the economy
- Understanding the future problems, needs and challenges of an economy as a whole
- It helps to use scientific investigation to understand the reality.
- It helps to make comparison and analysis of economic indicators.

2. Describe the different types of economic systems.

There are three types of economic system. They are

1. Capitalism
2. Socialism.
3. Mixedism

3. Outline the major merits of Capitalism.

- Automatic Working.
- Efficient Use of Resources
- Incentives for Hard Work
- Economic Progress.
- Consumers Sovereignty
- Higher Rates of Capital Formation
- Development of New Technology

4. Indicate the demerits of Socialism.

- Red Tapism and Bureaucracy
- Absence of Incentive :
- Limited Freedom of Choice
- Concentration of Power

5. Enumerate the features of mixed economy.

- Ownership of Property and Means of Production
- Co-existence of Public and Private Sectors
- Economic Planning
- Solution to Economic Problems
- Freedom and Control

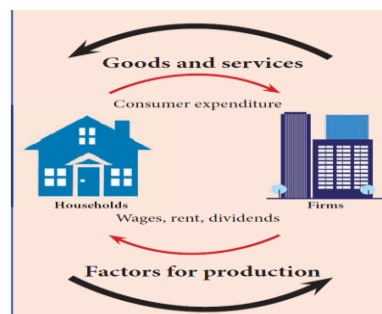
6. Distinguish between Capitalism and Globalism.

Capitalism	Globalism
The system where the means of production are privately owned and market determines the economic activities	An economic system where the economic activities of a Nation are inter connected and inter dependent on each other Nation

7. Briefly explain the two sector circular flow model.

There are only two sectors namely, **Household sector and Firm sector.**

$$Y = C + I,$$



2 : National Income

8. Write a short note on per capita Income.

Per capita income is obtained by dividing the National Income by population.

- **Per Capita Income = $\frac{\text{National Income}}{\text{Population}}$**

9. Differentiate between personal and disposable Income.

Personal income	Disposable Income
Personal Income = National Income – (Social Security Contribution and Undistributed corporate Profits) + Transfer Payments	Disposable Income = Personal Income – Direct Tax. As the entire disposable income is not spent on consumption, Disposable Income = Consumption + Savings.

10. Explain briefly NNP at factor cost.

- NNP refers to the market value of output.
- NNP at factor cost is the total of income payment made to factors of production.
- **NNP at factor cost = NNP at Market Prices – Indirect Taxes + Subsidies.**

11. Give short note on Expenditure method.

- **GNP = C + I + G + (X – M)**, where,
 C = Private consumption expenditure,
 G = Government Expenditure and
 I = Private Investment Expenditure,
 (X – M) = Net Exports.

12. What is the solution to the problem of double counting in the estimation of National Income?

- Any commodity which is either raw material or intermediate good for the final production should not be included.
- At every stage value added only should be calculated.

13. Write briefly about national income and welfare.

- National income is considered as an indicator of the economic well-being of a country.
- The economic progress of country is measured in terms of their GDP per capita and their annual growth rate.

14. List out the uses of National Income.

- To know the relative importance of the various sectors of the economy .
- To formulate monetary policy and fiscal policy
- To formulate planning and evaluate plan progress
- To make international comparison
- To build economic models

3 : Theories of Employment and Income

15. Explain the following in short.

- (1) Seasonal Unemployment
- (2) Frictional unemployment
- (3) Educated unemployment.

Seasonal Unemployment :

- This type of unemployment occurs during certain seasons of the year.

Frictional unemployment :

- Frictional unemployment arises due to imbalance between supply of labour and demand for labour.

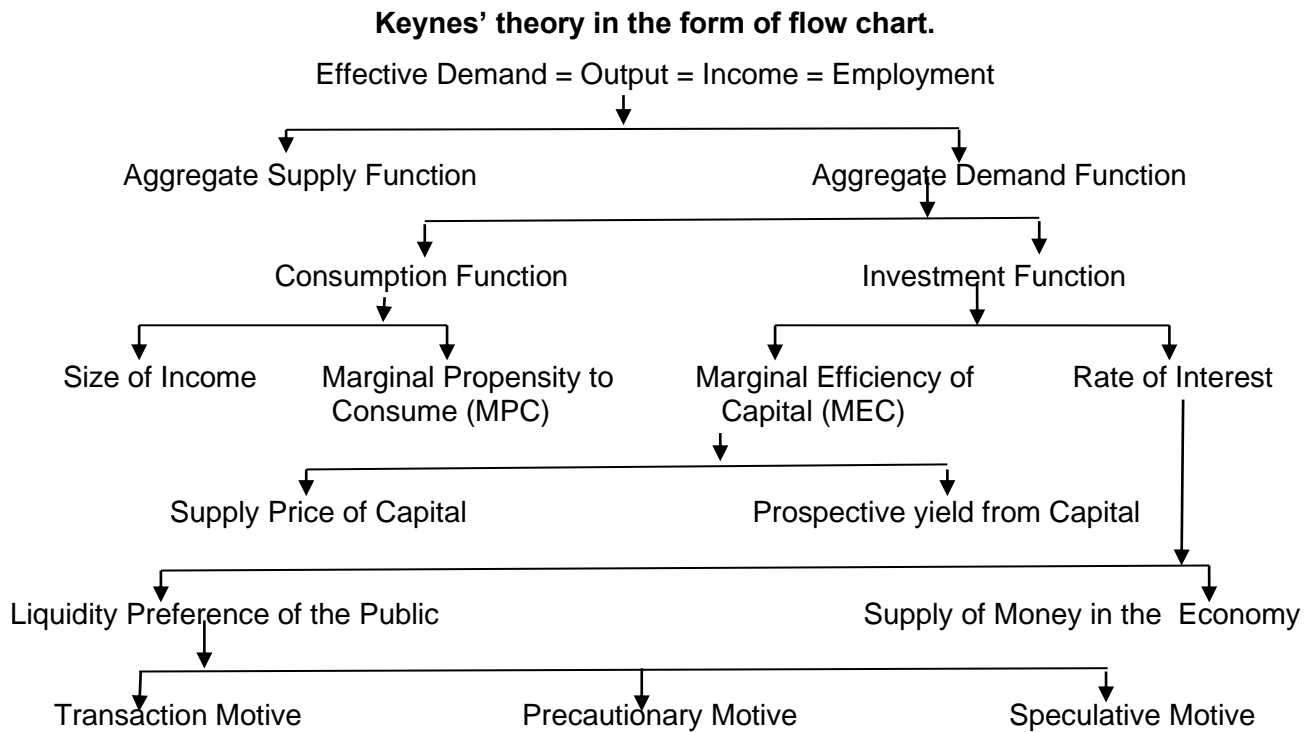
Educated unemployment :

- Sometimes educated people are under employed or unemployed when qualification does not match the job.

16. Write short note on the implications of Say's law.

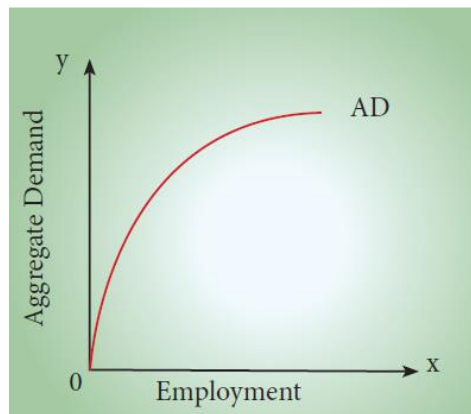
- There is no possibility for over production or unemployment.
- As automatic price mechanism operates in the economy, there is no need for Government intervention.
- Interest flexibility brings about equality between saving and investment.
- Money performs only the medium of exchange

17. Explain Keynes' theory in the form of flow chart.



18. What do you mean by aggregate demand? Mention its components.

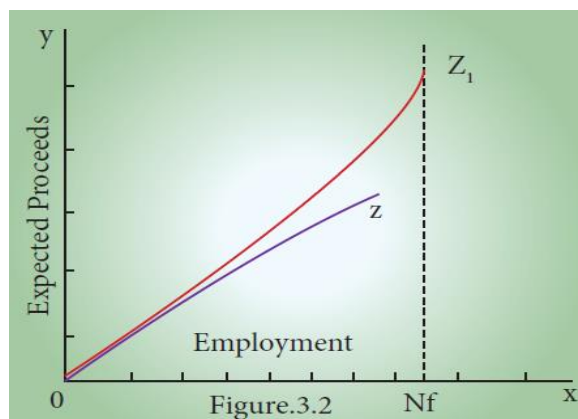
- The aggregate demand is the amount of money which entrepreneurs expect to get by selling the output produced by the number of labourers employed.



The components of aggregate demand are $AD = C + I + G + (X - M)$.

19. Explain about aggregate supply with the help of a diagram.

- Aggregate supply refers to the value of total output of goods and services produced in an economy . **Aggregate supply = C + S + T + R_f = Aggregate income generated in the economy**



20. Write any five differences between classism and Keynesianism.

S. No.	Keynesianism	Classicism
1	Short run equilibrium	Long run equilibrium
2	Saving is a vice	Saving is a social virtue
3	Macro approach to national problems	Micro foundation to macro problems
4	Rate of interest is a flow	Rate of interest is a stock
5	Demand creates its own supply	Supply creates its own demand

4 : Consumption and Investment Functions**21. State the propositions of Keynes's Psychological Law of Consumption.**

- When income increases, consumption expenditure also increases, but, by a smaller amount.
- The increased income will be divided in some proportion between consumption expenditure and saving.
- Increase in income always leads to an increase in both consumption and saving.

22. Differentiate autonomous and induced investment.

Autonomous Investment	Induced Investment
Independent	Planned
Income inelastic	Income elastic
Welfare motive	Profit motive

23. Explain any three subjective and objective factors influencing the consumption function.

Subjective factors : These are the internal factors related to psychological feelings.

- The Motive of Precaution
- The Motive of Foresight
- The Motive of Calculation

Objective factors : These are the external factors which are real and measurable.

- Income Distribution
- Price Level
- Wage Level

24. Mention the differences between accelerator and multiplier effect.

Accelerator Effect	Multiplier Effect
Accelerator is defined as the ratio of change in induced investment to change in consumption.	Multiplier is defined as the ratio of the change in national income to change in investment
Accelerator $\beta = \Delta I / \Delta C,$	K $= \Delta y / \Delta I$

25. State the concepts of super multiplier.

- In order to measure the total effect of initial investment on income, Hicks has combined the k and β mathematically and given it the name of the Super Multiplier.
- The super multiplier is worked out by combining both **induced consumption and induced investment.**

26. Specify the Limitations of the Multiplier.

- Payment towards past debts
- Purchase of existing wealth
- Import of Goods and Services
- Non-availability of consumer goods

5 : Monetary Economics

27. Write a note on Metallic Money.

- Under metallic standard, some kind of metal either gold or silver is used to determine the standard value of money
- Standard coins made out of the metal are the principal coins used under the metallic standard.
- The face value of metallic money is equal to their intrinsic metal value.

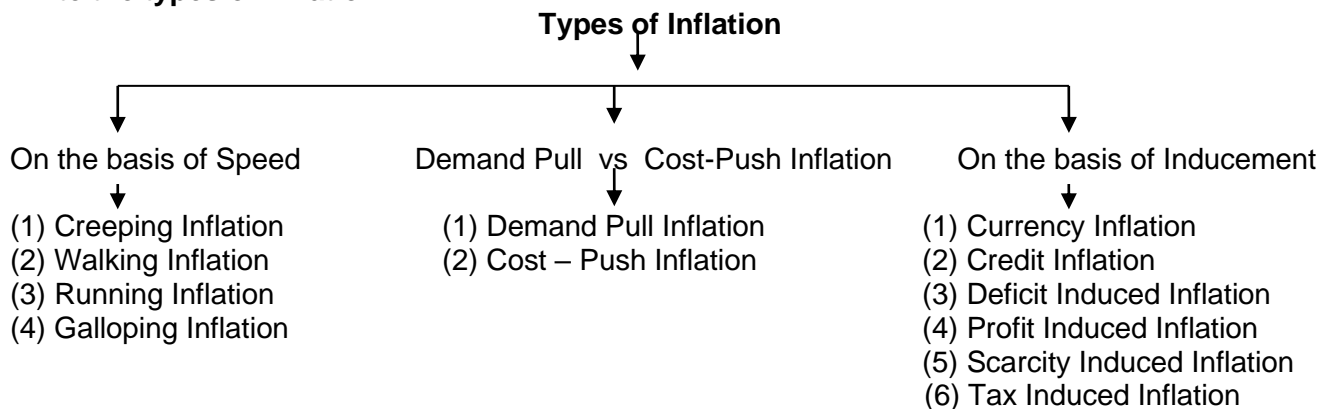
28. What is money supply?

- Money supply means the total amount of money in an economy.
- It refers to the amount of money which is in circulation in an economy at any given time.

29. What are the determinants of money supply?

- Current Deposit Ratio (CDR)
- Reserve Deposit Ratio (RDR)
- Cash Reserve Ratio (CRR)
- Statutory Liquidity Ratio (SLR)

30. Write the types of Inflation.



31. Explain Demand-pull and Cost push Inflation.

(1) Demand – pull Inflation :

Demand and supply is a crucial role in deciding the inflation levels in the society at all the points of time

(2) Cost – push Inflation :

When the cost of raw materials and other inputs rises, inflation results. Increase in wages paid to labour also leads to inflation.

32. State Cambridge equations of value of money.

(1) **Marshall's Equation** : The Marshall's equation is expressed as $M = KPY$

- $P = M / KY$

2. **Keynes' Equation** : Keynes equation is expressed as $n = PK$ or $P = n / K$, .

- Keynes extended his equation $n = p (k + rk')$ or $p = n / (k + rk')$, where,

33. Explain Disinflation.

- Disinflation is the slowing down the rate of inflation by controlling the amount of credit available to consumers without causing more unemployment.

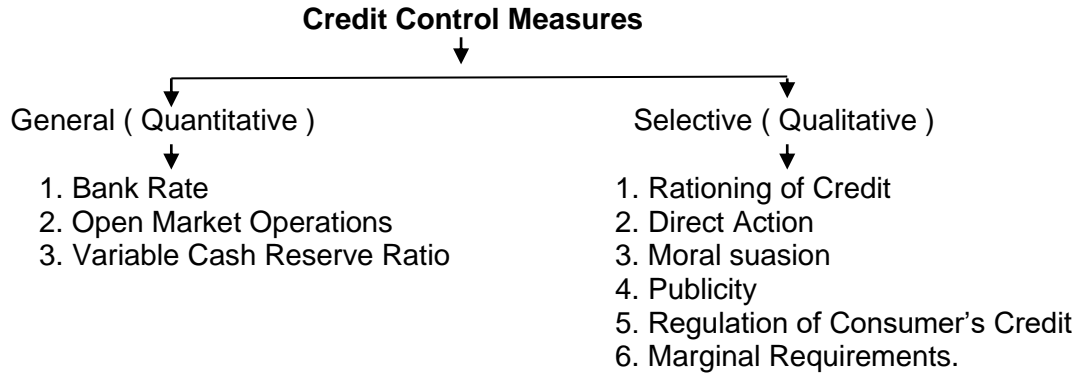
6 : Banking

34. Write the mechanism of credit creation by commercial banks.

- Banks have the power to expand or contract demand deposits and they exercise this power through granting more or less loans and advances and acquiring other assets.
- This power of commercial banks to create deposits through expanding their loans and advances is known as credit creation.

35. Give a brief note on NBFIs.

- It is a financial institution that does not have a full banking license. It is not supervised by the Central Bank.
- The NBFIs do not carry on pure banking business, but they will carry on other financial transactions..
- Eg: GIC Re UTI Mutual funds.,

36. Bring out the methods of credit control.**37. What are the functions of NABARD?**

- NABARD acts as a refinancing institution for all kinds of production and investment credit
- It provides short-term, medium-term and long-term credits
- It gives long-term loans (up to 20 years) to State Government
- It gives long-term loans to any institution approved by the Central Government

38. Specify the functions of IFCI.

- Long-term loans, both in rupees and foreign currencies.
- Underwriting of equity
- Subscribing to equity

39. Distinguish between money market and capital market.

Money Market	Capital Market
Money market is the mechanism through which short-term funds are loaned and borrowed.	Capital Market is a financial market in which long term debt are bought and sold.
It handles the purchase, sale and transfer of short term credit instruments.	It is raising capital by dealing in shares, bonds and other long-term investments.

40. Mention the objectives of demonetizations.

- (i) Removing Black Money from the Country.
- (ii) Stopping of Corruption.
- (iii) Stopping Terror Funds.
- (iv) Curbing Fake Notes.

7 : International Economics**41. Describe the subject matter of International Economics.**

- Pure Theory of Trade
- Policy Issues
- International Cartels and Trade Blocs
- International Financial and Trade Regulatory Institutions

42. Compare the Classical Theory of international trade with Modern Theory of International trade.

Sl. No.	Classical Theory of International Trade	Modern Theory of International Trade
1	It explains the international trade on the basis of labour theory of value	It explains the international trade on the basis of general theory of value
2	It presents a one factor (labour) model	It presents a multi-factor (labour and capital) model

43. Explain the Net Barter Terms of Trade and Gross Barter Terms of Trade.**Net Barter Terms of Trade :**

- The ratio between the prices of Exports and of Imports is called the "Net Barter Terms of Trade"
- It is expressed as $T_n = (P_x / P_m) \times 100$

Gross Barter Terms of Trade :

- It is an index of relationship between total physical quantity of Imports and the total physical quantity of Exports.

$$T_g = (Q_m / Q_x) \times 100$$

44. Distinguish between Balance of Trade and Balance of Payments.

Sl. No.	Balance of Trade (BOT)	Balance of Payments (BOP)
1	Balance of Trade (BoT) refers to the value of a country's Exports of commodities and total value of Imports of commodities	Balance of Payments (BOP) is a systematic record of a country's economic and financial transactions with the rest of the world over a period of time
2	It includes only Visible items	It includes both visible and invisible items

45. What are import quotas?

- An Import quota means physical limitation of the quantities of different products to be Imported from foreign countries within a specified period of time, usually one year.
- The Import quota may be fixed either in terms of quantity or the value of the product.

46. Write a brief note on flexible exchange rate.

- The flexible exchange rate is also known as floating exchange rate
- Exchange rates are freely determined in an open market by market forces of demand and supply

47. State the objectives of Foreign Direct Investment.

- Sales Expansion
- Acquisition of Resources
- Diversification
- Minimization of competitive risk.

8 : International Economic Organisations**48. Mention the various forms of economic integration.**

- Free Trade Area
- Customs Union
- Common Market
- Economic Union

49. What are trade blocks?

- Trade blocks are a set of countries which engage in international trade together and are usually related through a free trade agreement or other associations.
- Economic integration takes the form of **Free Trade Area, Customs Union, Common Market and Economic Union**

50. Mention any three lending programmes of IMF.

- Basic Credit Facility
- Extended Fund Facility
- Buffer Stock Facility
- Supplementary Financing Facility
- Structural Adjustment Facility

51. What is Multilateral Agreement?

- It is a multinational legal or trade agreements between countries.
- It is an agreement between more than two countries but not many.

52. Write the agenda of BRICS Summit, 2018.

- South Africa hosted the 10th BRICS summit on July 2018
- The agenda for BRICS summit 2018 includes Inclusive growth, Trade issues, Global governance, Shared Prosperity, International peace and security.

53. State briefly the functions of SAARC**The main functions of SAARC are**

- Maintenance of the cooperation in the region
- Prevention of common problems associated with the member nations
- Ensuring strong relationship among the member nations
- Removal of the poverty through various packages of programmes
- Prevention of terrorism in the region

54. List out the achievements of ASEAN.**The achievements of ASEAN.**

- It facilitates free movement of goods, service and investment within ASEAN.
- It provides free access to the marketers
- It improves business competitiveness
- It paves way for market and investment opportunities for the member nations.
- It fosters co-operations to industry and trade.

9 : Fiscal Economics**55. Describe canons of Taxation.**

- Canon of Ability
- Canon of Certainty
- Canon of Convenience
- Canon of Economy

56. Mention any three similarities between public finance and private finance.

- Rationality
- Limit to borrowing
- Resource Utilisation
- Administration

57. What are the functions of a modern state?

- Defence
- Judiciary
- Enterprises
- Social Welfare
- Infrastructure
- Macro-Economic Policy
- Social Justice
- Control of Monopoly

58. State any three characteristics of taxation.

- A tax is a compulsory payment made to the Government.
- The tax payer cannot claim any specific benefit against the payment of a tax.
- Every tax involves some sacrifice on the part of the tax payer.
- A tax is not levied as a fine or penalty for breaking law.

59. Point out any three differences between direct tax and indirect tax.

Basis for Comparison	Direct Tax	Indirect Tax
Meaning	Direct tax is referred to as the tax levied on persons income and wealth and is paid directly to the Government.	Indirect tax is referred to as the tax levied on a person who consumes the goods and services and is paid indirectly to the Government.
Nature	Progressive	Regressive
Incidence and Impact	Falls on the same person	Falls on different persons
Burden	Cannot be shifted	Can be shifted

60. What is primary deficit?

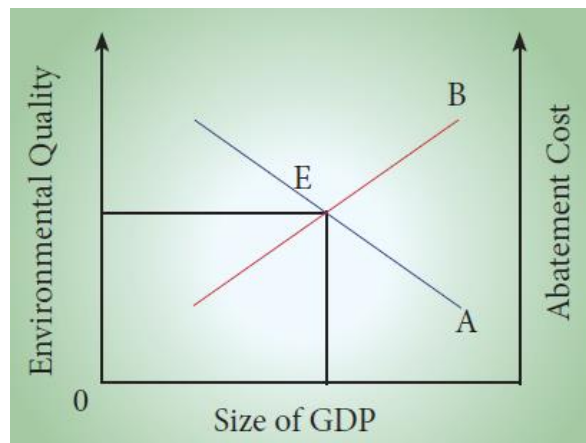
- It shows the real burden of the Government.
- It does not include the interest burden on loans taken in the past
- **Primary Deficit (PD) = Fiscal Deficit (FD) – Interest Payments (IP)**

61. Mention any three methods of redemption of public debt.

- Sinking Fund
- Conversion
- Budgetary Surplus
- Terminal Annuity

10 : Environmental Economics**62. Brief the linkage between economy and environment.**

- Man's life is interconnected with various other living and non-living things.
- The relationship between the economy and the environment is generally explained in the form of a "Material Balance Model"

**63. Specify the meaning of material balance principle.**

$$M = G - R_c - R_p + R'_p + R'_c = R^d_p = R^d_c$$

Material and Energy Inflow from Natural World (M)	=	Economic Activities of Goods and Service Production (G) – Consumption and Production Residual Discharges from Consumption and Production Activities ($R_c + R_p$) + Recycles from Production and Consumption ($R'_p + R'_c$)	=	Final Residual Discharge from Production and Consumption into Natural World ($R^d_p + R^d_c$)
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64. Explain different types of air pollution.

There are two types of air pollution. They are (1) Indoor Air Pollution and (2) Outdoor Air Pollution..

- **Indoor Air Pollution** : It refers to toxic contaminants that we encounter in our daily lives in our homes, schools and workplaces.
- **Outdoor Air Pollution** : It refers to ambient air. Air pollution are caused by combustion processes from motor vehicles, solid fuel burning and industry.

65. What are the causes of water pollution?

Water pollution is caused due to several reasons.

- Discharge of sewage and waste water
- Dumping of solid wastes
- Discharge of Industrial wastes
- Oil Spill
- Acid Rain
- Global Warming
- Eutrophication

66. State the meaning of e-waste.

- Electronic waste which is commonly referred as 'e-waste' is the new byproduct of the Info Tech Society.
- It is a physical waste in the form of old discarded end of life of electronics.
- Eg: refrigerators, Computer, Cellular phones etc..

67. What is land pollution? Mention the causes of land pollution.

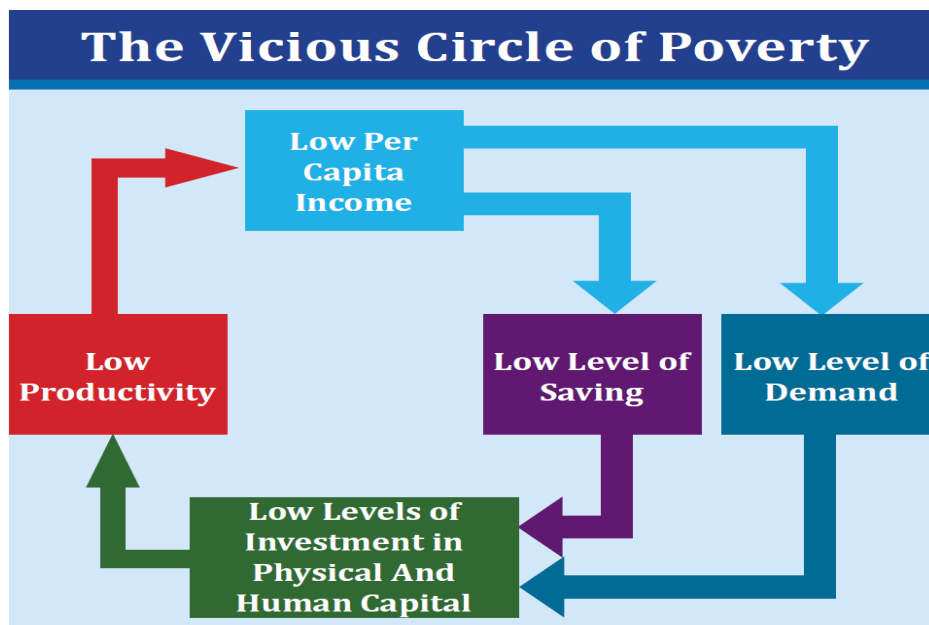
- The land pollution is defined as, "the degradation of land because of the disposal of waste on the land".
- Any substance that is discharged, emitted or deposited in the environment causes land pollution.

The causes of land pollution.

- Deforestation and soil erosion
- Agricultural activities
- Mining activities
- Landfills
- Industrialization
- Construction activities
- Nuclear waste

68. Write a note on (a) Climate change and (b) Acid rain

- **Climate Change** : The climate change refers to seasonal changes over a long period with respect to the growing accumulation of greenhouse gases in the atmosphere.
- **Acid Rain** : Acid rain is one of the consequences of air pollution. It occurs when emissions from factories, cars or heating boilers contact with the water in the atmosphere.

11 : Economics of Development and Planning**69. Elucidate major causes of vicious circle of poverty with diagram****70. What are the non-economic factors determining development?**

- (1) Human Resource (2) Technical Know-how (3) Political Freedom (4) Social Organization
 (5) Corruption free administration (6) Desire for development (7) Moral, ethical and social values
 (8) Casino Capitalism (9) Patrimonial Capitalism

71. How would you break the vicious circle of poverty?

- The vicious circle of poverty is associated with low rate of saving and investment on the supply side.
- In UDCs, the rate of investment and capital formation can be stepped up without reduction in consumption.
- To break the vicious circle on the demand side, Nurkse suggested the strategy of balanced growth.

72. Trace the evolution of economic planning in India.

- Sir M. Vishveshwaraya (1934)
- Jawaharlal Nehru (1938)
- Bombay Plan (1940)
- S.N. Agarwal (1944)
- M.N. Roy (1945)
- J.P. Narayan (1950)

73. Describe the case for planning.

- To accelerate and strengthen market mechanism
- To remove unemployment
- To achieve balanced development
- Development of Agriculture and Industrial Sectors
- Development of Infrastructure
- Development of Money and Capital Markets
- To remove poverty and inequalities

74. Distinguish between functional and structural planning.

Functional planning : Functional planning refers to that planning which seeks to remove economic difficulties by directing all the planning activities within the existing economic and social structure.

The Structural planning : The Structural planning refers to a good deal of changes in the socio-economic framework of the country. This type of planning is adopted mostly in under developed countries.

75. What are the functions of NITI Aayog?

- Cooperative and Competitive Federalism
- Shared National Agenda
- Decentralized Planning
- Vision and Scenario Planning
- Network of Expertise
- Conflict Resolution
- Coordinating Interface with the World
- Internal Consultancy
- Capacity Building
- Monitoring and Evaluation

12 : Introduction to Statistical Methods and Econometrics**76. What are the functions of Statistics?**

The functions of Statistics are

- It presents facts in a definite form
- It simplifies mass of figures
- It facilitates comparison
- It helps in formulating and testing
- It helps in prediction
- It helps in the formulation of suitable policies.

77. Find the Standard Deviation of the following data: 14, 22, 9, 15, 20, 17, 12, 11 (Answer: = 4.18)

Sl. No.	X	$X - \bar{X}$	$(X - \bar{X})^2$
1	14	-1	1
2	22	7	49
3	9	-6	36
4	15	0	0
5	20	5	25
6	17	2	4
7	12	-3	9
8	11	-4	16
N = 8	120		140

$$\bar{X} = \sum X / n,$$

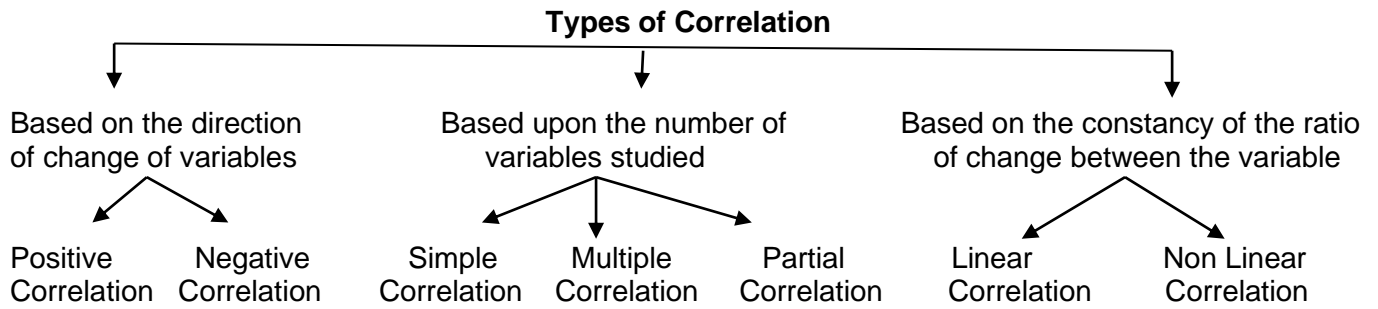
$$\sum X = 120, \quad n = 8$$

$$\sum (X - \bar{X})^2 = 140$$

$$\bar{X} = 120 / 8 = 15$$

$$\sigma = \sqrt{(X - \bar{X})^2 / n}$$

$$= \sqrt{140 / 8} = \sqrt{17.5} = 4.18$$

78. State and explain the different kinds of Correlation.**79. Mention the uses of Regression Analysis.**

- It indicates the cause and effect relationship between the variables and establishes functional relationship..
- It is used for the prediction of one value, in relation to the other given value.
- Regression coefficient is also relative measure..

80. Specify the objectives of econometrics.

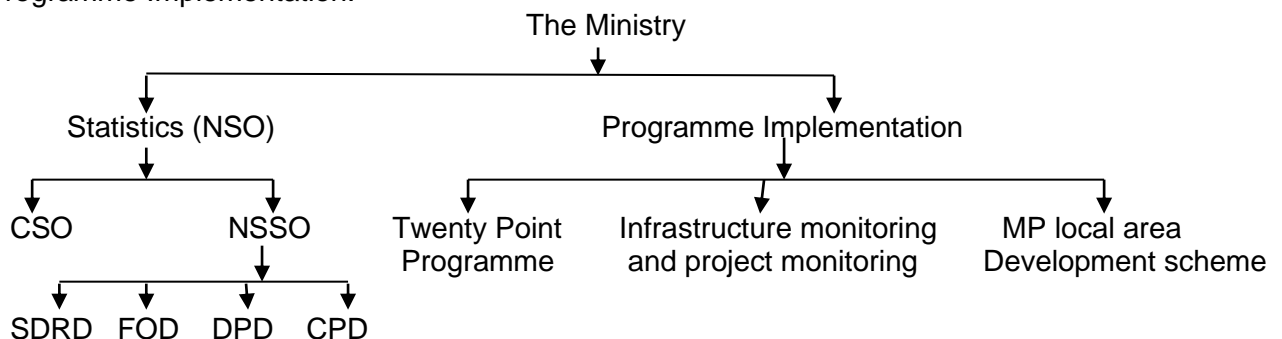
- It helps to explain the behaviour of a forthcoming period that is forecasting economic phenomena
- It helps to prove the old and established relationships among the variables
- It helps to establish new theories and new relationships
- It helps to test the hypothesis and estimation of the parameter.

81. Differentiate the economic model with econometric model.

Si. No.	Economic Model	Econometric Model
1	Economic models are developed based on Economic Theories	Econometric models are developed based on Economic Theories to test the validity of Economic Theories
2	$Y_i = \beta_0 + \beta_1 X_i$	$Y_i = \beta_0 + \beta_1 X_i + U_i$
3	Does not concentrate more on the error term	concentrate more on the error terms
4	U_i unexplained part in a regression	U_i cannot and should not be ignored

82. Discuss the important statistical organizations (offices) in India.

- The Ministry of Statistics and Programme Implementation (MOSPI) has two wings. They are Statistics and Programme Implementation.



PART - D

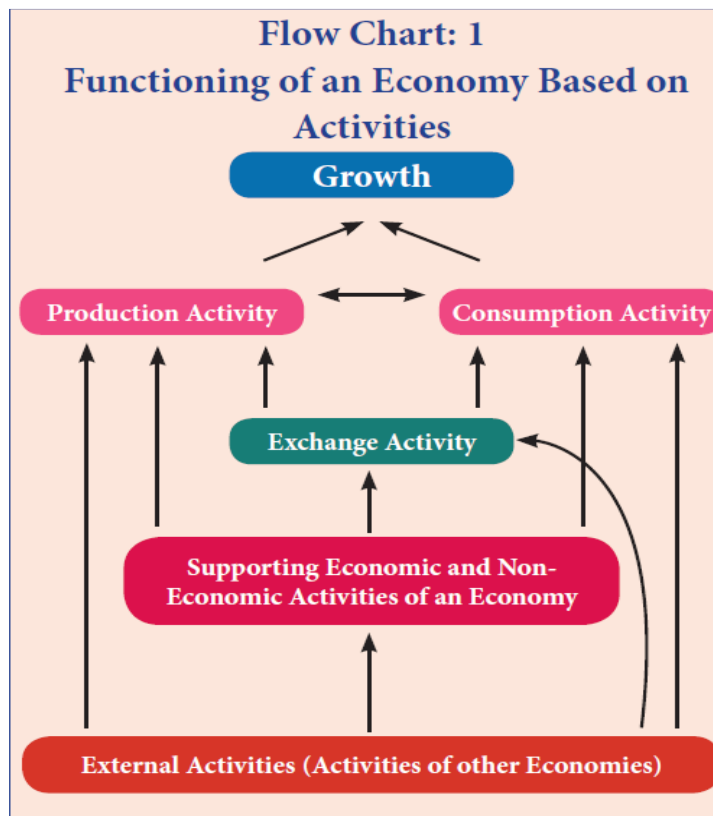
1 – Introduction to Macro Economics

1. Discuss the scope of Macro Economics.

The scope of Macro Economics :

- National Income
- Inflation
- Business Cycle
- Poverty and Unemployment
- Economic Growth
- Economic Policies

2. Illustrate the functioning of an economy based on its activities.



3. Compare the features among Capitalism, Secularism and Mixedism.

Sl.No.	Features	Capitalism	Socialism	Mixedism
1	Ownership of Means of Production	Private Ownership	Public Ownership	Private Ownership and Public Ownership
2	Economic Motive	Profit	Social Welfare	Social Welfare and Profit Motive
3	Solution of Central Problems	Free Market System	Central Planning System	Central Planning System and Free Market System
4	Government Role	Internal Regulation only	Complete Involvement	Limited Role
5	Income Distribution	Unequal	Equal	Less unequal
6	Nature of Enterprise	Private Enterprise	Government Enterprise	Both Private and State Enterprises
7	Economic Freedom	Complete Freedom	Lack of Freedom	Limited Freedom
8	Major Problem	Inequality	Inefficiency	Inequality and Inefficiency

2 : National Income

4. Explain the importance of National Income.

- To know **the relative importance of the various sectors** of the economy
- **To formulate** monetary policy, fiscal policy..
- To formulate **planning and evaluate plan** progress
- To build **economic models** both in short-run and long-run.
- To make **international**, inter-regional and inter-temporal comparisons.

5. Discuss the various methods of estimating the National Income of a country.

Methods of Measuring National Income :

There are three methods that are used to measure national income.

1. **Production or value added method.**
2. **Income method or factor earning method.**
3. **Expenditure method.**

1. **Product Method** : Product method measures the output of the country.

2. **Income Method** : $Y = w + r + I + \pi + (R - P)$,

Where, w = Wages, r = Rent, I = Interest, π = Profits, R = Exports and P = Imports.

3. **Expenditure Method (Outlay Method)** :

$GNP = C + I + G + (X - M)$, where,

C - Private consumption expenditure

G - Government expenditure and

I - Private Investment expenditure

X - M -- Net Exports.

6. What are the difficulties involved in the measurement of National Income?

1. Transfer Payments
2. Difficulties in assessing depreciation allowance
3. Unpaid Services
4. Income from illegal activities.
5. Production for self-consumption and changing price
6. Capital Gains
7. Statistical Problems

7. Discuss the importance of social accounting in economic analysis.

Sectors of social Accounting Method :

- Firms
- Households
- Government
- Rest of the world and
- Capital sector

3 : Theories of Employment and Income

8. Describe the types of unemployment.

- (1) Cyclical Unemployment
- (2) Seasonal Unemployment
- (3) Frictional unemployment
- (4) Educated unemployment
- (5) Technical Unemployment
- (6) Structural Unemployment
- (7) Disguised Unemployment

9. Critically explain Say's law of market.

Say's Law : **"Supply creates, its own demand"**.

Assumptions :

- Full employment.
- There is no possibility for over production or unemployment.
- Money acts only as a medium of exchange.

Criticisms of Say's law:

- According to Keynes, supply does not create its demand.
- Automatic adjustment process will not remove unemployment.
- Money is not neutral. .
- Keynes said that over production is possible.
- According to Keynes, there is a need for State intervention

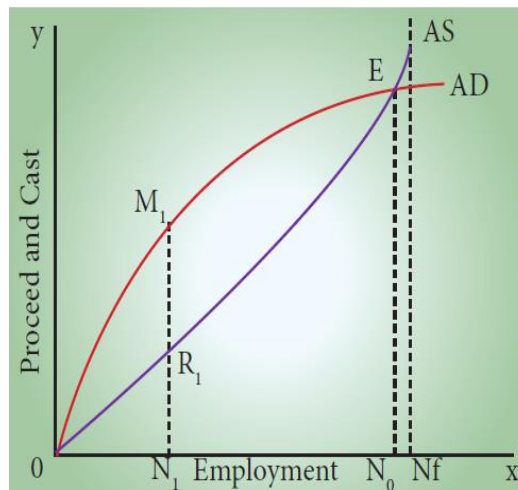
10. Narrate the equilibrium between ADF and ASF with a diagram.**Equations**

$$\text{Aggregate Demand (AD) = } C + I + G + (X - M) \quad \text{----- 1}$$

$$\text{Aggregate Supply (AS) = } C + S + T + RF \quad \text{----- 2}$$

$$\text{Effective Demand (ED) = } Y = C = I = \text{Output} = \text{Employment} \quad \text{----- 3}$$

Equilibrium point → **Effective Demand = AD = AS**

Aggregate demand – Aggregate supply approach**11. Explain the difference between classical theory and Keynes theory.**

Sl. No.	Keynesianism	Classicism
1	Short run equilibrium	Long run equilibrium
2	Saving is a vice	Saving is a social virtue
3	Macro approach to national problems	Micro foundation to macro problems
4	State intervention is advocated	Champions of Laissez-faire policy
5	Rate of interest is a flow	Rate of interest is a stock
6	Demand creates its own supply	Supply creates its own demand

4 : Consumption and Investment Functions**12. Explain Keynes psychological law on consumption function with diagram.****Meaning of Keynes psychological law on consumption :**

- The Law implies a tendency of the people to spend on consumption less than the full increment of income.

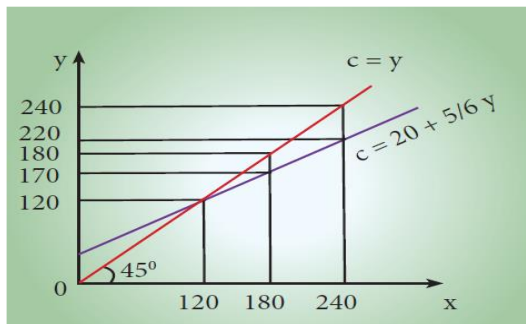
Assumptions :

- Ceteris paribus Existence of Normal Conditions :
- Existence of a Laissez-faire Capitalist Economy :

Propositions of the Law :

- When income increases, consumption expenditure also increases, but, by a smaller amount.
- The increased income will be divided in some proportion between consumption expenditure and saving.
- Increase in income always leads to an increase in both consumption and saving.

Income Y	Consumption C	Savings S = Y - C
120	120	0
180	170	10
240	220	20



13. Briefly explain the subjective and objective factors of consumption function.

Subjective Factors.

- (1) The motive of precaution
- (2) The Motive of Foresight.
- (3) The Motive of Calculation.
- (4) The Motive of Improvement.
- (5) The Motive of Financial Independence.
- (6) The Motive of Enterprise.
- (7) The Motive of Pride.
- (8) The Motive of Avarice.

.Objective Factors.

- (1) Income Distribution.
- (2) Price Level
- (3) Wage Level.
- (4) Interest rate
- (5) Fiscal Policy
- (6) Consumer Credit.
- (7) Demographic factors
- (8) Duesenberry Hypothesis.
- (9) Windfall Gains or Losses.

14. Illustrate the working of Multiplier.

$$K = \frac{\Delta Y}{\Delta I}$$

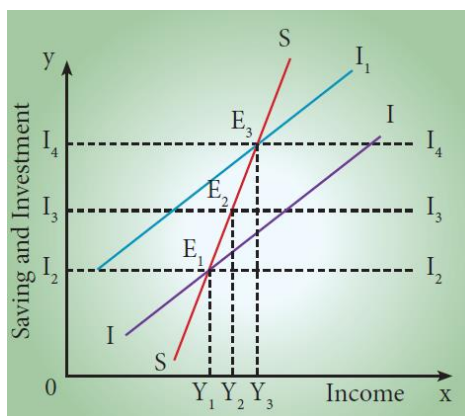
$$K = \frac{1}{1 - MPC}$$

$$K = \frac{1}{MPS}$$

15. Explain the operation of the Accelerator.

- Suppose that in order to produce 1000 consumer goods, 100 machines are required.
- working life of a machine is 10 years.
- in order to maintain the constant flow of 1000 consumer goods.
- demand for consumer goods rises by 10 percent (from 1000 to 1100).
- A mild change in demand for consumer goods will lead to wide change in investment.

$$\beta = \frac{\Delta I}{\Delta C}$$



16. What the differences between MEC and MEI.

Sl. No.	Marginal Efficiency of Capital (MEC)	Marginal Efficiency of Investment (MEI)
1	It is based on a given supply price for capital	It is based on the induced change in the price due to change in the demand for capital
2	It represents the rate of return on all successive units of capital without regard to existing capital	It shows the rate of return on just those units of capital over and above the existing capital stock
3	The capital stock is taken on the X axis of diagram	The amount of investment is taken on the X axis of diagram
4	It is a "stock" concept	It is a "flow" concept
5	It determines the optimum capital stock in an economy at each level of interest rate	It determines the net investment of the economy at each interest rate given the capital stock

5 : Monetary Economics

17. Illustrate Fisher's Quantity theory of money.

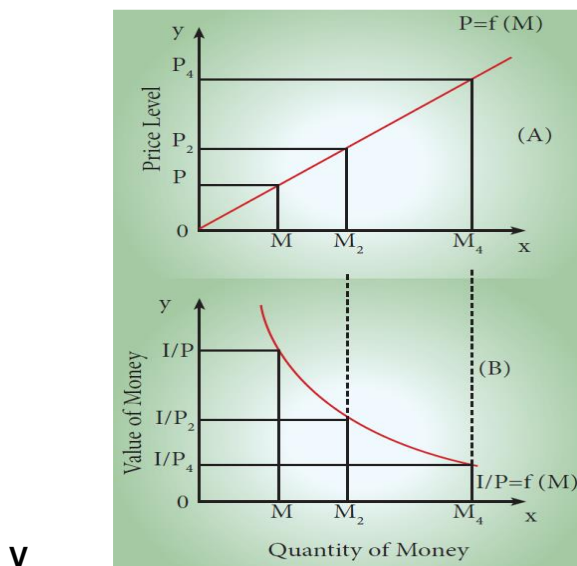
- Quantity theories of money explain the relationship between quantity of money and value of money.

Fisher's Quantity Theory of Money : $MV = PT$

Supply of Money = Demand for Money i.e., $MV = PT$

$P = MV / T$

- The revised equation is $PT = MV + M^1V^1$ i.e., $P = \frac{MV + M^1V^1}{T}$



V

18. Explain the functions of money.

Functions of Money



Primary Functions :

- As a medium of Exchange
- As a measure of Value

Secondary Functions :

- As a store of Value
- As a standard of deferred Payments
- As a means of transferring Purchasing power

Contingent Functions :

1. Basis of Credit System
2. Facilitates distribution of National Income
3. Helps to equalize Marginal Utilities and Marginal Productivities
4. Increases productivity of Capital

Other Functions :

1. Helps to maintain repaying capacity
2. Represents generalized purchasing power
3. Gives liquidity to Capital

19. What are the causes and effects of inflation on the economy?**Causes of Inflation :**

- (1) Increase in Money Supply
- (2) Increase in Disposable Income
- (3) Increase in Public Expenditure.
- (4) Increase in Consumer Spending
- (5) Cheap Money Policy.
- (6) Deficit Financing.
- (7) Black Assets, Activities and Money.
- (8) Repayment of Public Debt
- (9) Increase in Exports

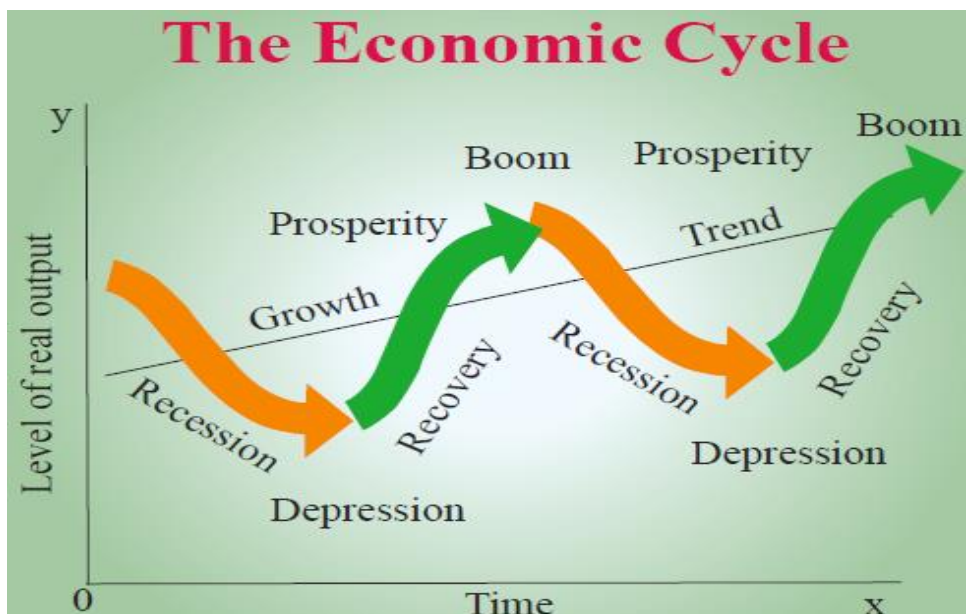
Effects of Inflation :

- (1) Effects on Production
- (2) Effects on Distribution

20. Describe the phases of Trade Cycle.

Phases of Trade Cycle : The four different phases of trade cycle is referred to as

(1) **Boom** (2) **Recession** (3) **Depression** and (4) **Recovery**.



- (1) **Boom:** The full employment and the movement of the economy beyond full employment.
- (2) **Recession :** The turning point from boom condition is called recession.
- (3) **Depression :** During depression the level of economic activities becomes extremely low.
- (4) **Recovery :** After a period of depression, recovery sets in.

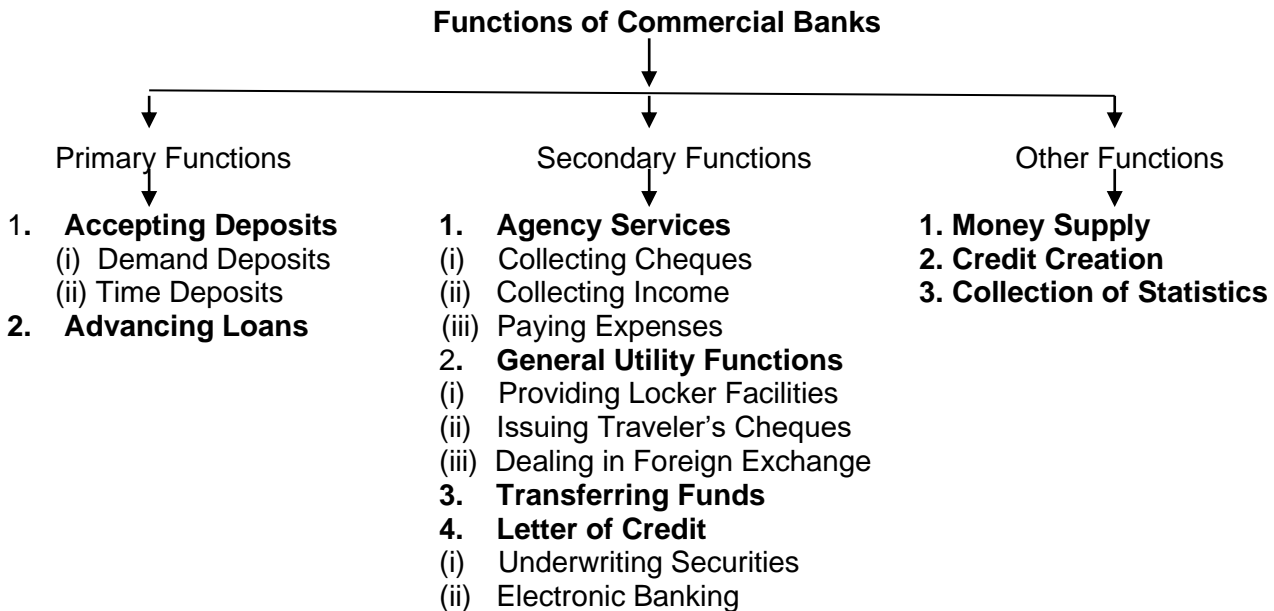
6 : Banking

21. Explain the role of Commercial Banks in economic development.

Role of Commercial Banks in economic development :

1. Capital Formation.
2. Creation of Credit
3. Channelizing the Funds towards Productive Instrument.
4. Encouraging Right Type of Industries
5. Banks Monetize Debt
6. Finance to Government.
7. Employment Generation.
8. Banks Promote Entrepreneurship.

22. Elucidate the functions of Commercial Banks.



23. Describe the functions of Reserve Bank of India.

Functions of Reserve Bank of India :

- (1) Monetary Authority
- (2) The Issue of Currency
- (3) The issue of Banking License
- (4) Bankers to the Government
- (5) Banker's Bank
- (6) Lender of last resort
- (7) Act as clearing house
- (8) Custodian of foreign exchange reserves
- (9) Regulator of economy.
- (10) Managing Government Securities
- (11) Regulator and supervisor of payment and settlement system.
- (12) Developmental Role.
- (13) Publisher of monetary data and other data.
- (14) Exchange Manager and Controller.
- (15) Banking Ombudsman Scheme.
- (16) Banking Codes and Standards Boards of India.

24. What are the objectives of Monetary Policy? Explain.

Objectives of Monetary Policy

- (1) Neutrality of Money
- (2) Exchange Rate of Stability
- (3) Price Stability
- (4) Full Employment
- (5) Economic Growth
- (6) Equilibrium in the balance of payments

7 : International Economics

25. Discuss the differences between Internal Trade and International Trade.

Sl. No.	Internal Trade	International Trade
1	Trade takes place between different individual and firms within the same nation	Trade takes place between different individual and firms in different countries
2	Labour and capital move freely from one region to another	Labour and capital do not move easily from one Nation to another
3	There is only one common currency	There are different currencies
4	There will be free flow of goods and services	Goods and Services do not easily move from one Country to another since there are a number of restrictions
5	Trade and financial regulations are more or less the same	Trade and financial regulations such as Interest rate, Trade Laws differ between countries

26. Explain the types of Terms of Trade given by Viner.

Single Factoral Terms of Trade :

$$T_F = (P_X / P_M) F_X,$$

Double Factoral Terms of Trade :

$$T_{FF} = (P_X / P_M) (F_X / F_M)$$

27. Bring out the components of balance of payments account.

The components of balance of payments account.

- (a) The Current Account
- (b) The Capital Account and
- (c) The Official Settlements Accounts or Official Reserve Assets Account.

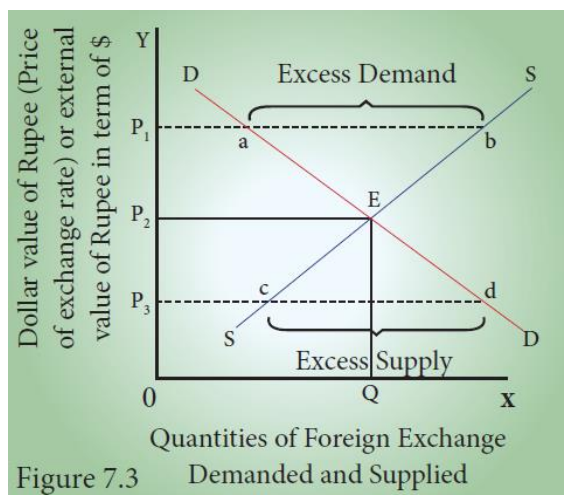
28. Discuss the various types of disequilibrium in the balance of payments.

There are three main types of balance of payments (BoP) disequilibrium.

- (a) Cyclical Disequilibrium
- (b) Secular Disequilibrium and
- (c) Structural Disequilibrium

29. How the Rate of Exchange is determined? Illustrate.

Definition of Equilibrium Exchange Rate : The equilibrium exchange rate is that rate which over a certain period of time, keeps the balance of payments in equilibrium.



8 : International Economic Organisations

30. Explain the objectives of IMF.

- To promote international monetary cooperation among the member nations
- To facilitate faster and balanced growth of international trade
- To ensure exchange rate stability by curbing competitive exchange depreciations
- To eliminate or reduce exchange controls imposed by member nations
- To promote the flow of capital from developed to developing nations
- To solve the problem of international liquidity.

31. Bring out the functions of World Bank.

- (i) Investment for productive purposes
- (ii) Balanced growth of international trade
- (iii) Provision of loans and guarantees
- (iv) Promotion of foreign private investment
- (v) Technical services.

32. Discuss the role of WTO in India's socio economic development.

- By reducing tariff rates on raw materials, components and capital goods, it was able to import more for meeting her developmental requirements. India's imports go on increasing.
- India gets market access in several countries without any bilateral trade agreements
- Advanced technology has been obtained at cheaper cost
- India is in a better position to get quick redressal from the trade disputes
- The Indian exporters benefited from wider market information

33. Write a note on (a) SAARC (b) BRICS

(a) South Asian Association for Regional Co-operation (SAARC) :

- The South Asian Association for Regional Co-operation (SAARC) was established on 8th December 1985.
- The SAARC Group comprises of Bangladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Sri Lanka and Afghanistan.
- The SAARC Secretariat was established in Kathmandu (Nepal) on 16th January 1987
- The first SAARC summit was held at Dhaka in the year 1985
- SAARC meets once in two years.
- The 20th SAARC summit was hosted by Sri Lanka in 2018.

b) BRICS :

- BRICS – **Brazil, Russia, India, China and South Africa**
- Since 2009, the BRICS nations have met annually
- South Africa hosted the 10th BRICS summit in July 2018
- The agenda for BRICS summit 2018 includes Inclusive growth, Trade Issues, Global Governance, Shared Prosperity, International Peace and Security
- It's headquarters is at Shanghai, China
- The first BRICS summit was held at Moscow and South Africa hosted the Tenth Conference at Johannesburg in July 2018
- India had an opportunity of hosting fourth and eighth summits in 2012 and 2016 respectively
- The BRICS countries made up 21% of global GDP.

9 : Fiscal Economics

34. Explain the scope of public finance.

- Public Revenue
- Public Expenditure
- Public Debt
- Financial Administration
- Fiscal Policy.

35. Bring out the merits of indirect taxes over direct taxes.

- Wider coverage
- Equitable
- Economical
- Checks harmful consumption
- Convenient

36. Explain the methods of debt redemption.

- Sinking Fund
- Conversion
- Budgetary Surplus
- Terminal Annuity
- Repudiation
- Reduction of Rate of Interest
- Capital Levy

37. State and explain instruments of fiscal policy.

- Taxation
- Public Expenditure
- Public debt

38. Explain the principles of federal finance.

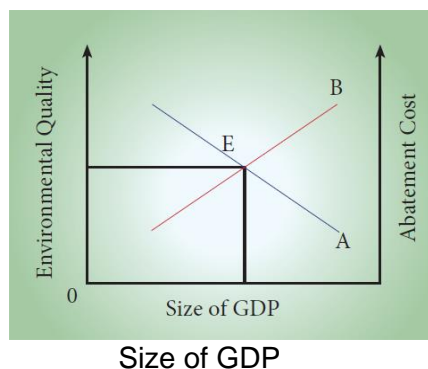
- Principle of Independence
- Principle of equity
- Principle of Uniformity
- Principle of Adequacy of Resources
- Principle of Fiscal Access
- Principle of Integration and Coordination
- Principle of Efficiency

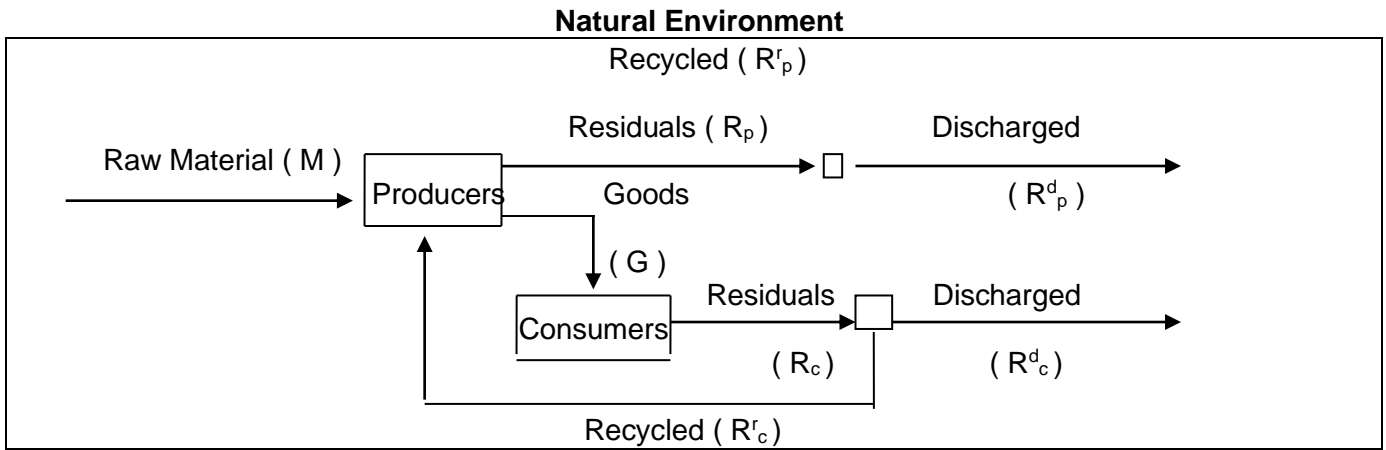
39. Describe the various types of deficit in budget.

- **Revenue Deficit** : $Revenue\ Deficit\ (RD) = Total\ Revenue\ Expenditure\ (RE) - Total\ Revenue\ Receipts\ (RR)$
- **Budget Deficit** : $Budget\ Deficit = Total\ Expenditure - Total\ Revenue.$
- **Fiscal Deficit** : $Fiscal\ deficit\ (FD) = Budget\ deficit + Government's\ market\ borrowings\ and\ liabilities.$
- **Primary Deficit** : $Primary\ Deficit\ (PD) = Fiscal\ deficit\ (PD) - Interest\ Payments\ (IP)$

40. What are the reasons for the recent growth in public expenditure?

- Population Growth
- Defence Expenditure
- Government Subsidies
- Debt Servicing
- Development Projects
- Urbanisation
- Industrialisation
- Increase in Grants-in-aid to State and Union Territories

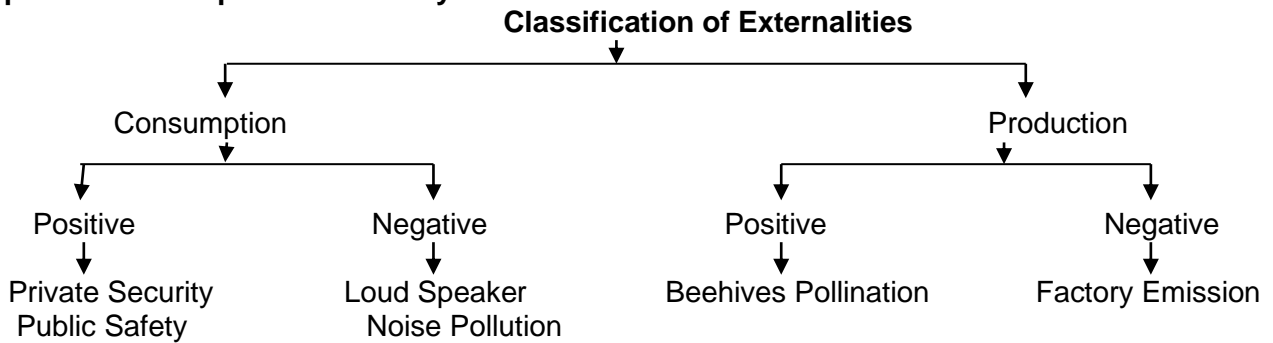
10 : Environmental Economics**41. Briefly explain the relationship between GDP growth and the quality of environment.**



• $M = G - R_c - R_p = R_p^r + R_c^r = R_p^d + R_c^d$.

Material and Energy Inflow from Natural World (M)	=	Economic Activities of Goods and Service Production (G) – Consumption and Production Residual Discharges from Consumption and Production Activities ($R_c + R_p$) + Recycles from Production and Consumption ($R_p^r + R_c^r$)	=	Final Residual Discharge from Production and Consumption into Natural World ($R_p^d + R_c^d$)
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42. Explain the concepts of externality and its classification



43. Explain the importance of sustainable development and its goals.

The Importance of Sustainable Development :

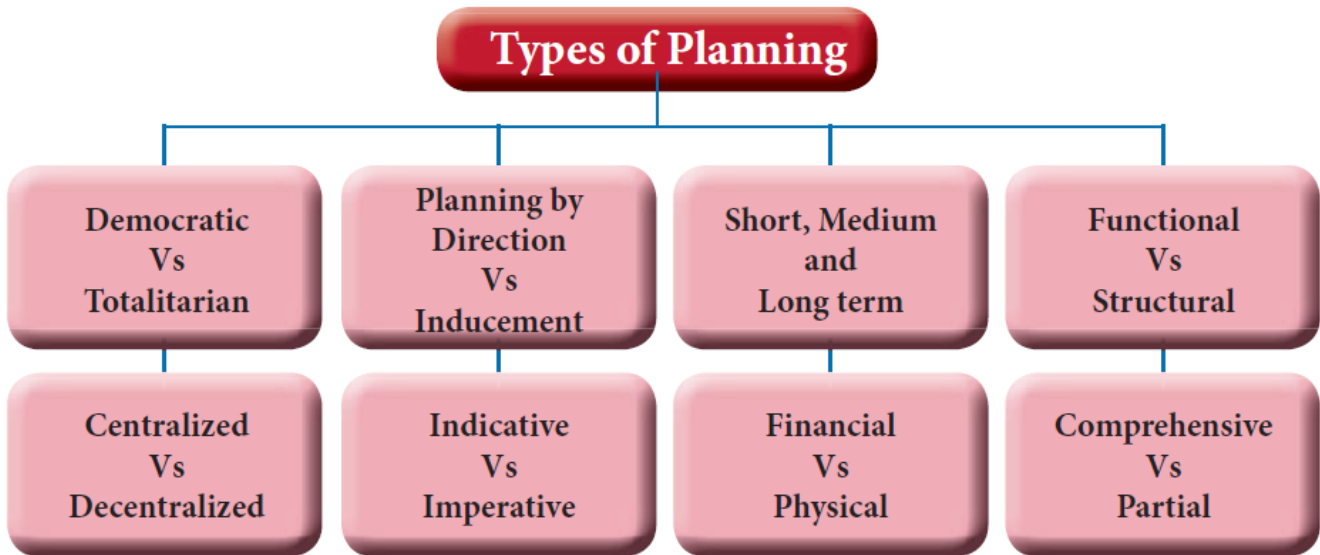
- End poverty
- End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
- Ensure healthy lives and promote well-being for all at all ages.
- Ensure inclusive and quality education for all and promote life long learning.
- Achieve gender equality and empower women and girls.
- Ensure access to water and sanitation for all.
- Ensure access to affordable, reliable, sustainable and modern energy for all.
- Promote inclusive and sustainable economic growth, employment and decent work for all.
- Ensure sustainable consumption and production pattern.
- Revitalize the global partnership for sustainable development.

11 : Economics of Development and Planning

44. Discuss the economic determinants of economic development.

- Natural Resource
- Capital Formation
- Size of the Market
- Structural Change
- Financial System
- Marketable Surplus
- Foreign Trade
- Economic System

45. Describe different types of Planning.



46. Bring out the arguments against planning

- Loss of Freedom
- Elimination of Initiative
- High Cost of Management
- Difficulty in Advance Calculations

12 : Introduction to Statistical Methods and Econometrics

47. Elucidate the nature and scope of Statistics.

Nature of Statistics :

Different Statisticians and Economists differ in views about the nature of statistics

- Some call it a science and some say it is an art

Scope of Statistics :

- Statistics and Economics
- Statistics and Firms
- Statistics and Commerce
- Statistics and Education
- Statistics and Planning
- Statistics and Medicine
- Statistics and Modern application

48. Describe the application of Econometrics in Economics.

Application of Econometrics in Economics :

Objectives:

- It helps to explain the behaviour of a forthcoming period that is forecasting economic phenomena.
- It helps to prove the old and established relationships among the variables or between the variables.
- It helps to establish new theories and new relationships
- It helps to test the hypotheses and estimation of the parameter.

Methodology :

- Statement of the theory or hypothesis
- Specification of the mathematical model of the theory
- Specification of the econometric model of the theory
- Obtaining the data
- Estimation of the parameters of the economic model
- Hypothesis testing
- Forecasting or prediction
- Using the model for control or policy purposes