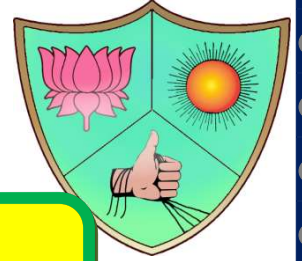


VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL



PANNAIKADU PIRIVU

KODAIKANAL



12TH - STD



ADAM SMITH
FATHER OF ECONOMICS



IF YOU FAIL NEVER
GIVE UP BECAUSE FAIL
MEANS FIRST ATTEMPT
IN LEARNING

ECONOMICS FULL MATERIAL

(NEW EDITION 2024-25)

NAME : _____

REG NO : _____

PREPARED BY

P.VAHEESWARAN M.COM., M.PHIL. DCA., B.ED.,
VICE-PRINCIPAL,
PG ASSISTANT OF COMMERCE & ACCOUNTANCY
VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL
PANNAIKADU PIRIVU, KODAIKANAL, DINDIGUL DT.
CELL: 9791324143
EMAIL: npvasu92@gmail.com

முகவுரை

மாணவ நண்பர்களுக்கு,

பொருளியல் பாடத்தில் நல்ல மதிப்பெண்களை பெற வேண்டும் என்ற நோக்கத்தில் எளிமையான முறையில் படிப்பதற்கு வசதியாக எனது 9 வருட பணி அனுபவத்தை கொண்டு இந்த **material** - யை தொகுத்துள்ளேன். எனது பாணியில் எனது மாணவர்களுக்கு ஏற்றவாறு தயார் செய்த இந்த தொகுப்பை அனைத்து மாணவர்களும் பயன்பெற வேண்டும் என்ற நோக்கத்திலேயே வெளியிட்டுள்ளேன். எனது இந்த தொகுப்பில் ஏதேனும் பிழைகள் குறைகள் இருந்தால் சரிசெய்து கொள்ளவும். பின் தங்கிய மாணவர்களும் நல்ல மதிப்பெண்களை பெற வேண்டும் என்ற நோக்கத்திலேயே இதை தொகுத்துள்ளேன்.

தற்பொழுது அரசு வெளியிட்டுள்ள புதிய பாடத் திட்ட தொகுப்பின் அடிப்படையில் இந்த வினா விடை தொகுப்பை என்னால் இயன்ற அளவிற்கு மிக எளிமையாக உருவாக்கியுள்ளேன். முழு மதிப்பெண்கள் பெற இதுவே போதுமானது. மேலும் பொதுத்தேர்வில் பின்தங்கிய மாணவர்களும் நல்ல மதிப்பெண்களை பெற வைக்க முடிந்தது. எனவே இதை உபயோகப்படுத்தி நல்ல மதிப்பெண்களை பெறவும்.

மாணவ நண்பர்களே!! நேரத்தை சரியாக பயன்படுத்தி கொள்ளுங்கள். சரியான நேரத்தில் சரியான முறையில் படித்து வெற்றி பெற்று அடுத்த கட்ட நிலைக்கு செல்ல வேண்டிய இறுதி நிலையில் உள்ளாய். நேரத்தை வீணாக்காதே! அடுத்து என்ன செய்ய போகிறாய் என்பதை முதலில் தீர்மானி. மதிப்பெண்களை பெறுவதிலேயே கவனத்தை வை. முயன்றால் முடியாதது எதுவுமில்லை. கடினமாக தான் இருக்கும். கஷ்டப்பட்டு படித்தால் நல்ல முன்னேற்றத்தை அடைவாய்.

பள்ளி பருவத்தில் நீ பெறும் வெற்றியே உன் வாழ்க்கை முழுவதையும் தீர்மானிக்க போகிறது என்பதை நன்றாக கவனம் கொள். தினமும் காலையில் படிப்பதற்கு முன் உன் இலக்கு என்ன என்பதை இரு நிமிடம் யோசித்து பார். நீ செல்வது சரியான பாதையா என்று சிந்தி!!!! நல்ல பாதையே நல்ல முடிவை தரும். நல்ல மதிப்பெண்களை பெறுவதே உன் நோக்கமாக இருக்கட்டும். அதுவே உன் வாழ்க்கை என்னும் பாதைக்கு நல்லவழிகாட்டும். பள்ளி வாழ்க்கையின் கடைசி நிலையில் உள்ளாய்!!!! இங்கு நீ பெறும் மதிப்பெண்களே உன் அடுத்த கட்ட பாதையை உருவாக்க போகின்றன என்பதை நினைவில் எப்பொழுதும் வை.

உன் பெற்றோரின் உழைப்பையும் சிந்தித்துப் பார். பிறகு படிக்க ஆரம்பி. கவனம் சிதறாமல் படிப்பில் கவனத்தை செலுத்துவாய். பிறகு நீயாகவே முயற்சி செய்து நல்ல மதிப்பெண்களையும் பெறுவாய்.

உங்களுக்காக நாங்கள்!!!!

உன் வெற்றியே எங்கள் வெற்றி!!!!

உங்கள் வெற்றியில் பெருமைப்பாட நாங்களும் காத்திருக்கிறோம்!!!!!!

WISH YOU ALL THE BEST FOR YOUR EXAMINATION

P. Vaheeswaran
ஆசிரியர்

INDEX

| CHAPTER | TOPIC | P.NO |
|---------|--|------|
| 1 | INTRODUCTION TO MACRO ECONOMICS | 4 |
| 2 | NATIONAL INCOME | 10 |
| 3 | THEORIES OF EMPLOYEMENT AND INCOME | 16 |
| 4 | CONSUMPTION AND INVESMENT FUNCTIONS | 24 |
| 5 | MONETARY ECONOMICS | 32 |
| 6 | BNKING | 40 |
| 7 | INTERNATIONAL BUSINESS | 47 |
| 8 | INTERNATIONAL ECONOMIC ORGANIZATION | 56 |
| 9 | FISCAL ECONOMICS | 61 |
| 10 | ENVIRONMENTAL ECONOMICS | 68 |
| 11 | ECONOMIC AND DEVELOPMENT AND PLANNING | 76 |
| 12 | INTRODUCTION TO STATISTICAL METHOD AND ECONOMETRICS | 83 |

CHAPTER -1 INTRODUCTION TO MACRO ECONOMICS

I. MULTIPLE CHOICE QUESTIONS

1. The branches of the subject Economics is

- a) Wealth and welfare
b) production and consumption
c) Demand and supply
d) micro and macro

2. Who coined the word 'Macro'?

- a) Adam Smith b) J M Keynes c) Ragnar Frisch d) Karl Marx

3. Who is regarded as Father of Modern Macro Economics?

- a) Adam Smith b) J M Keynes c) Ragnar Frisch d) Karl Marx

4. Identify the other name for Macro Economics.

- a) Price Theory b) Income Theory c) Market Theory d) Micro Theory

5. Macro economics is a study of _____.

- a) individuals b) firms c) a nation d) aggregates

6. Indicate the contribution of J M Keynes to economics.

- a) Wealth of Nations b) General Theory
c) Capital d) Public Finance

7. A steady increase in general price level is termed as _____.

- a) Wholesale price index b) Business Cycle
c) Inflation d) National Income

8. Identify the necessity of Economic policies.

- a) to solve the basic problems b) to overcome the obstacles
c) to achieve growth d) all the above

9. Indicate the fundamental economic activities of an economy.

- a) Production and Distribution b) Production and Exchange
c) Production and Consumption d) Production and Marketing

10. An economy consists of

- a) Consumption sector b) Production sector
c) Government sector d) All the above

11. Identify the economic system where only private ownership of production exists

- a) Capitalistic Economy b) Socialistic Economy
c) Globalistic Economy d) Mixed Economy

12. Economic system representing equality in distribution is _____.

- a) Capitalism b) Globalism c) Mixedism d) Socialism

13. Who is referred as 'Father of Capitalism'?

- a) Adam Smith b) Karl Marx c) Thackeray d) J M Keynes

14. The country following Capitalism is _____ .

- a) Russia b) America c) India d) China

15. Identify The Father of Socialism.

- a) J M Keynes b) Karl Marx c) Adam Smith d) Samuelson

16. An economic system where the economic activities of a nation are done both by the private and public together is termed as_____.

- a) Capitalistic Economy b) Socialistic Economy
c) Globalistic Economy d) Mixed Economy

17. Quantity of a commodity accumulated at a point of time is termed as _____

- a) production b) stock c) variable d) flow

18. Identify the flow variable.

- a) money supply b) assets c) income d) foreign exchange reserves

19. Identify the sectors of a Two Sector Model.

- a) Households and Firms b) Private and Public
c) Internal and External d) Firms and Government

20. The Circular Flow Model that represents an open Economy.

- a) Two Sector Model b) Three Sector Model
c) Four Sector Model d) All the above

II. Answer the Following Questions in One Or Two Sentences:

21. Define Macro Economics.

- ⊙ The word 'Macro' is derived from the Greek word 'Makros' meaning 'large'.
- ⊙ Hence, Macro Economics is the study of the economy as a whole.

22. Define the term 'Inflation'.

A study increase in general price level is called inflation.

23. What is meant by an 'Economy'?

A system by which people earn their living.

- A.J.Brown

24. Classify the economies based on status of development.

- ★ Developed economics
- ★ Developing economics
- ★ Underdeveloped economics
- ★ Undeveloped economics

25. What do you mean by Capitalism?

- ◆ It is the system of total freedom and private ownership of means of production.
- ◆ Adam Smith is the 'Father of Capitalism'.

26. Define 'Economic Model'.

It is an explanation of how economy or part of the economy, works.

27. 'Circular Flow of Income' - Define.

- It is a model of economy showing connection between different sectors of economy.
- Such as firms, households, government and nations.

III. Answer the following questions in about a paragraph:**28. State the importance of Macro Economics.**

- ★ It's provides ample opportunities to use scientific investigation to understand the reality.
- ★ It helps to make meaningful comparison and analysis of economic indicators.
- ★ It helps for better prediction about future and to formulate suitable policies to avoid economic crises.

29. Describe the different types of economic systems.

- ✿ **Capitalist Economy** – Total freedom and private ownership o means of production.
- ✿ **Socialist Economy** – Public ownership of means of production.
- ✿ **Mixed economy** – Co-existence of capitalism and Socialism

30. Outline the major merits of capitalism.

♣ **Automatic Working:**

Without any government intervention, the economy works automatically.

♣ **Efficient Use of Resources:**

All resources are put into optimum use.

♣ **Economic Progress:**

Production and productivity levels are very high in capitalistic economies.

31. Indicate the demerits of socialism.

i). Red Tapism and Bureaucracy:

As decisions are taken by government, time delay are approval process may changes of corruptions.

ii). Absence of Incentive:

The major limitation of socialism is that this system does not provide any incentive for efficiency.

iii). Limited Freedom of Choice:

Consumers do not enjoy freedom of choice over the consumption of goods and services.

32. Enumerate the features of mixed economy.

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

33. Distinguish between Capitalism and Globalism.

| S.No | Basics | Capitalism | Globalism |
|------|-----------------------|--|--|
| 1 | Term coined by | Adam smith | Manfred D Steger |
| 2 | Meaning | Production is privately owned and market determines the economic activities. | Economic activities of a nation are inter connected and inter dependent. |
| 3 | Feature | Role of government is minimum and the market determines the economic activities. | New market ideology connects the nations together through international trade. |

34. Briefly explain the two sector circular flow model.**(i) Household Sector:**

- ★ The household sector is the sole buyer of goods and services, and the sole supplier of factors of production, i.e., land, labour, capital and organisation.
- ★ The household sector receives income from firm sector by providing the factors of production owned by it.

(ii) Firms:

- ★ The firm sector generates its revenue by selling goods and services to the household sector.
- ★ It hires the factors of production, i.e., land, labour, capital and organisation, owned by the household sector.

IV. Answer the following questions in one page:**35. Discuss the scope of Macro Economics.****i). National Income:**

- ♣ Measurement of national income and its composition by sectors are the basic aspects of macroeconomic analysis.
- ♣ Its composition provides a long term understanding of the growth process of an economy.

ii). Inflation:

- A study increase in general price level is called inflation.

iii). Business Cycle:

- ★ Almost all economies face the problem of business fluctuations and business cycle.
- ★ The cyclical movements in the economy need to be carefully studied based on aggregate economic variables.

iv). Economic Growth:

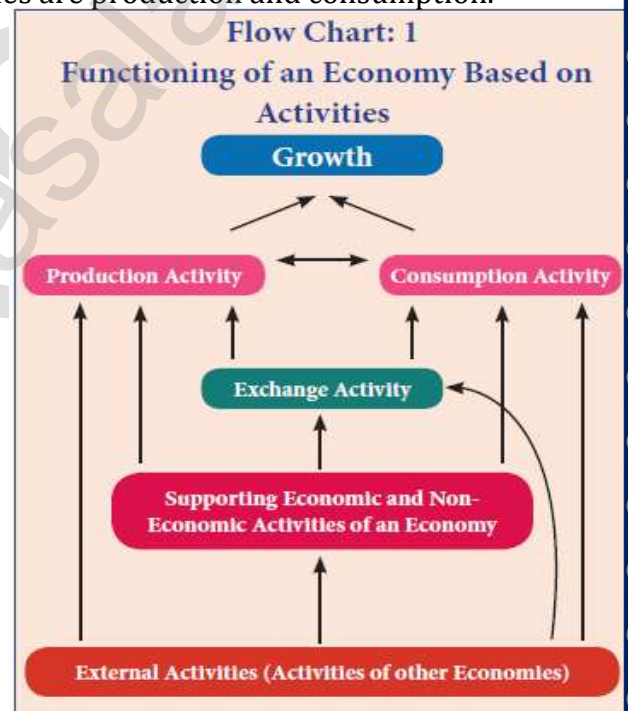
- ❖ The growth and development of an economy and the factors determining them could be understood only through macro analysis.

v). Economic Policies:

- Macro Economics is significant for evolving suitable economic policies.
- To solve the basic problems, to overcome the obstacles and to achieve growth.

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

- ✿ In an economy, the fundamental economic activities are production and consumption.
- ✿ The ultimate aim of these activities is to achieve growth.
- ✿ The 'exchange activity' supports the production and consumption activities.
- ✿ These activities are influenced by several economic and non-economic activities.
- ✿ The major economic activities include transportation, banking, advertising, planning, government policy and others.
- ✿ The major non-economic activities are environment, health, education, entertainment, governance, regulations etc.

**37. Compare the feature among Capitalism, Socialism and Mixedism.**

| S.No | Basics | Capitalism | Socialism | Mixedism |
|------|----------------------------|--------------------------|----------------------|----------------------------------|
| 1 | Ownership | Private ownership | Public ownership | Private and public |
| 2 | Economic motive | Profit | Social welfare | Social welfare and profit motive |
| 3 | Government role | Internal regulation only | Complete involvement | Limited role |
| 4 | Income Distribution | Unequal | Equal | Less unequal |
| 5 | Economic freedom | Complete freedom | Lack of freedom | Limited freedom |

CHAPTER -2 NATIONAL INCOME

I. MULTIPLE CHOICE QUESTIONS:

1. Net National product at factor cost is also known as
 (a) National Income (b) Domestic Income (c) Per capita Income (d) Salary
2. Primary sector is
 (a) Industry (b) Trade (c) Agriculture (d) Construction.
3. National income is measured by using methods.
 (a) Two (b) Three (c) Five (d) Four
4. Income method is measured by summing up of all forms of
 (a) Revenue (b) Taxes (c) expenditure (d) Income
5. Which is the largest figure?
 (a) Disposable income (b) Personal Income (c) NNP (d) GNP
6. Expenditure method is used to estimate national income in
 (a) Construction sector (b) Agricultural Sector
 (c) Service sector (d) Banking sector
7. Tertiary sector is also called as sector
 (a) Service (b) Income (c) Industrial (d) Production
8. National income is a measure of the performance of an economy.
 (a) Industrial (b) Agricultural (c) Economic (d) Consumption
9. Per capita income is obtained by dividing the National income by
 (a) Production (b) Population of a country (c) Expenditure (d) GNP
10. $GNP = \dots + \text{Net factor income from abroad.}$
 (a) NNP (b) NDP (c) GDP (d) Personal income
11. NNP stands for
 (a) Net National Product (b) National Net product
 (c) National Net Provident (d) Net National Provident
12. is deducted from gross value to get the net value.
 (a) Income (b) Depreciation (c) Expenditure (d) Value of final goods
13. The financial year in India is
 (a) April 1 to March 31 (b) March 1 to April 30
 (c) March 1 to March 16 (d) January 1 to December
14. When net factor income from abroad is deducted from NNP, the net value is ...
 (a) Gross National Product (b) Disposable Income
 (c) Net Domestic Product (d) Personal Income

15. The value of NNP at production point is called

- (a) NNP at factor cost (b) NNP at market cost (c) GNP at factor cost (d) Per capita income

16. The average income of the country is

- (a) Personal Income (b) Per capita income (c) Inflation Rate (d) Disposal Income

17. The value of national income adjusted for inflation is called

- (a) Inflation Rate (b) Disposal Income (c) GNP (d) Real national income

18. Which is a flow concept?

- (a) Number of shirts (b) Total wealth (c) Monthly income (d) Money supply

19. PQLI is the indicator of

- (a) Economic growth (b) Economic welfare
(c) Economic progress (d) Economic development

20. The largest proportion of national income comes from

- (a) Private sector (b) Local sector (c) Public sector (d) None of the above

II. Answer the following questions in one or two sentences.

21. Define National Income.

“The labour and capital of country acting on its natural resources produce annually a certain net aggregate of commodities, material and immaterial including services of all kinds.

This is the true net annual income or revenue of the country or national dividend”.

-Alfred Marshall.

22. Write the formula for calculating GNP.

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

23. What is the difference between NNP and NDP?

| S.No | Basics | NNP | NDP |
|------|---------|--|---|
| 1 | Meaning | To the value if the net output of the economy during the year. | It is the value of net output of the economy during the year. |
| 2 | Formula | NNP=GNP-Depreciation | NDP = GDP- Depreciation |

24. Trace the relationship between GNP and NNP.

| S.No | Basics | GNP | NNP |
|------|---------|--|--|
| 1 | Meaning | It is the total measure of the flow of the final goods and service at market value in a country during a year. | To the value if the net output of the economy during the year. |
| 2 | Formula | GNP = GDP + Net factor income | NNP=GNP-Depreciation |

25. What do you mean by the term 'Personal Income'?

- It is the total income received by the individuals of a country from all sources before payment of direct taxes in a year.
- Personal Income = National Income – (Social Security contribution and undistributed corporate profit) + Transfer Payments

26. Define GDP deflator.

- ♣ It is an index of price changes of goods and services included in GDP.
- ♣ GDP deflator =
$$\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

27. Why is self consumption difficult in measuring national income?

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

III. Answer the following questions in one Paragraph.**28. Write a short note on per capita income.**

- ⊛ The average income of a person of a country in a particular year is called Per Capita Income.
- ⊛ Per capita income = National income / Population.

29. Differentiate between personal and disposable income.

| S.No | Basics | Personal Income | Disposable Income |
|------|--------------------|---|---|
| 1 | Meaning | It is the total income received by the individuals before payment of direct taxes in a year | It is the individuals income after the payment of income tax. |
| 2 | Implication | It is never equal to the national income. | This is the amount available for households for consumption. |
| 3 | Formula | Personal Income = National income – (Social security contribution) + Transfer Payments | Disposable income = Personal income – Direct tax |

30. Explain briefly NNP at factor cost.

- ⊛ NNP refers to the market value of output.
- ⊛ Whereas 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.

31. Give short note on Expenditure method.

- ★ Under this method, the total expenditure incurred by the society in a particular year is added together.
- ★ To calculate the expenditure of a society, $GNP = C + I + G + (X-M)$.

C - Private consumption expenditure

I - Private Investment Expenditure

G - Government expenditure

X-M = Net exports

32. What is the solution to the problem of double counting in the estimation of national income?

- ⊙ To avoid double counting either the value of the final output should be taken into the estimate of GNP or the sum of values added should be taken.
- ⊙ Double counting is to be avoided under the valued added method.
- ⊙ Any commodity which is either raw material or intermediate goods for the final production should not be included.

33. Write briefly about national income and welfare.

- ★ National income is considered as an indicator of the economic wellbeing of a country.
- ★ The economic progress of countries is measured in terms of their GDP per capita and their annual growth rate.
- ★ A country with a higher per capita income is supposed to enjoy greater economic welfare with a higher standard of living.

34. List out the uses of national income.

- ❖ To know the relative importance of the various sectors of the economy and their contribution towards national income.
- ❖ To formulate the national policies such as monetary policy, fiscal policy and other policy.
- ❖ To formulate planning and evaluate plan progress.

IV. Answer the following questions in about a page.

35. Explain the importance of national income.

- ⊙ To know the relative importance of the various sectors of the economy and their contribution towards national income.
- ⊙ To formulate the national policies such as monetary policy, fiscal policy and other policies.
- ⊙ To formulate planning and evaluate plan progress.
- ⊙ To build economic models both in short - run and long - run.
- ⊙ To know a country's per capita income which reflects the economic welfare of the country.
- ⊙ To arrive at many macro economic variables namely, Tax - GDP ratio, Current Account Deficit - GDP ratio, Fiscal Deficit - GDP ratio, Debt - GDP ratio etc.

36. Discuss the various methods of estimating the national income of a country.

i). Product Method

- ★ It is measures the output of the country.

- ★ It is also called inventory method.
- ★ The gross value of output from different sectors like agriculture, industry, trade and commerce, etc., is obtained for the entire economy during a year.
- ★ Care must be taken to avoid double counting.

ii). Income Method (Factor Earning Method)

- ♣ This method approaches national income from the distribution side.
- ♣ It is calculated by adding up all the incomes generated in the course of producing national product.
- ♣ It is also called Factor Earning Method.

iii). Expenditure method.

- ★ The total expenditure incurred by the society in a particular year is added together.
- ★ To calculate the expenditure of a society, $GNP = C + I + G + (X-M)$.

C - Private consumption expenditure *I* - Private Investment Expenditure

G - Government expenditure *X-M* = Net exports

37. What are the difficulties involved in the measurement of national income?

i). Transfer payments:

- These are government expenditure.
- Government makes payments in the form of pensions, unemployment allowance, subsidies, etc.
- But they are not included in the national income.

ii). Difficulties in assessing depreciation allowance:

- ◆ The deduction of depreciation allowances, accidental damages, and repair and replacement charges from the national income is not an easy task.
- ◆ It requires high degree of judgment to assess the depreciation allowance and other charges.

iii). Unpaid services:

- * A housewife renders a number of useful services like preparation of meals, serving, tailoring, mending, washing, cleaning, bringing up children, etc.

iv). Income from illegal activities:

- Income earned through illegal activities like gambling, smuggling, illicit extraction of liquor, etc., is not included in national income.

v). Production for self-consumption and changing price

- * Farmers keep a large portion of food and other goods produced on the farm for self consumption.

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

i). In Classifying transaction:

- ❖ Economic activities in a country involves innumerable transactions relating to buying and selling, paying and receiving income exporting and importing, paying taxes, etc.

ii). In Understanding Economic Structure:

- ❖ It helps us to understand the structure of the body economic.

iii). In Understanding different sector and flows:

- ❖ It's throw light on the relative importance of the different sectors and flows in the economy.

iv). In Clarifying relations between concepts:

- ❖ It's help in clarifying the relationships between such related concepts as net national product at factor cost and gross national product at market prices.

v). In Guiding the Investigator:

- ❖ Social accounts are a guide for the economic investigator by indicating the type of data which might be collected for analyzing the behavior of the economy.

CHAPTER -3 THEORIES OF EMPLOYMENT AND INCOME

I. MULTIPLE CHOICE QUESTIONS

- Every able bodied person who is willing to work at the prevailing wage rate is employed called as
 - Full employment
 - Under employment
 - Unemployment
 - Employment opportunity
- Structural unemployment is a feature in a
 - Static society
 - Socialist society
 - Dynamic society
 - Mixed economy
- In disguised unemployment, the marginal productivity of labour is
 - Zero
 - One
 - Two
 - Positive
- The main conention of the Classical Economic Theory is
 - Under employment
 - Economy is always in the state of equilibrium
 - Demand creates its supply
 - Imperfect competition
- J.B. Say is a
 - Neo Classical Economist
 - Classical Economist
 - Modern Economist
 - New Economist
- According to Keynes, which type of unemployment prevails in capitalist economy
 - Full employment
 - Voluntary unemployment
 - Involuntary unemployment
 - Under employment
- The core of the classical theory of employment is
 - Law of Diminishing Return
 - Law of Demand
 - Law of Markets
 - Law of Consumption
- Keynes attributes unemployment to
 - A lack of effective supply
 - A lock of effective demand
 - A lack of both
 - None of the above
- Flexibility brings equality between saving and investment.
 - Demand
 - Supply
 - Capital
 - Interest
-theory is a turning point in the development of modern economic theory.
 - Keynes'
 - Say's
 - Classical
 - Employment
- The basic concept used in Keynes Theory of Employment and Income is.....
 - Aggregate demand
 - Aggregate supply
 - Effective demand
 - Marginal Propensity Consume

12. The component of aggregate demand is

- (a) Personal demand (b) Government expenditure
(c) Only export (d) Only import

13. Aggregate supply is equal to

- (a) $C + I + G$ (b) $C + S + G + (x-m)$ (c) $C + S + T + (x-m)$ (d) $C + S + T + R_f$

14. Keynes theory pursues to replace laissez faire by

- (a) No government intervention (b) Maximum intervention
(c) State intervention in certain situation (d) Private sector intervention

15. In Keynes theory of employment and income,is the basic cause of economic depression.

- (a) Less production (b) More demand
(c) Inelastic supply (d) Less aggregate demand in relation to productive capacity.

16. Classical theory advocates

- (a) Balanced budget (b) Unbalanced budget (c) Surplus budget (d) Deficit budget

17. Keynes theory emphasized on equilibrium.

- (a) Very short run (b) Short run (c) Very long run (d) Long run

18. According to classical theory, rate of interest is a reward for

- (a) Investment (b) Demand (c) Capital (d) Saving

19. In Keynes theory , the demand for and supply of money are determined by

- (a) Rate of interest (b) Effective demand
(c) Aggregate demand (d) Aggregate supply

20. Say's law stressed the operation of in the economy.

- (a) Induced price mechanism (b) Automatic price mechanism
(c) Induced demand (d) Induced investment

II. Answer the following questions in one or two sentences.

21. Define full employment.

Full Employment as the absence of involuntary unemployment.

- Keynes

22. What is the main feature of rural unemployment?

It is the existence of unemployment in the form of disguised unemployment and seasonal unemployment.

23. Give short note on frictional unemployment.

- ⊛ It's arises due to imbalance between supply of labour and demand for labour.
- ⊛ This is because of immobility of labour, lack of necessary skills, break down of machinery, shortage of raw materials etc.

24. Give reasons for labour retrenchment at present situation.

It means termination of service of a workman by an employer for any reason whatsoever.

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

- * No single buyer or seller of commodity
- * Full employment
- * People are motivated by self interest and economic decisions.
- * Money acts only as a medium exchange.

26. What is effective demand?

- ⇒ Money actually spent by the people on products of industry.
- ⇒ The money which entrepreneurs receive is paid in the form of rent, wages, interest and profit.
- ⇒ $ED = Y = C + I = \text{Output} = \text{Employment}$

27. What are the components of aggregate supply?

$$\text{Aggregate Supply} = C + S + T + R_f$$

- Consumption expenditure
- Private savings
- Net tax payments
- Personal transfer payments to the foreigners

III. Answer the following questions in a paragraph.**28. Explain the following in short****(i) Seasonal unemployment****(ii) Frictional unemployment****(iii) Educated unemployment****i). Seasonal unemployment:**

- ♣ Its occurs during certain seasons of the year.
- ♣ In agriculture and agro based industries like sugar, production activities are carried out in some seasons.

ii). Frictional Unemployment.

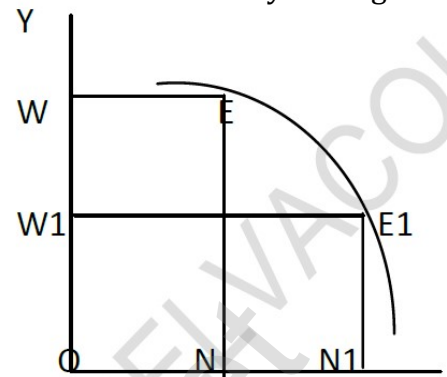
- ⊛ It's arises due to imbalance between supply of labour and demand for labour.
- ⊛ This is because of immobility of labour, lack of necessary skills, break down of machinery, shortage of raw materials etc.

iii). Educated unemployment:

- ☆ Sometimes educated people are under employed or unemployed when qualification does not match the job.
- ☆ Faulty education system, lack of employable skills.

29. According to classical theory of employment, how wage reduction solve the problem of unemployment diagrammatically explain.

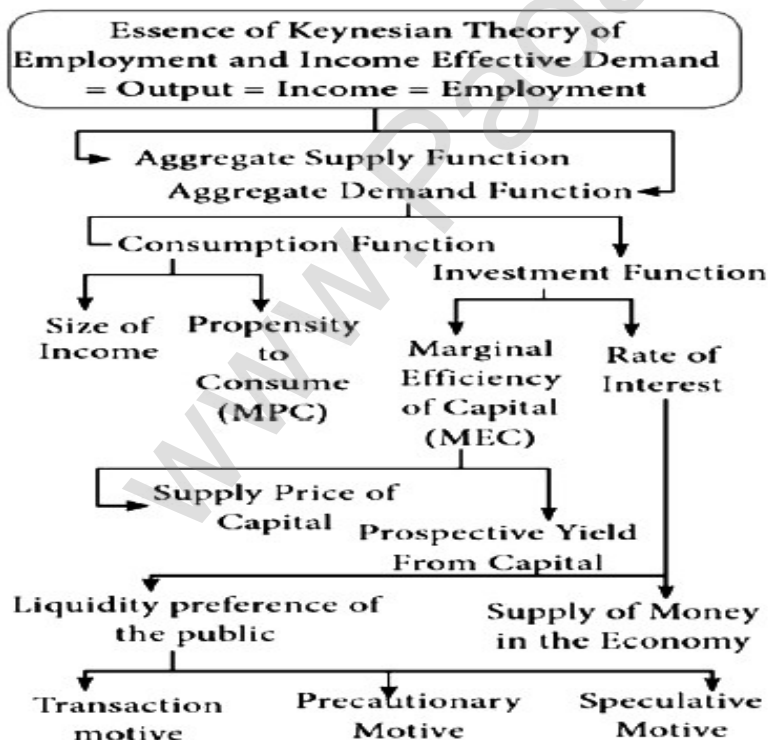
- ✱ Classical economists assumed that full employment condition can be achieved by cutting down the wage rate.
- ✱ Unemployment would be eliminated when wages are determined by the mechanism of economy.
- ✱ When wage rate is OW then employment is ON , as the wage rate is reduced to OW_1 , then the employment is ON_1 .
- ✱ Organization would prefer to hire new employees and more at lower wage rate.



30. 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 function in the economy.

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



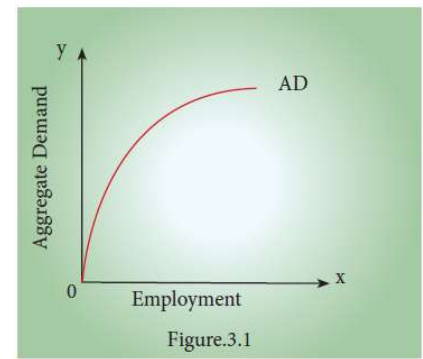
32. What do you mean by aggregate demand? Mention its components.

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

Components:

- ❖ Consumption demand (C)
- ❖ Investment demand (I)
- ❖ Government expenditure (G)
- ❖ Net Export (export – import) (X-M)

$$AD = C + I + G + (X - M)$$



33. Explain about aggregate supply with the help of diagram.

Meaning of Aggregate Supply

It refers to the value of total output of goods and services produced in an economy in a year.

Formula: Aggregate Supply = C + S + T + R_f

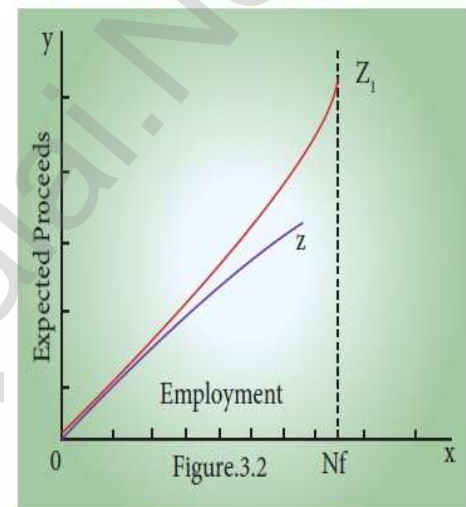
Components:

- ⚙ Aggregate consumption expenditure (C)
- ⚙ Aggregate private savings (S)
- ⚙ Net tax payments (T)
- ⚙ Personal transfer payments to the foreigners (R_f)

➔ The figure shows the shape of the two aggregate supply curves drawn for the assumption of fixed money wages and variable wages.

➔ Z curve is linear where money wages remains fixed;

➔ Z₁ curve is non - linear since wage rate increases with employment.

AGGREGATE SUPPLY CURVE

34. Write any five differences between Classism and Keynesianism.

| S.No | Keynesianism | Classism |
|------|-------------------------------------|------------------------------------|
| 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 | Demand creates own supply | Supply creates own demand |
| 5 | Rate of interest is a flow. | Rate of interest is a stock |

IV. Answer the following questions in about page.

35. Describe the types of unemployment.

i). Cyclical Unemployment

- ★ This unemployment exists during the downturn phase of trade cycle in the economy.

ii). Seasonal unemployment:

- ♣ It's occurs during certain seasons of the year.

- ♣ In agriculture and agro based industries like sugar, production activities are carried out in some seasons.

iii). Frictional Unemployment.

- ⊛ It's arises due to imbalance between supply of labour and demand for labour.

iv). Educated unemployment:

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

v). Structural unemployment:

- ★ It is due to drastic change in the structure of the society.

36. Critically explain Say's law of market.

i). Says' Law: "Supply creates its own demand"

ii). Explanation of Say's Market Law:

- ★ When goods are produced by firms in the economy, they pay reward to the factors of production.
- ★ The households after receiving rewards of the factors of production spend the amount on the purchase of goods and services produced by them.

iii). Says Law Chart:



iv). Assumptions:

- ♣ No single buyer or seller of commodity or an input can affect price.
- ♣ Full employment.
- ♣ There is wage-price flexibility.
- ♣ Money acts only as a medium of exchange.
- ♣ Long - run analysis.

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.
- ♣ Say's law is based on wrong proposition.
- ♣ Keynes regards full employment as a special case.

37. Narrate the equilibrium between ADF and ASF with diagram.

i). ADF and ASF:

Under the Keynes theory of employment a simple two sector economy consisting of the household sector and the business sector is taken to understand the equilibrium between ADF and ASF.

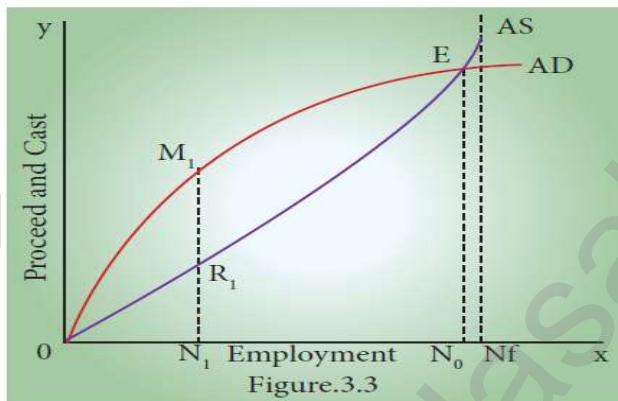
ii). Equations:

- * Aggregate Demand $AD = C + I + G + (X - M)$
- * Aggregate Supply $AS = C + S + T + R_f$
- * Effective Demand $ED = Y = C + I = \text{Output} = \text{Employment}$

iii). Equilibrium Point:

Effective Demand = AD = AS

iv). Diagram:



v). Diagram Explanation:

- ⊙ The aggregate demand and aggregate supply reach equilibrium at point E.
- ⊙ The employment level is N_0 at that point.
- ⊙ At ON_1 employment, the aggregate supply is $N_1 R_1$.
- ⊙ But they are able to produce $M_1 N_1$.
- ⊙ The expected level of profit is $M_1 R_1$
- ⊙ The equilibrium level of employment need not be the full employment level.
- ⊙ It is understood that the difference between $N_0 - N_f$ is the level of unemployment.

38. Explain the differences between Classical theory and Keynes theory.

| S.No | Basis | Classical Theory | Keynes Theory |
|------|-------------|-----------------------------------|-------------------------------------|
| 1 | Equilibrium | Long run equilibrium | Short run equilibrium |
| 2 | Savings | Saving is a social virtue | Saving is a vice |
| 3 | Approach | Micro foundation to macro problem | Macro approach to national problems |
| 4 | Output | Supply creates own demand | Demand creates own supply |
| 5 | Employment | Full employment | Unemployment |

CHAPTER – 4

CONSUMPTION AND
INVESTMENT FUNCTIONS**I. MULTIPLE CHOICE QUESTIONS:**

1. The average propensity to consume is measured by
 - a) C/Y
 - b) $C \times Y$
 - c) Y/C
 - d) $C+Y$
2. An increase in the marginal propensity to consume will:
 - a) Lead to consumption function becoming steeper
 - b) Shift the consumption function upwards
 - c) Shift the consumption function downwards
 - d) Shift savings function upwards
3. If the Keynesian consumption function is $C=10+0.8 Y$ then, if disposable income is Rs 1000, what is amount of total consumption?
 - a) ₹ 0.8
 - b) ₹ 800
 - c) ₹ 810
 - d) ₹ 0.81
4. If the Keynesian consumption function is $C=10+0.8Y$ then, when disposable income is Rs 100, what is the marginal propensity to consume?
 - a) ₹ 0.8
 - b) ₹ 800
 - c) ₹ 810
 - d) ₹ 0.81
5. If the Keynesian consumption function is $C=10+0.8 Y$ then, and disposable income is Rs. 100, what is the average propensity to consume?
 - a) ₹ 0.8
 - b) ₹ 800
 - c) ₹ 810
 - d) ₹ 0.9
6. As national income increases
 - a) The APC falls and gets nearer in value to the MPC.
 - b) The APC increases and diverges in value from the MPC.
 - c) The APC stays constant
 - d) The APC always approaches infinity.
7. As increase in consumption at any given level of income is likely to lead
 - a) Higher aggregate demand
 - b) An increase in exports
 - c) A fall in taxation revenue
 - d) A decrease in import spending
8. Lower interest rates are likely to :
 - a) Decrease in consumption
 - b) increase cost of borrowing
 - c) Encourage saving
 - d) increase borrowing and spending
9. The MPC is equal to :
 - a) Total spending / total consumption
 - b) Total consumption/total income
 - c) Change in consumption /change in income
 - d) none of the above.

23. Define average propensity to consume (APC).

- The average propensity to consume is the ratio of consumption expenditure to any particular level of income.”
- $APC = C/Y$

24. Define marginal propensity to consume (MPC).

- ✿ The marginal propensity to consume may be defined as the ratio of the change in the consumption to the change in income.
- ✿ $MPC = \Delta C / \Delta Y$

25. What do you mean by propensity to save?

- ◆ It is the relationship between income and consumption that is when income increases, consumption also increase.

26. Define average propensity to save (APS).

- ⇒ The average propensity to save is the ratio of saving to income.
- ⇒ It is the ratio of total savings to total income.
- ⇒ $APS = S / Y$

27. Define Marginal Propensity to Save (MPS).

- * Marginal Propensity to Save is the ratio of change in saving to a change in income.
- * MPS is obtained by dividing change in savings by change in income.
- * $MPS = \Delta S / \Delta Y$

28. Define Multiplier.

- ★ The ratio of the change in national income to change in investment.
- ★ $K = \Delta Y / \Delta I$

- J.M Keynes

29. Define Accelerator.

“The accelerator coefficient is the ratio between induced investment and an initial change in consumption.”

III. Answer the following questions in one paragraph**30. 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.

31. Differentiate autonomous and induced investment.

| S.No | Autonomous Investment | Induced Investment |
|------|-----------------------|--------------------|
| 1 | Independent | Planned |

| | | |
|---|------------------|----------------|
| 2 | Income inelastic | Income elastic |
| 3 | Welfare motive | Profit Motive |

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

i). Subjective Factors

- ♣ The motive of calculation: The desire to enjoy interest and appreciation.
- ♣ The motive of financial independence.
- ♣ The motive of enterprise (desire to do forward trading).

ii). Objective Factors

❖ **Income distribution:**

There is large disparity between rich and poor.

❖ **Price level:** When the price falls, real income goes up.

❖ **Wage level:**

Wage level plays an important role in determining the consumption function.

33. Mention the differences between accelerator and multiplier effect

| S.No | Accelerator | Multiplier |
|------|--|---|
| 1 | It is the ratio between induced investment and an initial change in consumption. | The ratio of the change in national income to change in investment. |
| 2 | Change in consumption expenditure forms the effect. | Change in investment forms the effect. |
| 3 | $\beta = \Delta I / \Delta C$ | $K = \Delta Y / \Delta I$ |

34. State the concept of super multiplier.

- ⊛ The super multiplier is worked out by combining both induced consumption and induced investment.
- ⊛ It is greater than simple multiplier.
- ⊛ It is K and β integration, $Y = C + I_A + I_P$

35. Specify the limitations of the multiplier.

- ⊛ It assumes that those who earn income are likely to spend a proportion of their additional income on consumption.
- ⊛ But in practice people tend to spend their additional income on other items.
- ⊛ Such expenses are known as leakage.
- ⊛ These leakage are the limitation of multiplier
 - Payment towards past debts
 - Purchase of existing wealth
 - Import of goods and service.

IV. Answer the following questions in a page

36. Explain Keynes psychological law of consumption function with diagram.

i). Meaning:

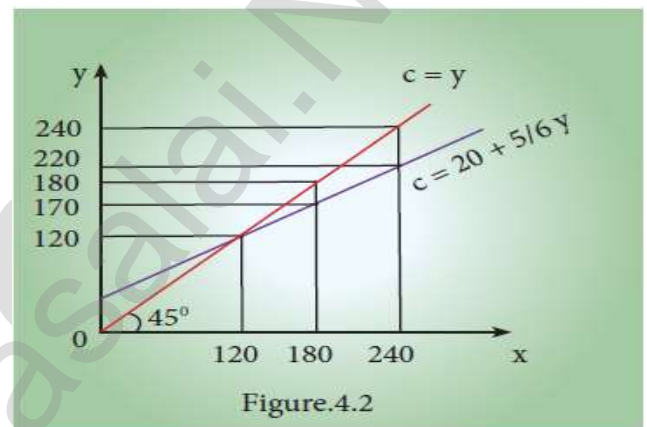
The law implies that there is a tendency on the part of the people to spend on consumption less than the full increment of income.

ii). Assumptions:

- The other variables such as income distribution, tastes, habit, social customs, price movements, population growth, etc, do not.
- The law holds good under normal conditions.
- People may spend the whole of increased income on consumption.
- The law operates in a rich capital economy where there is no government intervention.

iii). The three propositions of the law:

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



iv). Explanations:

Proposition (1):

Income increases by ₹ 60 crores and the increase in consumption is by ₹ 50 crores.

Proposition (2):

The increased income of ₹ 60 crores in each case is divided in some proportion between consumption and saving respectively..

Proposition (3):

As income increases consumption as well as saving increase. Neither consumption nor saving has fallen.

37. Briefly explain the subjective and objective factors of consumption function?

i). Subjective Factors

- ♣ **The motive of precautions:** to build up a reserve against unforeseen contingencies.
- ♣ **The motive of foresight:** The desire to provide for anticipated future needs.
- ♣ **The motive of calculation:** The desire to enjoy interest and appreciation.
- ♣ The motive of financial independence.
- ♣ The motive of enterprise (desire to do forward trading).

ii). Objective Factors

- ❖ **Income distribution:** There is large disparity between rich and poor.
- ❖ **Price level:** When the price falls, real income goes up.
- ❖ **Wage level:** It plays an important role in determining the consumption function.
- ❖ **Fiscal Policy:**

When government reduces the tax the disposable income rises and the propensity to consume of community increase.

38. Illustrate the working of Multiplier.

Meaning:

- ♣ The multiplier is defined as the ratio of the change in national income to change in investment.
- ♣ If ΔI stands for increase in investment and ΔY stands for resultant increase in income, the multiplier $K = \Delta Y / \Delta I$.

Multiplier $K = 1 / 1 - MPC$

- ✿ The multiplier is the reciprocal of one minus marginal propensity to consume. Since marginal propensity to save is $1 - MPC$. ($MPC + MPS = 1$).
- ✿ Multiplier is $1 / MPS$.
- ✿ The multiplier is therefore defined as reciprocal of MPS.
- ✿ Multiplier is inversely related to MPS and directly with MPC.

Working of Multiplier:

- ◆ Suppose the Government undertakes investment expenditure equal to Rs.100 crore on some public works, by way of wages, price of materials etc.
- ◆ Thus income of labourers and suppliers of materials increases by Rs.100 crore. Suppose the MPC is 0.8 that is 80 %.
- ◆ A sum of Rs.80 crores is spent on consumption .
- ◆ As a result, suppliers of goods get an income of Rs. 80 crores.
- ◆ They intern spend Rs.64 crore.
- ◆ In this manner consumption expenditure and increase in income act in a chain like manner.

The final result is $\Delta Y = 100 + 100 \times 4/5 + 100 \times [4/5]^2 + 100 \times [4/5]^3$

39. Explain the operation of the Accelerator.

Meaning:

- ⊛ It is the numerical value of the relation between an increase in consumption and the resulting increase in investment.

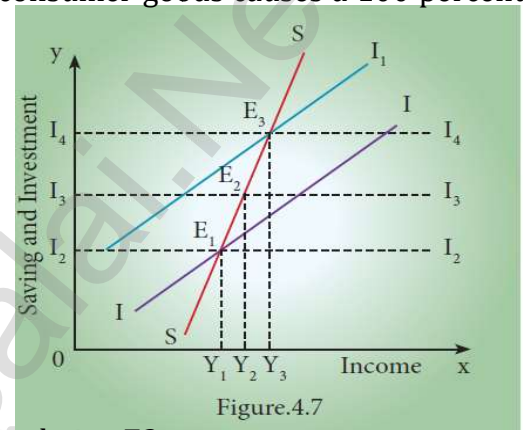
$$\text{Accelerator } (\beta) = \Delta I / \Delta C$$

Operation of the Acceleration principle:

- * To produce 1000 consumer goods, 100 machines are required.
- * Life of a machine is 10 years.
- * This means that every year 10 machines have to be replaced in order to maintain the constant flow of 1000 consumer goods.
- * This might be called replacement demand.
- * Demand for consumer goods rises by 10 percent. That causes increase in demand for 10 more machines.
- * So that total demand for machines is 20.
- * It may be noted here a 10 percent increase in demand for consumer goods causes a 100 percent increase in demand for machines.

Operation of Accelerator.

- SS is the saving curve.
- II is the investment curve.
- At point E₁, the economy is in equilibrium with OY₁.
- Saving and investment are equal at OI₂.
- Now, investment is increased from OI₂ to OI₄.
- This increases income from OY₁ to OY₃, the equilibrium point being E₃.
- If the increase in investment by I₂ I₄ is purely exogenous, then the increase in income by Y₁ Y₃ would have been due to the multiplier effect.
- But in this diagram it is assumed that exogenous investment is only by I₂ I₃ and induced investment is by I₃ I₄.
- Therefore, increase in income by Y₁ Y₂ is due to the multiplier effect and the increase in income by Y₂ Y₃ is due to the accelerator effect.

**40. What are the differences between MEC and MEI.**

| S.No | MEC | MEI |
|------|---|--|
| 1 | It is based on 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. |

CHAPTER – 5

MONETARY ECONOMICS

I. MULTIPLE CHOICE QUESTIONS

1. The RBI Headquarters is located at

- (a) Delhi (b) Chennai (c) **Mumbai** (d) Bengaluru

2. Money is

- (a) acceptable only when it has intrinsic value (b) constant in purchasing power
(c) **the most liquid of all assets** (d) needed for allocation of resources

3. Paper currency system is managed by the

- (a) **Central Monetary authority** (b) State Government
(c) Central Government (d) Banks

4. The basic distinction between M1 and M2 is with regard to .

- (a) post office deposits (b) **time deposits of banks**
(c) saving deposits of banks (d) currency

5. Irving Fisher's Quantity Theory of Money was popularized in

- (a) 1908 (b) 1910 (c) **1911** (d) 1914

6. MV stands for

- (a) demand for money (b) **supply of legal tender money**
(c) Supply of bank money (d) Total supply of money

7. Inflation means

- (a) **Prices are rising** (b) Prices are falling
(c) Value of money is increasing (d) Prices are remaining the same

8. _____ inflation results in a serious depreciation of the value of money.

- (a) Creeping (b) Walking (c) running (d) **Hyper**

9. _____ inflation occurs when general prices of commodities increases due to increase in production costs such as wages and raw materials.

- (a) **Cost-push** (b) demand pull (c) running (d) galloping

10. During inflation, who are the gainers?

- (a) **Debtors** (b) Creditors (c) Wage and salary earners (d) Government

11. _____ is a decrease in the rate of inflation.

- (a) **Disinflation** (b) Deflation (c) Stagflation (d) Depression

12. Stagflation combines the rate of inflation with

- (a) **Stagnation** (b) employment (c) output (d) price

13. The study of alternating fluctuations in business activity is referred to in Economics as

- (a) Boom (b) Recession (c) Recovery (d) **Trade cycle**

14. During depression the level of economic activity becomes extremely
 (a) high (b) bad (c) low (d) good
15. "Money can be anything that is generally acceptable as a means of exchange and that the same time acts as a measure and a store of value", This definition was given by
 (a) Crowther (b) A.C.Pigou (c) F.A.Walker (d) Francis Bacon
16. Debit card is an example of
 (a) currency (b) paper currency (c) plastic money (d) money
17. Fisher Quantity Theory of money is based on the essential function of money as
 (a) measure of value (b) store of value
 (c) medium of exchange (d) standard of deferred payment
18. V in $MV = PT$ equation stands for
 (a) Volume of trade (b) Velocity of circulation of money
 (c) Volume of transaction (d) Volume of bank and credit money
19. When prices rise slowly, we call it
 (a) galloping inflation (b) mild inflation
 (c) hyper inflation (d) deflation
20. _____ inflation is in no way dangerous to the economy.
 (a) walking (b) running (c) creeping (d) galloping

II. Answer the following questions in one or two sentences.

21. Define Money.

"Money is, what money does"

- Walker.

22. What is barter?

- ✘ Before money was invented the exchange of goods for goods was known as "Barter System".

23. What is commodity money?

- ★ It is the value from the commodity by which it is made.
- ★ Commodity money has value in itself and value in its use of money.
- ★ Example: Jewels

24. What is gold standard?

- ★ It is a system in which the standard currency is directly linked with gold.

25. What is plastic money? Give example.

- ★ It is the advanced form of financial products and it is an alternative to cash.
- ★ Example: Credit cards, Debit cards, smart cards

26. Define inflation.

Too much of money chasing too few goods.

- Coulbourn

27. What is Stagflation?

Combination of stagnant economic growth, high employment and high inflation.

III. Answer the following questions in one paragraph.**28. Write a note on metallic money.**

- ✿ Some kind of metal either gold or silver is used to determine the standard value of the money and currency.
- ✿ Standard coins made out of the metal are the principal coins used under the metallic standard.
- ✿ Their face value is equal to their intrinsic metal value.

29. What is money supply?

- ✿ It 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.
- ✿ Money supply plays a crucial role in the determination of price level and interest rates.

30. What are the determinants of money supply?**i). Currency Deposit ratio:**

- The ratio of money held by the public in currency to that they hold in bank deposits.

ii). Reserve Deposit Ratio:

- Vault cash in banks
- Deposits of commercial banks with RBI.

iii). Cash Reserve Ratio:

- It is the fraction of the deposits the banks must keep with RBI.

31. Write the types of inflation.**i). Based on Speed:**

- ★ Creeping inflation
- ★ Walking inflation
- ★ Running inflation
- ★ Galloping inflation

ii). On the basis of Demand and Cost:

- ★ Demand - Pull inflation
- ★ Cost- Push inflation

iii). On the basis of Inducement:

- ★ Currency inflation
- ★ Credit inflation
- ★ Deficit induced inflation
- ★ Profit induced inflation
- ★ Tax induced inflation

32. Explain Demand-pull and Cost push inflation.**i). Demand-Pull Inflation:**

- ❖ Demand and supply play a crucial role in deciding the inflation levels in the society at all points of time.
- ❖ For instance, if the demand is high for a product and supply is low, the price of the products increases.

ii). 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.

33. State Cambridge equations of value of money.**i) Marshall's Equation**

The Marshall equation is expressed as: $M = KPY$

Where

- * M is the quantity of money
- * Y is the aggregate real income of the community
- * P is Purchasing Power of money
- * K represents the fraction of the real income
- * The value of money is $1/P = KY/M$

ii) Keynes' Equation

Keynes equation is expressed as: $n = pk$ (or) $p = n / k$

Where

- ✕ n is the total supply of money
- ✕ p is the general price level of consumption goods
- ✕ k is the total quantity of consumption units
- ✕ Keynes indicates that K is a real balance, because it is measured in terms of consumer goods.

34. Explain disinflation.

- ♣ It is the slowing down the rate of inflation by controlling the amount of credit available to consumers without causing more unemployment.
- ♣ The process of reversing inflation without creating unemployment or reducing output in the economy.

IV. Answer the following questions in about a page**35. Illustrate Fisher's Quantity theory of money.**

The general form of equation given by Fisher: $MV = PT$

M – Quantity of money

V – Velocity of money

P – Price level T – Volume of Transaction

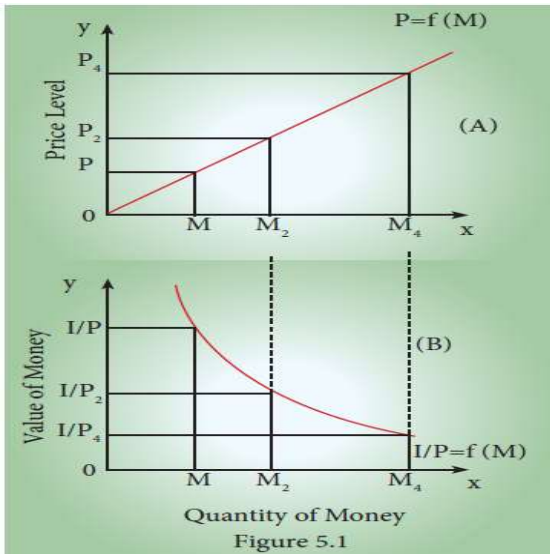
- ♣ The total quantity of money (MV) will be equal to the total value of all goods and services bought and sold (PT).
- ♣ Supply of Money = Demand for Money.
- ♣ This equation is referred to as “Cash Transaction Equation”.

Extended Form of Equation:

Fisher extended his original equation of exchange to include bank deposits M1 and its velocity V1. The revised equation was:

$$PT = MV + M1V1$$

$$P = \frac{MV + M1V1}{T}$$



- ★ The quantity of money in circulation ‘M’
- ★ The velocity of circulation of money ‘V’
- ★ The volume of bank credit money M1
- ★ The velocity of circulation of credit money V1 and the volume of trade (T)

Figure (A):

- ♣ It shows the effect of changes in the quantity of money on the price level. When the quantity of money is OM, the price level is OP.

- ♣ When the quantity of money is doubled to OM2, the price level is also doubled to OP2.
- ♣ Further, when the quantity of money is increased four-fold to OM4, the price level also increases by four times to OP4.

Figure (B):

- ⊗ It shows the inverse relation between the quantity of money and the value of money, where the value of money is taken on the vertical axis.
- ⊗ With the quantity of money increasing by four-fold to OM4, the value of money is reduced by OI / P4.
- ⊗ This inverse relationship between the quantity of money and the value of money is shown by downward sloping curve I O / P = f(M).

36. Explain the functions of money.

A). Primary Functions:

i) Money as a medium of exchange:

- ★ This is considered as the basic function of money.
- ★ The quality of general acceptability, and all exchanges take place in terms.

ii) Money as a measure of value:

- ★ Money is that it measures the value of goods and services.

B). Secondary Functions**i) Money as a Store of value:**

- ◆ Savings done in terms of commodities were not permanent.
- ◆ This difficulty has now disappeared and savings are now done in terms of money.

ii) Money as a Standard of Deferred Payments:

- ◆ In the absence of money, the borrowed amount could be returned only in terms of goods and services.

C. Contingent Functions**i) Basis of the Credit System:**

- ♣ Money is the basis of the Credit System.
- ♣ Business transactions are either in cash or on credit.

ii) Money facilitates distribution of National Income:

- ♣ The task of distribution of national income was exceedingly complex under the barter system.

D. Other Functions**i) Money helps to maintain Repayment Capacity:**

- To maintain its repayment capacity, every firm has to keep assets in the form of liquid cash.

ii) Money represents Generalized Purchasing Power:

- Purchasing power kept in terms of money can be put to any use.

37. What are the causes and effects of inflation on the economy?**Causes:****i) Increase in Money Supply:**

- ✘ Inflation is caused by an increase in the supply of money which leads to increase in aggregate demand.

ii) Increase in Disposable Income:

- ✘ When the disposable income of the people increases, it raises their demand for goods and services.

iii) Increase in Public Expenditure:

- ✘ Government activities have been expanding due to developmental activities and social welfare programmes.

iv). Cheap Money Policy:

- ✘ The policy of credit expansion also leads to increase in the money supply

Effects of Inflation**a. Effects on Production:**

- ✱ The profit due to rising prices encourages and induces business class to increase their investments in production, leading to generation of employment and income.

b. Effects on Distribution**i) Debtors and Creditors:**

- ✱ During inflation, debtors are the gainers while the creditors are losers.

ii. Investors:

- ✱ The investors, who generally invest in fixed interest yielding bonds and securities have much to lose during inflation.

38. Describe the phases of Trade cycle.**i) Boom:**

- ✱ The movement of the economy beyond full employment is characterized as boom period.
- ✱ During this period money wages rise, profits increase and interest rates go up.

ii) Recession:

- ✱ The turning point from boom condition is called recession.
- ✱ This happens at higher rate, than what was earlier.

iii) Depression:

- ❖ The level of economic activity becomes extremely low.
- ❖ Interest prices, profits and wages are low.
- ❖ The agricultural class and wage earners would be worst hit.
- ❖ Depression is the worst phase of the business cycle.

iv. Recovery:

- ✱ This is the turning point from depression to revival towards upswing.
- ✱ It begins with the revival of demand for capital goods.
- ✱ Autonomous investments boost the activity.
- ✱ Recovery may be initiated by innovation or investment or by government expenditure.

@@@*@@@*@@@*@@@*@@@*@@@

CHAPTER – 6**BANKING****I. MULTIPLE CHOICE QUESTIONS**

1. A Bank is a

- a) **Financial institution** b) Corporate c) An Industry d) Service institutions

2. A Commercial Bank is an institutions that provides services

- a) Accepting deposits b) Providing loans **c) Both a and b** d) None of the above

3. The Functions of commercial banks are broadly classified into

- a) Primary Functions b) Secondary functions c) Other functions **d) a, b, and c**

4. Bank credit refers to

- a) Bank Loans b) Advances **c) Bank loans and advances** d) Borrowings

5. Credit creation means.

- a) **Multiplication of loans and advances** b) Revenue
c) Expenditure d) Debt

6. NBFIs do not have.

- a) **Banking license** b) government approval
c) Money market approval d) Finance ministry approval

7. Central bank is ----- authority of any country.

- a) **Monetary** b) Fiscal c) Wage d) National Income

8. Who will act as the banker to the Government of India?

- a) SBI b) NABARD c) ICICI **d) RBI**

9. Lender of the last resort is one of the functions of.

- a) **Central Bank** b) Commercial banks c) Land Development Banks d) Co-operative banks

10. Bank Rate means.

- a) **Re-discounting the first class securities** b) Interest rate
c) Exchange rate d) Growth rate

11. Repo Rate means.

- a) Rate at which the Commercial Banks are willing to lend to RBI
b) Rate at which the RBI is willing to lend to commercial banks
c) Exchange rate of the foreign bank d) Growth rate of the economy

12. Moral suasion refers.

- a) Optimization b) Maximization **c) Persuasion** d) Minimization

13. ARDC started functioning from

- a) June 3, 1963 b) July 3, 1963 c) June 1, 1963 **d) July 1, 1963**

25. Write the meaning of Open market operations

- ⊙ **In narrow sense**, the Central Bank starts the purchase and sale of Government securities in the money market.
- ⊙ **In Broad Sense**, the Central Bank purchases and sells not only Government securities but also other proper eligible securities like bills and securities of private concerns.

26. What is rationing of credit?

- ★ This is the oldest method of credit card
- ★ It aims to control and regulate the purposes for which credit is granted by commercial banks.

27. Manson the functions of agriculture credit department.

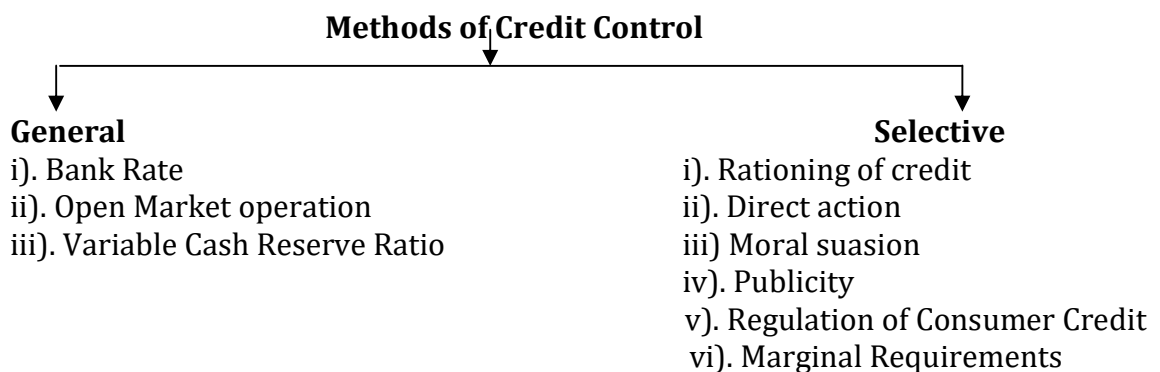
- To maintain an expert staff to study all questions on agricultural credit.
- To provide expert advice to central and state government state cooperative banks and other banking activities.

III. Answer the following questions in about a paragraph**28. Write the mechanism of credit creation by commercial banks.**

- ♣ Credit creation means the multiplication of loans and advances.
- ♣ 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 bank to create deposits through expanding their loans and advances is known as credit creation

29. Give a brief note on NBFIL.

- ⇒ A non banking financial institution is a financial institution that does not have a full banking license or is not supervised by the central bank.
- ⇒ It's do not carry on pure banking business, but they will carry on other financial transactions.
- ⇒ It can be broadly classified into two categories. i). Stockxchange ii). Other financial Institutions.

30. Bring out the methods of credit control.

31. What are the functions of NABARD?

- It acts as a refinancing institution for all kinds of production and investment credit to agriculture, small-scale industries, cottage and village industries.
- It provides short-term, medium-term and long-term credits to state co-operative Banks SCBs, RRBs, LDBs.
- It gives long-term loans to State Government to enable them to subscribe to the share capital of co-operative credit societies.

32. Specify the functions of IFCI.

- ⊙ Industrial Finance Corporation of India provides assistance to the industrial concern.
- ⊙ Long term loans both rupees and foreign currencies.
- ⊙ Underwriting of equality, preference and debenture issues.

33. Distinguish between money market and capital market.

| S.No | Basis | Money Market | Capital Market |
|------|------------------------------|--|--|
| 1 | Meaning | The mechanism through which Short term funds are loaned and borrowed | System which is concerned with raising capital by dealing in share, Bonds and other long term investments. |
| 2 | Financial Instruments | Treasury Bills, Commercial Papers, Certificate Of Deposits, Trade Credit | Shares, Debenture, Bonds, Retained Earnings, Asset Securitization. |
| 3 | Institutions | Central bank, Commercial Bank | Commercial bank, Stock Exchange |

34. Mention the objectives of demonetizations.**Meaning:**

- ✿ It is the act of stripping a currency unit of its status as legal tender.
- ✿ It occurs whenever there is a change of national currency

Objectives of Demonetization

- ✿ Removing Black Money from the country.
- ✿ Stopping of Corruption.
- ✿ Stopping Terror Funds.
- ✿ Curbing Fake Notes

IV. Answer the following questions in one page**35. Explain the role of Commercial Banks in economic development.****i). Capital Formation:**

- ✿ Banks play an important role in capital formation, which is essential for the economic development of a country.

ii). Creation of Credit:

- ❁ Banks create credit for the purpose of providing more funds for development projects.
- ❁ Credit creation leads to increased production, employment, sales and prices.

iii). Channelizing the Funds towards Productive Investment:

- ❁ Banks invest the savings mobilized by them for productive purposes.
- ❁ Capital formation is not the only function of commercial banks.

iv). Encouraging Right Type of Industries:

- ❁ Many banks help in the development of the right type of industries by extending loan to right type of persons.
- ❁ For the economic development of the country.

v). Employment Generation

- ❁ After the nationalization of big banks, banking industry has grown to a great extent.
- ❁ Bank's branches are opened frequently, which leads to the creation of new employment opportunities.

36. Elucidate the functions of Commercial Banks.**A). Primary Function:****i). Accepting Deposits:**

- ❁ It implies that commercial banks are mainly dependent on public deposits.
- ❁ There are two types of deposits which are discussed as follows
 - Demand Deposit
 - Time Deposit

ii). Advancing Loans:

- ❁ It refers to granting loans to individuals and business.
- ❁ Commercial bank grants loans in the form of overdraft, cash credit, and discounting bills of exchange.

B. Secondary Function:**i). Agency Function:**

It implies that commercial banks act as agents of customers by performing various functions.

- College Cheques
- Collecting Income
- Paying Expenses

ii). General Utility Functions:

- Providing Locker Facilities
- Issuing Travelers Cheque

iii). Transferring funds:

- ♣ It refers to transferring of funds from one bank to another.
- ♣ Funds are transferred by means of draft, telephonic transfer, and electronic transfer.

C).Other Functions:

Money Supply

Credit Creation

37. Describe the functions of Reserve Bank of India.**i). Monetary Authority:**

- ☀ It controls the supply of money in the economy to stabilize exchange rate, maintain healthy balance of payment, attain financial stability, control inflation.

ii). The issuer of currency:

- ☀ The objective is to maintain the currency and credit system of the country.
- ☀ It is the sole authority to issue currency.
- ☀ It also takes action to control the circulation of fake currency.

iii). The issuer of Banking License:

- ☀ As per Sec 22 of Banking Regulation Act, every bank has to obtain a banking license from RBI to conduct banking business in India.

iv). Banker to the Government:

- ☀ It acts as banker both to the central and the state governments.
- ☀ It provides short-term credit.

5. Banker's Bank:

- ☀ RBI is the bank of all banks in India as it provides loan to banks, accept the deposit of banks, and rediscount the bills of banks.

38. What are the objectives of Monetary Policy? Explain.**1. Neutrality of Money:**

- ★ That monetary authority should aim at neutrality of money in the economy.
- ★ Monetary changes could be the root cause of all economic fluctuations.

2. Exchange Rate Stability:

- ★ Exchange rate stability was the traditional objective of monetary authority.
- ★ This was the main objective under Gold Standard among different countries.

3. Price Stability:

- ★ Price stabilization as a main objective of monetary policy.
- ★ Price stability is considered the most genuine

4. Full Employment

- ★ During world depression, the problem of unemployment had increased rapidly.

- ★ It was regarded as socially dangerous, economically wasteful and morally deplorable.

5. Economic Growth

- ★ It is the process whereby the real per capita income of a country increases over a long period of time.
- ★ It implies an increase in the total physical or real output.

@*a*a*a*a*@

WMM@Padasalai.Net-PV

CHAPTER – 7**INTERNATIONAL BUSINESS****I. MULTIPLE CHOICE QUESTIONS:**

1. Trade between two countries is known astrade

- a) External b) Internal c) Inter-regional d) Home

2. Which of the following factors influence trade?

- a) The stage of development of a product b) The relative price of factors of productions.
c) Government. d) All of the above.

3. International trade differs from domestic trade because of

- a) Trade restrictions b) Immobility of factors
c) Different government policies d) All the above

4. In general, a primary reason why nations conduct international trade is because

- a) Some nations prefer to produce one thing while others produce another
b) Resources are not equally distributed among all trading nations
c) Trade enhances opportunities to accumulate profits
d) Interest rates are not identical in all trading nations

5. Which of the following is a modern theory of international trade?

- a) Absolute cost b) comparative cost c) Factor endowment theory d) none of these

6. Exchange rates are determined in

- a) Money market b) foreign exchange market
c) Stock market d) capital market

7. Exchange rate for currencies is determined by supply and demand under the system of

- a) Fixed exchange rate b) Flexible exchange rate
c) Constant d) Government regulated

8. Net export equals

- a) Export x Import b) Export + Import
c) Export – Import d) Exports of services only

9. Who among the following enunciated the concept of single factorial terms of trade?

- a) Jacob Viner b) G.S.Donens c) Taussig d) J.S.Mill

10. Terms of Trade of a country show

- a) Ratio of goods exported and imported b) Ratio of import duties
c) Ratio of prices of exports and imports d) Both (a) and (c)

11. Favorable trade means values of exports are Than that of imports.

- a) More b) Less c) More or Less d) Not more than

22. Define international trade.

- ✿ To the trade exchange of goods and services between two or more countries.
- ✿ It is also called as external trade or foreign trade

23. State any two merits of trade.

- ✿ Trade is one of the powerful forces of economic integration.
- ✿ It brings foreign exchange to our country.

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

| Adam Smith | Ricardo |
|---|---|
| The basis of international trade was absolute cost advantage. | A country can gain from trade when it produces at relatively lower costs. |

25. Define Terms of Trade.

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

26. What do you mean by balance of payments?

It is a systematic record of a country's economic and financial transaction with the rest of the world over a period of a time.

27. What is meant by Exchange Rate?

- ★ It is the price paid in the home currency for a unit of foreign currency that is the rate at which one currency is exchanged for another currency.

III. Answer the following questions. Each question carries 3 marks.**28. Describe the subject matter of International Economics.****i). Pure Theory of Trade**

This explains the causes for foreign trade, volume of trade, balance of trade and balance of payments.

ii). Policy Issues

It covers the policy issues like methods of regulating trade, use of taxation, foreign aid, foreign direct investment, disequilibrium in the balance of payments.

iii). International Cartels and Trade Blocs

It deals with the economic integration in the form of customs unions, monetary unions, and operation of MNCs.

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

| S.No | Classical Theory | Modern Theory |
|------|---|--|
| 1 | The phenomenon of international trade on the basis of labor theory of value. | The phenomenon of international trade on the basis of general theory of value. |
| 2 | Labour | Labour and capital |
| 3 | It attributes the differences in the comparative costs to differences in the productive efficiency of workers in the two countries. | It attributes the difference in comparative costs to the difference in factor endowments in the two countries. |

30. Explain the Net Barter Terms of Trade and Gross Barter Terms of Trade.

| S.No | Net Barter Terms | Gross Barter Terms |
|------|--|---|
| 1 | The ratio between the prices of exports and of imports. It is named viner as the commodity terms of trade. | It is an index of relationship between total physical quantity of imports and the total physical quantity of exports. |
| 2 | $T_n = (P_x/P_m) \times 100$ | $T_g = (Q_m/Q_x) \times 100$ |

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

| S.No | Balance of Trade | Balance of Payments |
|------|--|---|
| 1 | It refer the total value of countries export commodities and import commodities. | It is a systematic record of a country economic and financial transaction with rest of world over a period. |
| 2 | It can be favorable, unfavorable or Balance | Both receipts and payments side should tallies. |
| 3 | It is a component of current account of a balance of payments. | It is a components are current account and capital account |

32. What are import quotas?

- ✪ It is a quantitative limit fixed on the import of some type of goods.
- ✪ It may be fixed either interms of quantity or the value of the product.
- ✪ This is imposed to conserve foreign exchange or product domestic consumption.

33. Write a brief note on flexible exchange rate.

- ⊙ It is also known as floating exchange rate.
- ⊙ Under this system exchange rate are freely determined in an open market by market force of demand and supply.
- ⊙ Market prices that vary day to day.

34. State the objectives of Foreign Direct Investment.

- ✿ Sales expansion
- ✿ Acquisition of resource
- ✿ Diversification
- ✿ Minimization of competitive risk.

IV. Answer the following questions. Each question carries 5 marks.

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

| S.No | Internal Trade | International Trade |
|------|---|--|
| 1 | It takes place between different individuals and firm within the same nation. | It takes place between different individuals and firms in different countries. |
| 2 | Labour and capital move freely from one region to another. | Labour and capital don't move freely from one region to another. |
| 3 | There is no restriction | There are no of restriction |
| 4 | This only one common currency | There are different currency |
| 5 | Trade and financial regulations are more or less the same. | Trade and financial regulations are different between countries. |

36. Explain briefly the Comparative Cost Theory.

Meaning:

- ✿ A country can gain from trade when it produces at relatively lower costs.

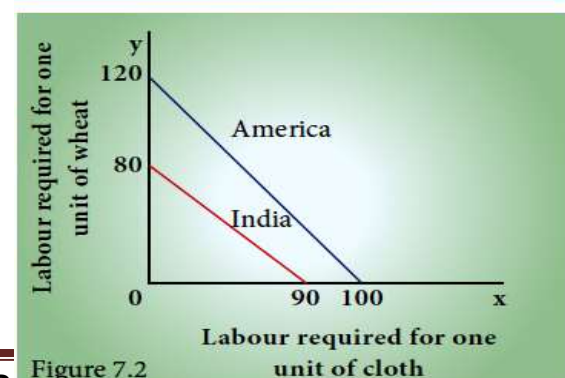
- Ricardo

- ✿ Even when a country enjoys absolute advantage in both goods, the country would specialize in the production and export of those goods which are relatively more advantageous.
- ✿ Similarly, even when a country has absolute disadvantage in production of both goods, the country would specialize in production and export of the commodity in which it is relatively less disadvantageous.

Assumptions

- There are only two nations and two commodities.
- Labour is the only element of cost of production.
- All laborers are of equal efficiency.
- No change in technology.
- No transport cost.
- Perfect competition.
- Full employment.
- No government intervention.

| Country | Cloth | Wheat | Domestic Exchange Ratios |
|---------|-------|-------|--------------------------|
| America | 100 | 120 | 1 wheat = 1.2 cloth |
| India | 90 | 80 | 1 wheat = 0.88 cloth |



Explanation:

- ✪ India should concentrate on the production of wheat in which she enjoys a comparative cost advantage.
- ✪ America will specialize in the production of cloth and export it to India in exchange for wheat.
- ✪ With trade, India can get 1 unit of cloth and 1 unit of wheat by using its 160 labour units.
- ✪ With trade, America can get 1 unit of cloth and one unit of wheat by using its 200 units of labour.

37. Discuss the Modern Theory of International Trade.**i). Factor endowment model**

- ♣ Developed by Heckscher and Ohlin
- ♣ Countries with a relative factor abundance can specialize and trade
- ♣ Abundance of skilled labour → specialization → export → exchange for goods are services produced by countries with abundance of unskilled labour

ii). The Theory

- ✪ Difference in the endowments of factors of production between countries.
- ✪ Differences in the factor proportions required in production.

**Assumptions**

- ✪ There are two countries, two commodities and two factors. (2x2x2 model)
- ✪ Countries differ in factor endowments.
- ✪ Commodities are categorized in terms of factor intensity.
- ✪ Countries use same production technology.
- ✪ Countries have identical demand conditions.

Explanation

“A capital-abundant country will export the capital -intensive goods, while the labour-abundant country will export the labour-intensive goods”.

- Heckscher - Ohlin,

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

i). 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 named by Viner as the ‘commodity terms of trade’.
- ♣ It is expressed as: $T_n = (P_x / P_m) \times 100$

Where,

T_n = Net Barter Terms of Trade

P_x = Index number of export prices

P_m = Index number of import prices

ii). Gross Barter Terms of Trade

- ♣ It is an index of relationship between total physical quantity of imports and the total physical quantity of exports.
- ♣ It is expressed as: $T_g = (Q_x / Q_m) \times 100$

Where,

Q_m = Index of import quantities

Q_x = Index of export quantities

iii). Income Terms of Trade

- ♣ It is the index of the value of exports divided by the price index for imports multiplied by quantity index of exports.
- ♣ It is expressed as: $T_y = (P_x / P_m) Q_x$

Where,

P_x = Price index of exports

P_m = Price index of imports

Q_x = Quantity index of exports

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

i) The Current Account:

- ❖ It includes all international trade transactions of goods and services, international service transactions and international unilateral transfers.

ii) The Capital Account:

- ❖ Financial transactions consisting of direct investment and purchases of interest- bearing financial instruments, non- interest bearing demand deposits and gold fall under the capital account.

iii) The Official Reserve Assets Account:

- ❖ Official reserve transactions consist of movements of international reserves by governments and official agencies to accommodate imbalances arising from the current and capital accounts.

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

i). Cyclical Disequilibrium:

- ❖ Two countries may be passing through different phases of business cycle.
- ❖ The elasticity's of demand may differ between countries.

ii). Secular Disequilibrium:

- ❖ The secular or long-run disequilibrium in BOP occurs because of long-run.
- ❖ In the initial stages of development, domestic investment exceeds domestic savings and imports exceed exports, as it happens in India since 1951.

iii). Structural Disequilibrium:

- ❖ Structural changes in the economy may also cause such structural changes include development of alternative sources of supply, development of better substitutes, exhaustion of productive resources or changes in transport routes and costs.

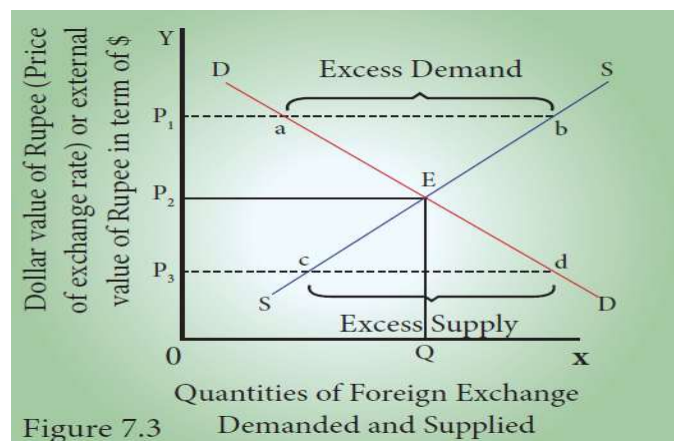
41. How the Rate of Exchange is determined? Illustrate.

Rate of Exchange is determined:

- ❖ The equilibrium rate of exchange is determined in the foreign exchange market in accordance with the general theory of value.
- ❖ The interaction of the forces of demand and supply.
- ❖ Thus, the rate of exchange is determined at the point where demand for forex is equal to the supply of forex.

Explanation:

- * In the above diagram, Y axis represents exchange rate, that is, value of rupee in terms of dollars.
- * X axis represents demand and supply of forex.
- * E is the point of equilibrium where DD intersects SS.
- * The exchange rate is P2.



42. Explain the relationship between Foreign Direct Investment and economic development.

- ✳ It help to increase the investment level and thereby the income and employment in the host country.
- ✳ It may facilitate transfer of technology to the recipient country.
- ✳ FDI may also bring revenue to the government of host country.
- ✳ When it taxes profits of foreign firms or gets royalties from concession agreements.
- ✳ A part of profit from direct foreign investment may be ploughed back into the expansion, modernization or development of related industries.
- ✳ Foreign capital may enable the country to increase its exports and reduce import requirements. And thereby ease BOP disequilibrium.
- ✳ Foreign investment may also help increase competition and break domestic monopolies.

@*@@*@@*@@*@@*@@

WVMS-PV

www.Padasalai.Net

CHAPTER – 8 INTERNATIONAL ECONOMIC ORGANIZATION

I. MULTIPLE CHOICE QUESTIONS:

1. International Monetary Fund was an outcome of
 - a) Pandung Conference
 - b) Dunkel Draft
 - c) Bretton Woods Conference
 - d) Doha Conference
2. International Monetary Fund is having its headquarters at
 - a) Washington D.C.
 - b) New York
 - c) Vienna
 - d) Geneva
3. IBRD is otherwise called
 - a) IMF
 - b) World Bank
 - c) ASEAN
 - d) International Finance Corporation
4. The other name for Special Drawing Rights is
 - a) Paper gold
 - b) Quotas
 - c) Voluntary Export Restrictions
 - d) None of these
5. The organization which provides long term loan is
 - a) World Bank
 - b) International Monetary Fund
 - c) World Trade Organisation
 - d) BRICS
6. Which of the following countries is not a member of SAARC?
 - a) Sri Lanka
 - b) Japan
 - c) Bangladesh
 - d) Afghanistan
7. International Development Association is an affiliate of
 - a) IMF
 - b) World Bank
 - c) SAARC
 - d) ASEAN
8. ----- relates to patents, copyrights, trade secrets, etc.,
 - a) TRIPS
 - b) TRIMS
 - c) GATS
 - d) NAMA
9. The first ministerial meeting of WTO was held at
 - a) Singapore
 - b) Geneva
 - c) Seattle
 - d) Doha
10. ASEAN meetings are held once in every _____ years
 - a) 2
 - b) 3
 - c) 4
 - d) 5
11. Which of the following is not the member of SAARC?
 - a) Pakistan
 - b) Sri Lanka
 - c) Bhutan
 - d) China
12. SAARC meets once in ----- years.
 - a) 2
 - b) 3
 - c) 4
 - d) 5
13. The headquarters of ASEAN is
 - a) Jaharta
 - b) New Delhi
 - c) Colombo
 - d) Tokyo
14. The term BRIC was coined in
 - a) 2001
 - b) 2005
 - c) 2008
 - d) 2010

III. Answer the following questions (3 marks):

28. Mention the various forms of economic integration.

i). Economic integration

- It takes the form of Free Trade Area, Customs Union, Common Market and Economic Union.

ii). A free trade area

- It is the region encompassing a trade bloc whose member countries have signed a free-trade agreement (FTA).

iii). A customs union

- It is a type of trade block which is composed of a free trade area with no tariff among members and with a common external tariff.
- Ex; BENELUX (Belgium, Netherland and Luxumbuang).

29. What are trade blocks?

- ✱ Some countries create business opportunities for themselves by integrating their economies in order to avoid unnecessary competition among them.
- ✱ Trade blocks cover different kinds of arrangements between or among countries for mutual benefit.
- ✱ Economic integration takes the form of Free Trade Area, Customs Union, Common Market and Economic Union.

30. Mention any three lending programmes of IMF.

- ✱ Basic Credit Facility:
- ✱ Extended Fund Facility
- ✱ Compensatory Financing Facility
- ✱ Buffer Stock Facility
- ✱ Supplementary Financing Facility

31. 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.
- ◆ The agreements reduce tariffs and make it easier for business to import and export.

32. Write the agenda of BRICS Summit, 2018.

- ✱ Inclusive growth
- ✱ Trade issues
- ✱ Global governance
- ✱ Shared prosperity
- ✱ International peace and security

33. State briefly the functions of SAARC.

- ♣ Maintenance of the cooperation in the region.
- ♣ Prevention of common problems associated with the member nations.
- ♣ Ensuring strong relationship among the member nations.

34. List out the achievements of ASEAN.

- ❖ The main achievement of ASEAN has been the maintenance of an uninterrupted period of peace and stability.
- ❖ ASEAN's modernization efforts have brought about changes in the region's structure of production.
- ❖ It has been the fourth largest trading entry in the world.

IV. Answer the following questions (5 marks)**35. Explain the objectives of IMF.**

- ⚙ To promote international monetary cooperation among the member nations.
- ⚙ To facilitate faster and balanced growth of international trade.
- ⚙ 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.

36. Bring out the functions of World Bank.**i. Investment for productive purposes**

- ◆ The World Bank performs the function of assisting in the reconstruction and development of territories of member nations through facility of investment for productive purposes.

ii. Balanced growth of international trade

- ◆ Promoting the long range balanced growth of trade at international level and the maintaining equilibrium in BOPs of member nations by encouraging international investment.

iii. Provision of loans and guarantees

- ◆ Arranging the loans or providing guarantees on loans by various other channels so as to execute important projects.

iv. Promotion of foreign private investment

- ◆ The promotion of private foreign investment by means of guarantees on loans and other investment made by private investors.

v. Technical services

- ◆ The World Bank facilitates different kinds of technical services to the member countries through Staff College and experts.

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

- ✘ By reducing tariff on raw materials, components and capital goods, it was able to import more.
- ✘ 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.

38. Write a note on a) SAARC b) BRICS**a) SAARC**

- ✱ The South Asian Association for Regional Co-operation is an organisation of South Asian nations, which was established on 8 December 1985.
- ✱ The SAARC Group comprises of Bangladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Sri Lanka.
- ✱ In April 2007, Afghanistan became its eighth member.
- ✱ To accelerate the process of economic and social development of member states through joint action in the agreed areas of cooperation.
- ✱ The SAARC Secretariat was established in Kathmandu (Nepal) on 16th January 1987.

b) BRICS

- BRICS is the acronym for an association of five major emerging national economies: **Brazil, Russia, India, China and South Africa.**
- Its headquarter is at Shanghai, China.
- The new development bank formed the BRICS development bank was established by BRICS states.
- The BRICS countries make up 21 percent of global GDP.
- They have increased their share of global GDP threefold in the past 15 years.
- The BRICS are home to 43 percent of the world population.

CHAPTER – 9**FISCAL ECONOMICS****I. MULTIPLE CHOICE QUESTIONS:**

1. The modern state is

- a) Laissez-faire state
b) Aristocratic state
c) Welfare state
d) Police state

2. One of the following is NOT a feature of private finance

- a) Balancing of income and expenditure
b) Secrecy
c) Saving some part of income
d) Publicity

3. The tax possesses the following characteristics

- a) Compulsory
b) No quid pro quo
c) Failure to pay is offence
d) All the above

4. Which of the following canons of taxation was not listed by Adam Smith?

- a) Canon of equality
b) Canon of certainty
c) Canon of convenience
d) Canon of simplicity

5. Consider the following statements and identify the correct ones.

i. Central government does not have exclusive power to impose tax which is not mentioned

ii. The Constitution also provides for transferring certain tax revenues from union list to states.

- a) i only
b) ii only
c) both
d) none

6. GST is equivalence of

- a) Sales tax
b) Corporation tax
c) Income tax
d) Local tax

7. The direct tax has the following merits except

- a) equity
b) convenient
c) certainty
d) civic consciousness

8. Which of the following is a direct tax?

- a) Excise duty
b) Income tax
c) Customs duty
d) Service tax

9. Which of the following is not a tax under Union list?

- a) Personal Income Tax
b) Corporation Tax
c) Agricultural Income Tax
d) Excise duty

10. "Revenue Receipts" of the Government do not include

- a) Interest
b) Profits and dividends
c) Recoveries and loans
d) Rent from property

11. The difference between revenue expenditure and revenue receipts is

- a. Revenue deficit
b. Fiscal deficit
c. Budget deficit
d. Primary deficit

12. The difference between total expenditure and total receipts including loans and other liabilities is called

- a. Fiscal deficit
b. Budget deficit
c. Primary deficit
d. Revenue deficit

13. The primary purpose of deficit financing is

- a) Economic development
b) Economic stability
c) Economic equality
d) Employment generation

14. Deficit budget means

- a) An excess of government's revenue over expenditure
b) An excess of government's current expenditure over its current revenue
c) An excess of government's total expenditure over its total revenue
d) None of above

15. Methods of repayment of public debt is

- a) Conversion b) Sinking fund c) Funded debt d) All these

16. Conversion of public debt means exchange of

- a) new bonds for the old ones b) low interest bonds for higher interest bonds
c) Long term bonds for short term bonds d) All the above

17. The word budget has been derived from the French word "bougette" which means

- a) A small bag b) An empty box c) A box with papers d) None of the above

18. Which one of the following deficits does not consider borrowing as a receipt?

- a) Revenue deficit b) Budgetary deficit c) Fiscal deficit d) Primary deficit

19. Finance Commission determines

- a) The finances of Government of India b) The resources transfer to the states
c) The resources transfer to the various departments d) None of the above

20. Consider the following statements and identify the right ones.

i. The finance commission is appointed by the President

ii. The tenure of Finance commission is five years

- a) i only b) ii only c) both d) none

II. Two mark questions

21. Define public finance.

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

- Adam smith

22. What is public revenue?

* Public revenue deals with the methods of raising public revenue such as tax and non-tax.

23. Differentiate tax and fee.

| Basis | Tax | Fees |
|---------|--|--|
| Meaning | It is a compulsory payment by the citizens to the government to meet the public expenditure. | It is charged by public authorities for rendering a service to the citizens. |

| | | |
|-------------------|---|--|
| Compulsion | It is legally imposed by the government on the tax payer. | There is no compulsion involved in case of fees. |
|-------------------|---|--|

24. 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.

25. Give two examples for direct tax.

- ✪ Corporation Tax
- ✪ Income Tax

26. What are the components of GST?

- **CGST:** Collected by the Central Government on an intra-state sale
- **SGST:** Collected by the State Government on an intra-state sale
- **IGST:** Collected by the Central Government for inter-state sale

27. What do you mean by public debt?

It deals with the methods of raising loans from internal and external sources.

III. Three mark questions:

29. Describe canons of Taxation.

i. Canon of Ability:

- ♣ The Government should impose tax in such a way that the people have to pay taxes according to their ability.

ii. Canon of Certainty:

- ♣ The Government must ensure that there is no uncertainty regarding the rate of tax or the time of payment.

iii. Canon of Convenience:

- ♣ The method of tax collection and the timing of the tax payment should suit the convenience of the people.

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

- ★ **Rationality:** Both public finance and private finance are based on rationality
- ★ **Limit to borrowing:** Both have to apply restraint with regard to borrowing.
- ★ **Resource utilization:** Both the private and public sectors have limited resources.

31. What are the functions of a modern state?

- ◎ Creating economic and social overhead.
- ◎ Ensuring stability in both internal and external.
- ◎ Conserving resources for sustainable development.
- ◎ Defense
- ◎ Judiciary

32. State any three characteristics of taxation.

- ☆ A tax is a compulsory payment made to the government.
- ☆ Every tax involves some sacrifice on part of the tax payer.
- ☆ A tax is not levied as a fine or penalty for breaking law.

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

| Basis | Direct Tax | Indirect Tax |
|---------|--|--|
| Meaning | It is referred to as the tax, levied on persons income and wealth. | It is referred to as the tax levied on a person who consumes the goods and services. |
| Nature | Progressive | Regressive |
| Impact | Falls on the same person | Falls on the different persons |

34. What is primary deficit?

- ✱ Primary deficit is equal to fiscal deficit minus interest payments.
- ✱ It shows the real burden of the government and it does not include the interest burden on loans taken in the past.
- ✱ $\text{Primary Deficit (PD)} = \text{Fiscal deficit (PD)} - \text{Interest Payment (IP)}$

35. Mention any three methods of redemption of public debt.**i). Sinking Fund**

- ❖ The Government establishes a separate fund known as "Sinking Fund".
- ❖ The Government credits every year a fixed amount of money to this fund.

ii). Conversion

- ❖ Conversion of loans is another method of redemption of public debt.
- ❖ It means that an old loan is converted into a new loan.

iii). Budgetary Surplus

- ❖ When the Government presents surplus budget, it can be utilized for repaying the debt.

IV. Five mark questions:**37. Explain the scope of public finance.****i). Public Revenue:**

- ⊕ The methods of raising public revenue such as tax and non-tax, the principles of taxation, rates of taxation, impact, incidence and shifting of taxes and their effects.

ii). Public Expenditure:

- ♣ This part studies the fundamental principles that govern the Government expenditure, effects of public expenditure and control of public expenditure.

iii). Public Debt:

- ♣ The methods of raising loans from internal and external sources.

- ◆ The burden, effects and redemption of public debt fall under this head.

iv). Financial Administration:

- ✿ This part deals with the study of the different aspects of public budget.
- ✿ The budget is the Annual master financial plan of the Government.

v). Fiscal Policy:

- ◎ Taxes, subsidies, public debt and public expenditure are the instruments of fiscal policy.

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

i) Wider Coverage:

- ◆ All the consumers, whether they are rich or poor, have to pay indirect taxes.
- ◆ For this reason, it is said that indirect taxes can cover more people than direct taxes.

ii) Equitable:

- ✿ The indirect tax satisfies the canon of equity when higher tax is imposed on luxuries used by rich people.

iii) Economical

- Cost of collection is less as producers and retailers collect tax and pay to the Government.
- The traders act as honorary tax collectors.

iv) Checks harmful consumption

- ♣ The Government imposes indirect taxes on those commodities which are harmful to health e.g. tobacco, liquor etc.
- ♣ They are known as sin taxes.

v) Convenient

- ✿ Indirect taxes are levied on commodities and services.
- ✿ Whenever consumers make purchase, they pay tax along with the price.

39. Explain the methods of debt redemption.

i). Sinking Fund

- ✿ The Government establishes a separate fund known as "Sinking Fund".
- ✿ The Government credits every year a fixed amount of money to this fund.

ii). Conversion

- ✿ Conversion of loans is another method of redemption of public debt.
- ✿ It means that an old loan is converted into new loan.

iii). Budgetary Surplus

- ✿ When the Government presents surplus budget, it can be utilized for repaying the debt.

iv). Terminal Annuity

- ♣ Government pays off the public debt on the basis of terminal annuity in equal annual instalments.

v). Reduction in Rate of Interest

- It is the compulsory reduction in the rate of interest, during the time of financial crisis.

40. State and explain instruments of fiscal policy.**i). Taxation:**

- ✕ Taxes transfer income from the people to the Government.
- ✕ Taxes are either direct or indirect.
- ✕ An increase in tax reduces disposable income.

ii) Public Expenditure:

- ★ It raises wages and salaries of the employees and thereby the aggregate demand for goods and services.
- ★ It is raised to fight recession and reduced to control inflation.

iii) Public debt:

- ◎ When Government borrows by floating a loan, there is transfer of funds from the public to the Government.
- ◎ At the time of interest payment and repayment of public debt, funds are transferred from Government to public.

41. Explain the principles of federal finance.**i). Principle of Independence:**

- It means each Government should have separate sources of revenue, authority to levy taxes, to borrow money and to meet the expenditure.

ii). Principle of Equity:

- ✧ The resources should be distributed among the different states.
- ✧ So that each state receives a fair share of revenue.

iii). Principle of Uniformity:

- ★ Each state should contribute equal tax payments for federal finance.
- ★ But this principle cannot be followed in practice.
- ★ Because the taxable capacity of each unit is not of the same.

iv). Principle of Adequacy of Resources

- ⇒ The principle of adequacy means that the resources of each Government.
- ⇒ Central and State should be adequate to carry out its functions effectively.

v). Principle of Fiscal Access

- ✿ There should be possibility for the Central and State Governments to develop new source of revenue within their prescribed fields to meet the growing financial needs.

42. Describe the various types of deficit in budget.

i). Revenue Deficit

- ✿ It refers to the excess of the government revenue expenditure over revenue receipts.
- ✿ It does not consider capital receipts and capital expenditure.
- ✿ Revenue Deficit = Total Revenue Expenditure - Total Revenue Receipts

ii). Budget Deficit

- ◆ Budget deficit is the difference between total receipts and total expenditure.
- ◆ Budget Deficit = Total Expenditure – Total Revenue

iii). Fiscal Deficit

- Fiscal deficit = Budget deficit + Government's market borrowings and liabilities

iv). Primary Deficit

- ✳ Primary deficit is equal to fiscal deficit minus interest payments.
- ✳ It shows the real burden of the government.
- ✳ It does not include the interest burden on loans taken in the past.
- ✳ Primary Deficit = Fiscal deficit - Interest Payment

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

i). Population Growth:

- ♣ During the past 67 years of planning, the population of India has increased from 36.1 crore in 1951, to 121 crore in 2011.
- ♣ The growth in population requires massive investment in health and education, law and order, etc.

ii). Defense Expenditure

- ✳ There has been enormous increase in defense expenditure in India during planning period.
- ✳ The defense expenditure has been increasing tremendously due to modernization of defense equipment.

iii). Government Subsidies

- ✿ The Government of India has been providing subsidies on a number of items such as food, fertilizers, interest on priority sector lending, exports, education, etc.

iv). Debt Servicing

- ✿ The government has been borrowing heavily both from the internal and external sources.
- ✿ As a result, the government has to make huge amounts of repayment towards debt servicing.

v). Development Projects

- ✳ The government has been undertaking various development projects such as irrigation, iron and steel, heavy machinery, power, telecommunications, etc.

CHAPTER – 10**ENVIRONMENTAL ECONOMICS****I. MULTIPLE CHOICE QUESTIONS**

1. The term environment has been derived from a French word-----
 a. Environ b. Environs c. **Environia** d. Envir
2. The word biotic means environment
 a. **living** b. non-living c. physical d. None of the above
3. Ecosystem is smallest unit of
 a. Ionosphere b. Lithosphere c. **Biosphere** d. Mesosphere
4. Who developed Material Balance Models?
 a. Thomas and Picardy **b. AlenKneese and R.V. Ayres**
 c. Joan Robinson and J.M. Keynes d. Joseph Stiglitz and Edward Chamberlin
5. Environmental goods are -----
 a. Market goods **b. Non-market goods** c. Both d. None of the above
6. In a pure public good, consumption is -----
 a. Rival **b. Non-rival** c. Both d. None of the above
7. One of the most important market failures is caused by -----
 a. Positive externalities **b. Negative externalities** c. Both d. None of the above
8. The common source of outdoor air pollution is caused by combustion processes from the following-----
 a. Heating and cooking **b. Traditional stoves** c. Motor vehicles d. All the above
9. The major contributor of Carbon monoxide is
 a. **Automobiles** b. Industrial process c. Stationary fuel combustion d. None of the above
10. Which one of the following causes of global warming?
 a. Earth gravitation force b. Oxygen c. Centripetal force **d. Increasing temperature**
11. Which of the following is responsible for protecting humans from harmful ultraviolet rays?
 a. UV-A b. UV-C **c. Ozone layer** d. None of the above
12. Global warming also refers to as
 a. Ecological change b. Climate Change c. Atmosphere change **d. None of the above**
13. Which of the following is the anticipated effect of Global warming?
 a. Rising sea levels **b. Changing precipitation** c. Expansion of deserts d. All of the above
14. The process of nutrient enrichment is termed as
 a. **Eutrophication** b. Limiting nutrients c. Enrichment d. Schistosomiasis
15. Primary cause of Soil pollution is -----
 a. Pest control measures b. Land reclamation c. Agricultural runoff **d. Chemical fertilizer**

16. Which of the following is main cause for deforestation?

- a. Timber harvesting industry
b. Natural afforestation
c. Soil stabilization
d. Climate stabilization

17. Electronic waste is commonly referred as -----

- a. solid waste b. composite waste c. e-waste d. hospital waste

18. Acid rain is one of the consequences of -----

- a. Water Pollution b. Land pollution c. Noise pollution d. Air pollution

19. Sustainable Development Goals and targets are to be achieved by -----

- a. 2020 b. 2025 c. 2030 d. 2050

20. Alkali soils are predominantly located in the ----- plains?

- a. Indus-Ganga b. North-Indian c. Gangetic plains d. All the above

II. Answer the following questions in one or two sentences

21. State the meaning of environment.

All the conditions, circumstances, and influences surrounding and affecting the development of an organism or group of organisms.

22. What do you mean by ecosystem?

An ecosystem includes all living things in a given area, interacting with each other, and also with their non-living environments.

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

| S.No | Countries | Per Capita CO ₂ |
|------|---------------|----------------------------|
| 1 | Saudi Arabia | 16.85 |
| 2 | Australia | 15.83 |
| 3 | United States | 15.53 |
| 4 | Canada | 15.32 |

24. What are environmental goods? Give examples.

- ✿ Environmental goods are typically non-market goods.
- ✿ It's including clear air, clean water, landscape, green transport infrastructure, public parks, urban parks, rivers, mountains, forests, and beaches.

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

- ✿ Use of noise barriers
- ✿ Newer roadway for surface transport
- ✿ Traffic control
- ✿ Regulating times for heavy vehicles

26. Define Global warming.

It is the current increase in temperature of the earth's surface as well as its atmosphere.

27. Specify the meaning of seed ball.

A seed ball is a seed that has been wrapped in soil materials usually a mixture of clay and compost, and then dried.

III. Answer the following questions in one paragraph.**28. Brief the linkage between economy and environment.**

- ☆ Human life also depends on social, political, ethical, philosophical and other aspects of economic system.
- ☆ The life of human beings is shaped by his living environment.
- ☆ The relationship between the economy and the form of a "Material Balance Model" developed by Alen Kneese and R.V. Ayres.

29. Specify the meaning of material balance principle.

- ◆ The material balance principle considers the total economic process as a physically balanced flow between inputs and outputs.

$$M = G - (R_c - R_p) + (R_p^r + R_c^r) = R_p^d + R_c^d$$

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 ($R_p^d + R_c^d$)

30. Explain different types of air pollution.**i). Indoor Air Pollution:**

- ◆ It refers to toxic contaminants that we encounter in our daily lives in our homes, schools and workplaces.
- ◆ For example, cooking and heating with solid fuels on open fires.

ii). Outdoor Air Pollution:

- ◆ It refers to ambient air.
- ◆ The common sources of outdoor air pollution are caused by combustion processes from motor vehicles, solid fuel burning and industry.

31. What are the causes of water pollution?**i). Dumping of solid wastes:**

- ★ The dumping of solid wastes and litters in water bodies cause huge problems.

ii). Acid rain:

- ★ Acid rain is pollution of water caused by air pollution.
- ★ When the acidic particles caused by air pollution in the atmosphere mix with water vapor, it results in acid rain.

iii). Global warming:

- ★ Due to global warming, there is an increase in water temperature as a result aquatic plants and animals are affected.

32. 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 electronics.
- ⊗ As the result when consumer, business and household devices are disposed or sent for re-cycling.
- ⊗ Example, television, computers, audio-equipments, VCR, DVD, telephone, etc.

33. What is land pollution? Mention the causes of land pollution.**Meaning:**

The degradation of land because of the disposal of waste on the land. Any substance that is discharged, deposited in the environment in such a way that it alters the environment causes land pollution

- Protection of the Environment Operations Act 1997

Causes of Land Pollution

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

34. Write a note on a) Climate change and b) Acid rain**i). Climate Change:**

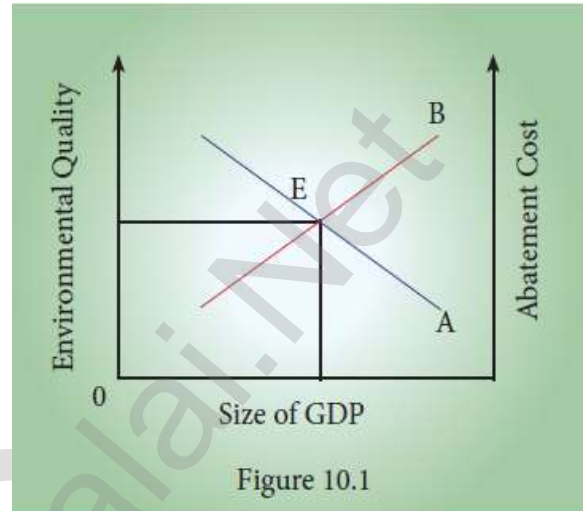
- ★ The climate change refers to seasonal changes over a long period with respect to the growing accumulation of greenhouse gases in the atmosphere.
- ★ Recent studies have shown that human activities since the beginning of the industrial revolution.

ii). Acid Rain:

- ➔ From factories, cars or heating boilers contact with the water in the atmosphere.
- ➔ These emissions contain nitrogen oxides, sulphur dioxide and sulphur trioxide which when mixed with water becomes sulfurous acid, nitric acid and sulfuric acid.

IV. Answer the following questions in about a page.**35. Briefly explain the relationship between GDP growth and the quality of environment.**

- ✱ Environmental quality is a set of properties and characteristics of the environment either generalized or local, as they impinge on human beings.
- ✱ It is a measure of the condition of an environment relative to the requirements of one or more species.
- ✱ It is a pure public good that can be consumed simultaneously by everyone and from which no one can be excluded.
- ✱ A pure public good is one for which consumption is non-rival and from which it is impossible to exclude a consumer.
- ✱ The contribution of the nature to GDP as well as depletion of natural resources are not accounted in the present system of National Income Enumeration.

**36. Explain the concepts of externality and its classification****Concepts of Externality:****i). Positive Consumption Externality**

- ♣ When some residents of a locality hire a private security agency to patrol their area.
- ♣ The other residents of the area also benefit from better security without bearing cost.

ii). Negative Consumption Externality

- ♣ A person smoking cigarette gets may gives satisfaction to that person, but this act causes hardship to the non-smokers who are driven to passive smoking.

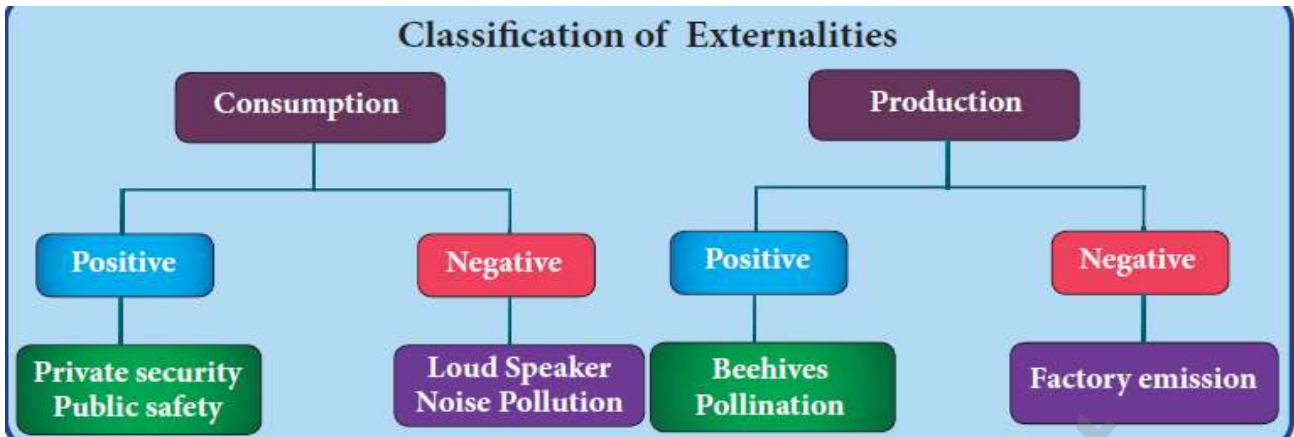
iii). Positive Production Externality

- ♣ The ideal location for beehives is orchards.
- ♣ While bees make honey, they also help in the pollination of apple blossoms.
- ♣ The benefits accrue to both producers.

iv). Negative Production Externality

- ♣ The emissions and effluents of factory cause air and water pollution.

- ❖ Water becomes contaminated and unfit for drinking e.g. Tanneries.



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

Importance of sustainable development:

- It is concerned with the welfare of not only present generation but also future generation.
- It aims at not only satisfying the luxury wants rich but also the basic necessities of the poor like food, sanitation, health care, education etc.
- The present generation should not exhaust the resources left by the past generation,
- It should leave the same for the sake of future generation.

Global Goals for Sustainable Development:

- ❖ End Poverty in all its forms everywhere
- ❖ Ensure healthy lives and promote well-being for all at all ages
- ❖ Ensure quality education for all
- ❖ Achieve gender equality and empower women and girls
- ❖ Ensure access to water and sanitation for all
- ❖ Reduce inequality within and among countries
- ❖ Make cities inclusive, safe, resilient and sustainable

@*@*@*@*@*@*@*@*@*@

CHAPTER – 11 ECONOMICS AND DEVELOPMENT AND PLANNING

I. MULTIPLE CHOICE QUESTIONS

1. "Redistribution with Growth" became popular slogan which approach?
 - a). Traditional approach
 - b) New welfare oriented approach
 - c) Industrial approach
 - d) None of the above
 2. Which is not the feature of economic growth?
 - a). Concerned with developed nations
 - b) Gradual change
 - c) Concerned with quantitative aspect
 - d) Wider concept
 3. Which among the following is a characteristic of underdevelopment?
 - a). Vicious circle of poverty
 - b) Rising mass consumption
 - c) Growth of Industries
 - d) High rate of urbanization
 4. The non-economic determinant of economic development
 - a). Natural resources
 - b) Human resource
 - c) Capital formation
 - d) Foreign trade
 5. Economic growth measures the -----
 - a). Growth of productivity
 - b) Increase in nominal income
 - c) Increase in output
 - d) None of the above
 6. The supply side vicious circle of poverty suggests that poor nations remain poor because
 - a). Saving remains low
 - b) Investment remains low
 - c) There is a lack of effective government
 - d) a and b above
 7. Which of the following plan has focused on the agriculture and rural economy?
 - a). People's Plan
 - b) Bombay Plan
 - c) Gandhian Plan
 - d) Vishveshwarya Plan
 8. Arrange following plans in correct chronological order
 - a). People's Plan
 - b) Bombay Plan
 - c) Jawaharlal Nehru Plan
 - d) Vishveshwarya Plan
- Answer choices
- a). (i) (ii) (iii) (iv)
 - b) (iv) (iii) (ii) (i)
 - c) (i) (ii) (iv) (iii)
 - d) (ii) (i) (iv) (iii)
9. M.N. Roy was associated with -----
 - a) Congress Plan
 - b) People's Plan
 - c) Bombay Plan
 - d) None of the above
 10. Which of the following country adopts indicative planning?
 - a) France
 - b) Germany
 - c) Italy
 - d) Russia
 11. Short-term plan is also known as-----
 - a) Controlling Plans
 - b) De-controlling Plans
 - c) Rolling Plans
 - d) De-rolling Plans

24. What is GNP?

GNP is the total market value of all final goods and services produced within a nation in a particular year, plus income earned by its citizens, minus income of non-residents located in that country.

25. Define economic planning.

Economic Planning is “collective control or suppression of private activities of production and exchange”.

-Robbins-

26. What are the social indicators of economic development?

- ◆ It is referred to as basic and collective needs of the people.
- ◆ The direct provision of basic needs such as health education, etc

27. Write a short note on NITI Aayog.

- ✿ National institution for transforming India was formed in 1st January 2015 by union cabinet resolution.
- ✿ It has replaced the planning commission from 13th August 2014.
- ✿ NITI Aayog is a policy Think-tank

III. Answer the following questions in one paragraph.**28. Elucidate major causes of vicious circle of poverty with diagram**

- ✿ There are circular relationships known as the ‘vicious circles of poverty’.
- ✿ That tends to perpetuate the low level of development in Less Developed Countries (LDCs).
- ✿ Nurkse explains the idea in these words: “It implies a circular constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a state of poverty.

29. What are the non-economic factors determining development?

- ✿ Human Resource
- ✿ Technical know – how
- ✿ Political freedom
- ✿ Social organization
- ✿ Corruption free administration
- ✿ Desire for development
- ✿ Moral ethical and social values

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

- To break the vicious circle on the demand side, Nurkse suggested the strategy of balanced growth.

- If investment is made in several industries simultaneously the workers employed in various industries will become consumers of each other's products and will create demand for one another.
- The balanced growth i.e. simultaneous investment in large number of industries creates mutual demand.
- Thus, through the strategy of balanced growth, vicious circle of poverty operating on the demand side of capital formation can be broken.

31. Trace the evolution of economic planning in India.

◆ Jawaharlal Nehru (1938):

Set-up "National Planning Commission" by a committee but due to the changes in the political era and Second World War, it did not materialize.

◆ Bombay Plan (1940):

The 8 leading industrialists of Bombay presented "Bombay Plan". It was a 15 Year Investment Plan.

◆ S. N Agarwal (1944)

They gave the "Gandhian Plan" focusing on the agricultural and rural economy.

32. Describe the case for planning.

- ♣ To accelerate and strengthen market mechanism
- ♣ To remove unemployment
- ♣ To achieve balanced development
- ♣ To remove poverty and inequalities

33. Distinguish between functional and structural planning.

| Basis | Functional Planning | Structural Planning |
|-----------------|--|--|
| Meaning | It refers to that planning which seeks to remove economic difficulties | It refers to a good deal of changes in the socio-economic framework of the country |
| Approach | Attempt within the existing socio-economic framework. | Attempt to change the economic structure fundamentally. |
| Nature | Functional planning is evolutionary | Structural planning is therefore revolutionary |

34. What are the functions of NITI Aayog?

- ✘ Cooperative and Competitive Federalism
- ✘ Shared National Agenda
- ✘ Decentralized Planning
- ✘ Vision and Scenario Planning

- ✘ Network of Expertise
- ✘ Harmonization
- ✘ Conflict Resolution
- ✘ Internal Consultancy

IV. Answer the following questions in about a page.

35. Discuss the economic determinants of economic development.

i). Natural Resource:

- ♣ The principal factor affecting the development of an economy is the availability of natural resources.
- ♣ The existence of natural resources in abundance is essential for development.

ii). Capital Formation:

- ★ Capital formation is the main key to economic growth.
- ★ It facilitates adoption of advanced techniques of production.
- ★ It leads to better utilization of natural resources.

iii). Size of the Market:

- ❖ Large size of the market would stimulate production, increase employment and raise the National per capita income.

iv). Financial System:

- ⚙ It implies the existence of an efficient and organized banking system in the country.

v). Foreign Trade:

- ✧ The country which enjoys favorable balance of trade and terms of trade is always developed.
- ✧ It has huge forex reserves and stable exchange rate.

36. Describe different types of Planning.

i). Democratic Vs Totalitarian:

- Planning within democracy.
- People are associated at every step in the formulation and implementation of the plan.
- There is central control and direction of all economic activities in accordance with a single plan.

ii). Centralized Vs Decentralized:

- ✱ The entire planning process in a country is under a central.
- ✱ There is central authority which plans, directs and orders the execution of the plan in accordance with predetermined targets and priorities.

iii). Planning by Direction Vs Inducement:

- ➔ There is a central authority which plans, directs and orders the execution of the plan in accordance with pre-determined targets and priorities.
- ➔ The people are induced to act in a certain way through various monetary and fiscal measures

iv). Indicative Vs Imperative Planning:

- ✳ The private sector and the public sector work together.
- ✳ Then it is discussed with the representatives of private management, trade unions, consumer groups, finance institutions and other experts.
- ✳ the state is all powerful in preparation and implementation of the plan.

v). Short, Medium and Long term Planning:

- ◎ Short-Term Planning concerns the plans in a time period of 1 year – Operational Planning
- ◎ Medium-Term Planning is considered for a time period 5 years – Tactical Planning
- ◎ Long-Term Planning is considered for a time period over 10 years – Strategic Planning

37. Bring out the arguments against planning.**i). Loss of freedom**

- ❖ The absence of freedom in decision making may act as an obstacle for economic growth.
- ❖ Regulations and restrictions are the backbone of a planned economy.

ii). Elimination of Initiative

- ★ There will be no incentive for initiatives and innovations.
- ★ The absence of initiatives may affect progress in following ways.
 - ✿ The absence of private ownership and profit motive discourages entrepreneurs from taking bold decisions and risk taking.
 - ✿ As all enjoy equal reward under planned economy irrespective of their effort, efficiency and productivity, nobody is interested in undertaking new and risky ventures.
 - ✿ The bureaucracy and Red Tapism which are the features of planned economy, cripple the initiative as they cause procedural delay and time loss.

iii). High cost of Management

- ◆ No doubt the fruits of planning such as industrialization, social justice and regional balance are good.

iv). Difficulty in advance calculations:

- ♣ Price mechanism provides for the automatic adjustment among price, demand and supply in a Laissez Faire economy.

CHAPTER – 12 INTRODUCTION TO STATISTICAL METHODS AND ECONOMETRICS

I. MULTIPLE CHOICE QUESTIONS

1. The word 'statistics' is used as _____.
 (a) Singular. (b) Plural (c) **Singular and Plural** (d) None of above.
2. Who stated that statistics as a science of estimates and probabilities.
 (a) Horace Secrist. (b) R.A Fisher. (c) Ya-Lun-Chou (d) **Boddington**
3. Sources of secondary data are _____.
 (a) Published sources. (b) Unpublished sources.
 (c) neither published nor unpublished sources. (d) **Both (A) and (B)**
4. The data collected by questionnaires are _____.
 (a) **Primary data** (b) Secondary data. (c) Published data. (d) Grouped data.
5. A measure of the strength of the linear relationship that exists between two variables is called:
 (a) Slope (b) Intercept (c) **Correlation coefficient** (d) Regression equation
6. If both variables X and Y increase or decrease simultaneously, then the coefficient of correlation will be:
 (a) **Positive** (b) Negative (c) Zero (d) One
7. If the points on the scatter diagram indicate that as one variable increases the other variable tends to decrease the value of r will be:
 (a) Perfect positive (b) Perfect negative (c) **Negative** (d) Zero
8. The value of the coefficient of correlation r lies between:
 (a) 0 and 1 (b) -1 and 0 (c) **-1 and +1** (d) -0.5 and +0.5
9. The term regression was used by:
 (a) Newton (b) Pearson (c) Spearman (d) **Galton**
10. The purpose of simple linear regression analysis is to:
 (a) **Predict one variable from another variable**
 (b) Replace points on a scatter diagram by a straight-line
 (c) Measure the degree to which two variables are linearly associated
 (d) Obtain the expected value of the independent random variable for a given value of the dependent variable
11. A process by which we estimate the value of dependent variable on the basis of one or more independent variables is called:
 (a) Correlation (b) **Regression** (c) Residual (d) Slope

12. If $Y = 2 - 0.2X$, then the value of Y intercept is equal to
 (a) -0.2 (b) 2 (c) 0.2X (d) All of the above
13. In the regression equation $Y = \beta_0 + \beta_1 X$, the Y is called:
 (a) Independent variable (b) **Dependent variable**
 (c) Continuous variable (d) none of the above
14. In the regression equation $Y = \beta_0 + \beta_1 X$, the X is called:
 (a) **Independent variable** (b) Dependent variable
 (c) Continuous variable (d) none of the above
15. Econometrics is the integration of
 (a) Economics and Statistics (b) Economics and Mathematics
 (c) **Economics, Mathematics and Statistics** (d) None of the above
16. Econometric is the word coined by
 (a) Francis Galton (b) **Ragnar Frish** (c) Karl Person (d) Spearsman
17. The raw materials of Econometrics are:
 (a) **Data** (b) Goods (c) Statistics (d) Mathematics
18. The term Uiin regression equation is
 (a) Residuals (b) Standard error (c) **Stochastic error term** (d) none
19. The term Uuis introduced for the representation of
 (a) **Omitted Variable** (b) Standard error (c) Bias (d) Discrete Variable
20. Econometrics is the amalgamation of
 (a) **3 subjects** (b) 4 subjects (c) 2 subjects (d) 5 subjects

II. Answer the following in one or two sentences

21. What is Statistics?

Statistics as a science of estimates and probabilities

- *Boddington*

22. What are the kinds of Statistics?

- ✕ Descriptive Statistics
- ✕ Inferential Statistics

23. 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.

24. What are the kinds of data?

i). Based on characteristics

a). Quantitative Data:

b). Qualitative Data

♣ Primary Data

i). Primary Data

♣ Secondary Data

ii). Secondary Data

ii). Based on Sources

- ✕ Primary Data
- ✕ Secondary Data

25. Define Correlation.

- ☆ Correlation is a statistical device that helps to analyze the co-variation of two or more variables.
- ☆ Sir Francis Galton is responsible for the calculation of correlation coefficient.

26. Define Regression.

- ◎ It is the study of the relationship between the variables.
- ◎ The literal meaning of the word regression is stopping back towards the average.

27. What is Econometrics?

“Econometrics is concerned with the empirical determination of economic laws”

- H Theil

III. Answer the following questions in one paragraph:**28. What are the functions of Statistics?**

- ⚙ Statistics 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.

29. Find the Standard Deviation of the following data: 14, 22, 9, 15, 20, 17, 12, 11

| S.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 | $\Sigma X = 120$ | 0 | $\Sigma(x-X)^2 = 140$ |

$$N = 8$$

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

$$\sigma = \sqrt{\frac{\Sigma(x-X)^2}{N}}$$

$$= \sqrt{\frac{140}{8}}$$

$$= \sqrt{17.5}$$

$$\sigma = 4.18$$

30. State and explain the different kinds of Correlation.**i). Based on the direction of change of variables:**

- ⊕ Positive Correlation

- ✪ Negative Correlation

ii). Based upon the number of variables studied:

- ◆ Simple Correlation
- ◆ Multiple Correlation
- ◆ Partial Correlation

iii'). Based upon the constancy of the ratio change between the variables

- ✪ Linear Correlation
- ✪ Non-Linear Correlation

31. Mention the uses of Regression Analysis.

- ✪ It indicates the cause and effect relationship between the variables and establishes functional relationship.
- ✪ Besides verification it is used for the prediction of one value, in relation to the other given value.
- ✪ Regression coefficient is also relative measure.
- ✪ In regression there is no such spurious regression

32. Specify the objectives of econometrics.

- ✪ It helps to explain the behavior 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.

33. Differentiate the economic model with econometric model.

| S.No | Economic Model | Econometric model |
|------|--|--|
| 1 | An economic model is a local representation of knowledge | It is an integration at dependent variables with explanatory variables. |
| 2 | It is adapted to yield a define and precise formulation of the economic processed at work. | It represent a set of hypotheses that permits statistical inference from the particular date under review. |
| 3 | This is based upon abstract economic theory. | It appropriate to the particular situation based on common sense. |

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

i). Central Statistical Office (CSO)

- ✪ The Central Statistical Office is one of the two wings of the National Statistical Organization (NSO).

ii). National Sample Survey Organisation (NSSO)

- ⊙ It is an organization under the Ministry of Statistic of the Government of India.
- ⊙ It has four divisions: i). SDRD, ii). FOD, iii). DPD, iv). CPD
- ⊙ It is the largest organisation in India.
 - ◆ Twenty Point Programme
 - ◆ Infrastructure Monitoring and Project Monitoring
 - ◆ Member of Parliament Local Area Development Scheme.

IV. Answer the following questions**35. Elucidate the nature and scope of Statistics.****i). Nature of Statistics:**

- ⊛ Statistics are an aggregate of facts.
- ⊛ Statistics are numerically enumerated, estimated and expressed.
- ⊛ It should be collected in a systematic manner for a predetermined purpose.
- ⊛ Should be capable of being used as a technique for drawing comparison

ii). Scope of Statistics**i). Statistics and Economics:**

- ❖ Statistical data and techniques are immensely useful in solving many economic problems.

ii). Statistics and Firms

- ❖ Statistics is widely used in many firms to find whether the product is conforming to specifications or not.

iii). Statistics and Commerce

- ❖ Statistics are life blood of successful commerce.

iv). Statistics and Education

- ❖ It is necessary for the formulation of policies to start new course, according to the changing environment.

v). Statistics and Planning:

- ♣ Statistics is indispensable in planning.
- ♣ All the organisations in the government are seeking the help of planning for efficient working.

36. Calculate the Karl Pearson Correlation Co-efficient for the following data

| | | | | | | | | | | |
|---------------------|----|----|----|----|----|----|----|----|----|----|
| Demand of Product X | 23 | 27 | 28 | 29 | 30 | 31 | 33 | 35 | 36 | 39 |
| Sale of Product Y: | 18 | 22 | 23 | 24 | 25 | 26 | 28 | 29 | 30 | 32 |

Let A = 30 and B = 26 then $\sum dx = X - A$, $\sum dy = Y - B$

| X | Y | d_x | d_y | d_x^2 | d_y^2 | $d_x d_y$ |
|----|----|-----------|-----------|------------|------------|------------|
| 23 | 18 | -7 | -8 | 49 | 64 | 56 |
| 27 | 22 | -3 | -4 | 9 | 16 | 12 |
| 28 | 23 | -2 | -3 | 4 | 9 | 6 |
| 29 | 24 | -1 | -2 | 1 | 4 | 2 |
| 30 | 25 | 0 | -1 | 0 | 1 | 0 |
| 31 | 26 | 1 | 0 | 1 | 0 | 0 |
| 33 | 28 | 3 | 2 | 9 | 4 | 6 |
| 35 | 29 | 5 | 3 | 25 | 9 | 13 |
| 36 | 30 | 6 | 4 | 36 | 16 | 24 |
| 39 | 32 | 9 | 6 | 81 | 36 | 54 |
| | | 11 | -3 | 275 | 159 | 175 |

$$r(x,y) = \frac{N\sum d_x d_y - \sum d_x \sum d_y}{\sqrt{N\sum d_x^2 - (\sum d_x)^2} \sqrt{N\sum d_y^2 - (\sum d_y)^2}}$$

$$= \frac{10(175) - (11)(-3)}{\sqrt{10(275) - (11)^2} \sqrt{10(159) - (-3)^2}}$$

$$= \frac{1750 + 33}{\sqrt{2150 - 121} \sqrt{1590 - 9}}$$

$$= \frac{1783}{\sqrt{(45.044)} \sqrt{(39.761)}}$$

$$= \frac{1783}{1790.94}$$

Ans: $r(x,y) = 0.9955$

37. Find the regression equation Y on X and X on Y for the following data:

| | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|
| Y: | 45 | 48 | 50 | 55 | 65 | 70 | 75 | 72 | 80 | 85 |
| X: | 25 | 30 | 35 | 30 | 40 | 50 | 45 | 55 | 60 | 65 |

| X | Y | U=X-65 | V=Y-65 | U ² | V ² | UV |
|---------------|---------------|-------------|--------------|----------------------------|----------------------------|-----------------|
| 45 | 25 | -20 | -20 | 400 | 400 | 400 |
| 48 | 30 | -17 | -15 | 289 | 225 | 255 |
| 50 | 35 | -15 | -10 | 225 | 100 | 150 |
| 55 | 30 | -10 | -15 | 100 | 225 | 150 |
| 65 | 40 | 0 | -5 | 0 | 25 | 0 |
| 70 | 50 | 5 | 5 | 25 | 25 | 25 |
| 75 | 45 | 10 | 0 | 100 | 0 | 0 |
| 72 | 55 | 7 | 5 | 49 | 25 | 35 |
| 80 | 60 | 15 | 15 | 225 | 225 | 225 |
| 85 | 65 | 20 | 20 | 400 | 400 | 400 |
| ΣX=645 | ΣY=435 | ΣU=5 | ΣV=20 | ΣU²=1813 | ΣV²=1415 | ΣUV=1675 |

We have,

$$\bar{X} = \frac{\Sigma X}{N} = \frac{645}{10} = 64.5 \quad \bar{Y} = \frac{\Sigma Y}{N} = \frac{435}{10} = 43.5$$

$$b_{yx} = \frac{N\Sigma UV - (\Sigma U\Sigma V)}{N\Sigma U^2 - (\Sigma U)^2}$$

$$= \frac{(10) \times 1415 - (5) \times (-20)}{(10) \times 1813 - (5)^2}$$

$$= \frac{14150 + 100}{18130 - 25}$$

$$= \frac{14250}{18105}$$

$$= 0.787$$

Regression equation of Y on X is

$$y - \bar{y} = b_{yx} (x - \bar{X})$$

$$y - 43.5 = 0.787 (X - 64.5) \text{ or}$$

$$y = 0.787X + 7.26$$

Similarly b_{xy} can be calculated as

$$b_{yx} = \frac{N\Sigma UV - (\Sigma U\Sigma V)}{N\Sigma U^2 - (\Sigma U)^2}$$

$$= \frac{(10) \times 1415 - (5) \times (-20)}{(10) \times 1675 - (-20)^2}$$

$$= \frac{14150 + 100}{16750 - 400}$$

$$= \frac{14250}{16350}$$

$$= 0.87$$

Regression equation of Y on X is

$$x - \bar{x} = b_{xy} (y - \bar{y})$$

$$y - 64.5 = 0.87 (y - 43.5) \text{ or}$$

$$x = 0.87Y + 26.65$$

38. Describe the application of Econometrics in Economics.

i). Forecasting Macroeconomic indicators:

- ⊙ It's concerned with the expected effects of monetary and fiscal policy on the aggregate performance of the economy.
- ⊙ Time series models can be used to make predictions about these economic indicators

ii). Definition:

As a result of certain outlook on the role of economics, consists of application of mathematical statistics to economic data to lend empirical support to the models constructed by mathematical economics and to obtain numerical results”.

- ⊙ Econometrics means economic measurement.
- ⊙ Econometrics deals with the measurement of economic relationships.

iii). Objectives of Econometrics:

- ◆ It helps to explain the behavior 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.

@*@@*@@*@@*@@*

12th ECONOMICS PUBLIC IMPORTANT QUESTIONS
TWO MARK

1. Define macroeconomics.
2. What is capitalism, Socialism and Mixedlism?
3. What is national Income, GDP, GNP?
4. What is real income?
5. What is Unemployment and Full employment?
6. What is effective demand?
7. Define Multiplier and Accelerator.
8. What is Autonomous and Induced Investment?
9. What is Economy?
10. What is GDP deflator?
11. What is disposable income and personal income?
12. What are the difference NNP and NDP?
13. What is frictional unemployment?
14. What are the components of ADF and ASF?
15. What is Propensity consume and Propensity save?
16. What is commodity money?
17. Define central bank.
18. What is commercial bank?
19. What is credit creation?
20. What are the differences between CRR & SLR?
21. What is international Economics and Exchange rate?
22. Define terms of trade and balance of payment.
23. What is IMF and special drawing rights?
24. Write any two affiliates group of world bank ?
25. Write any two objectives of ASEAN?
26. Define Public revenue and Public finance.
27. Give two examples of indirect tax and Indirect tax.
28. What is zero based budget and public debt?
29. What is federal finance?
30. What is pollution, Environment and Eco - System?
31. Define Economic planning.
32. Write short notes on NITI Aayog?
33. List out about social Indicators of economic development.
34. What are the difference between Economic growth and Economic Development?
35. What is statistics and Econometrics?
36. List out kinds of co-relations.
37. What is consumption function and Investment functions?

THREE MARK

1. What are the importance of macroeconomics?
2. What are the merits of capitalism?
3. What are the mixed Economy?
4. Write short notes on Expenditures methods?
5. What are the Difference between personal income and disposable income?
6. Write implications of say's law?
7. What is ADF and ASF with diagram?
8. Explain between autonomous investment and induced investment.
9. Explain psychological law of consumption.
10. Write uses of Multiplier.
11. How equilibrium between interest and Investment?
12. What are the determinants of Investment function?
13. What is money supply?
14. Write Cambridge Equations?
15. What are the types of inflations?
16. What are the objectives of demonetizations?
17. What are the functions of NABARD?
18. Explain difference between money market and capital market.
19. What are the objectives of FDI?
20. What are the difference between classical theory and Modern theory of trade?
21. What are the difference between BOT and BOP?
22. What are the functions of SAARC?
23. What are the objectives of ASEAN?
24. Explain canons of taxations.
25. What are features of taxations?
26. What are the difference direct tax and indirect tax?
27. What are the functions of modern state?
28. Explain type of Air Pollutions.
29. What are the causes of water pollution?
30. What is E-Waste?
31. Short notes on: I. Climate change II. Acid Rain
32. What are the functions of NITI Aayog?
33. What are the case for planning?
34. Write major causes of vicious circle of poverty with flow chart.
35. Evolutions of planning in India.

FIVE MARK

1. What are scopes of macroeconomics?
2. Compare between capitalism, socialism and mixedism.
3. What are the measuring methods of national income?
4. What are difficulties to measuring national income?
5. Explain types of unemployment.
6. Write Keynes theory of employment and income.
7. What are the difference between classical theory and Keynes theory?
8. Working multiplier - full concept.
9. What are difference between MEC and MEI?
10. Explain - Fisher Quantity theory of money.
11. What are the functions of money?
12. What are the phases of trade cycle?
13. What are the functions of commercial bank and central bank?
14. What are the difference between International trade and internal Trade?
15. Explain Full concept of comparative cost theory and Absolute cost theory.
16. What are the objectives of IMF and its functions?
17. Write shorts on : I. SAARC II. BRICS
18. What are the principles of federal finance?
19. Explain the types of deficit in budget.
20. What are the scopes of public finance?
21. Air pollution - Full concept.
22. What are the concept of externality and & its classifications?
23. What are the types of economic planning?
24. Explain the argument of planning.
25. Explain the theory of balance material model.
26. Focus on Correlation & Regression type of sums and theory.
27. Explain natures and scope of statistics and scatter diagrams (Correlation).
28. Focus on Standard deviation sums.
