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ECONOMICS
MINIMUM LEARNING MATERIAL

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DHOSTH PUBLICATIONS

TUTICORIN - PALAYANKOTTAI - CHENNAI
9443172023   -   8144447811

PUBLISHERS

*SRI.*SANKARANARAYANAN & *SRI.*V.MUTHUKUMAR CHOZHAGARI

ADDRESS	E - MAIL ID – WEBSITE	WHATSAPP
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MICR CODE	6270530041

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BOOK BACK ONE WORD
CHOOSE THE CORRECT ANSWERS

1. The branches of the subject Economics is _____   Ans: **Micro and macro**
2. Who coined the word 'Macro'?   Ans: **Ragnar Frisch**
3. Who is regarded as Father of Modern Macro Economics?   Ans: **J M Keynes**
4. Identify the other name for Macro Economics.   Ans: **Income Theory**
5. Macro economics is a study of _____.   Ans: **Aggregates**
6. Indicate the contribution of J M Keynes to economics.   Ans: **General Theory**
7. A steady increase in general price level is termed as_____.   Ans: **Inflation**
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
                                                             Ans: **All the above**
9. Indicate the fundamental economic activities of an economy.   Ans: **Production and Consumption**
10. An economy consists of
    a) consumption sector   b) Production sector   c) Government sector   d) All the above   Ans: **All the above**
11. Identify the economic system where only private ownership of production exists.
                                                             Ans: **Capitalistic Economy**
12. Economic system representing equality in distribution is _____.   Ans: **Socialism**
13. Who is referred as 'Father of Capitalism'?   Ans: **Adam Smith**
14. The country following Capitalism is _____ .   Ans: **America**
15. Identify The Father of Socialism.   Ans: **Karl Marx**
16. An economic system where the economic activities of a nation are done both by the private and public
    together is termed as_____.   Ans: **Mixed Economy**
17. Quantity of a commodity accumulated at a point of time is termed as _____   Ans: **Stock**
18. Identify the flow variable.   Ans: **Income**
19. Identify the sectors of a Two Sector Model.   Ans: **Households and Firms**
20. The Circular Flow Model that represents an open Economy. Ans: **Four Sector Model**
21. Net National product at factor cost is also known as   Ans: **National Income**
22. Primary sector is _____.   Ans: **Agriculture**
23. National income is measured by using _____ methods. Ans: **Three**
24. Income method is measured by summing up of all forms of _____   Ans: **Income**
25. Which is the largest figure?   Ans: **GNP**
26. Expenditure method is used to estimate national income in _____   Ans: **Construction sector**
27. Tertiary sector is also called as _____ sector   Ans: **Service**
28. National income is a measure of the _____ performance of an economy.   Ans: **Economic**
29. Per capita income is obtained by dividing the National income by _____ Ans: **Population of a country**
30. GNP = _____ + Net factor income from abroad.   Ans: **GDP**
31. NNP stands for _____   Ans: **Net National Product**
32. _____ is deducted from gross value to get the net value.   Ans: **Depreciation**
33. The financial year in India is _____   Ans: **April 1 to March 31**
34. When net factor income from abroad is deducted from NNP, the net value is_____
                                                             Ans: **Net Domestic Product**
35. The value of NNP at production point is called _____   Ans: **NNP at factor cost**
36. The average income of the country is _____   Ans: **Per capita income**
37. The value of national income adjusted for inflation is called _____   Ans: **Real national income**
38. Which is a flow concept ?   Ans: **Monthly income**
39. PQLI is the indicator of _____   Ans: **Economic welfare**
40. The largest proportion of national income comes from _____   Ans: **Private sector**
41. Every able bodied person who is willing to work at the prevailing wage rate is employed called as _____
                                                             Ans: **Full employment**
42. Structural unemployment is a feature in a _____   Ans: **Dynamic society**
43. In disguised unemployment, the marginal productivity of labour is _____   Ans: **Zero**
44. The main concention of the Classical Economic Theory is _____
                                                             Ans: **Economy is always in the state of equilibrium**
45. J.B. Say is a _____   Ans: **Classical Economist**
46. According to Keynes, which type of unemployment prevails in capitalist economy?Ans: **Under employment**
47. The core of the classical theory of employment is _____   Ans: **Law of Markets**

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48. Keynes attributes unemployment to _____   Ans: **A lack of effective demand**
49. _____ Flexibility brings equality between saving and investment.   Ans: **Interest**
50. _____ theory is a turning point in the development of modern economic theory.   Ans: '**Keynes**'
51. The basic concept used in Keynes Theory of Employment and Income is _____ Ans: **Effective demand**
52. The component of aggregate demand is _____   Ans: **Government expenditure**
53. Aggregate supply is equal to _____   Ans: **C + S + T + Rf**
54. Keynes theory pursues to replace laissez faire by _____Ans: **State intervention in certain situation**
55. In Keynes theory of employment and income, _____ is the basic cause of economic depression.
                    Ans: **Less aggregate demand in relation to productive capacity.**
56. Classical theory advocates _____   Ans: **Balanced budget**
57. Keynes theory emphasized on _____ equilibrium.   Ans: **Short run**
58. According to classical theory, rate of interest is a reward for _____   Ans: **Saving**
59. In Keynes theory ,the demand for and supply of money are determined by _____   Ans: **Rate of interest**
60. Say's law stressed the operation of _____ in the economy.   Ans: **Automatic price mechanism**
61. The average propensity to consume is measured by_____   Ans: **C/Y**
62. An increase in the marginal propensity to consume will:
                    Ans: **Lead to consumption function becoming steeper**
63. If the Keynesian consumption function is C=10+0.8 Y then, if disposable income is Rs 1000, whatis amount of total consumption?   Ans: **Rs. 810**
64. If the Keynesian consumption function is C=10+0.8Y then, when disposable income is Rs 100,what is the marginal propensity to consume?   Ans: **Rs. 0.8**
65. If the Keynesian consumption function is C=10+0.8 Y then, and disposable income is Rs100,what is the average propensity to consume?   Ans: **Rs. 0.9**
66. As national income increases   Ans: **The APC falls and gets nearer in value to the MPC.**
67. As increase in consumption at any given level of income is likely to lead   Ans: **Higher aggregate demand**
68. Lower interest rates are likely to :   Ans: **Increase borrowing and spending**
69. The MPC is equal to :   Ans: **Change in consumption /change in income**
70. The relationship between total spending on consumption and the total income is the
                    Ans: **Consumption function**
71. The sum of the MPC and MPS is _____   Ans: **1**
72. As income increases, consumption will _____   Ans: **Increase**
73. When investment is assumed autonomous the slope of the AD schedule is determined by the _____
                    Ans: **marginal propensity to consume**
74. The multiplier tells us how much _____ changes after a shift in _____Ans: **output, aggregate demand**
75. The multiplier is calculated as   Ans: **a and b**
76. It the MPC is 0.5, the multiplier is _____   Ans: **2**
77. In an open economy import _____ the value of the multiplier   Ans: **Reduces**
78. According to Keynes, investment is a function of the MEC and _____   Ans: **Rate of interest**
79. The term super multiplier was first used by   Ans: **J.R.Hicks**
80. The term MEC was introduced by   Ans: **J.M. Keynes**
81. The RBI Headquarters is located at   Ans: **Mumbai**
82. Money is   Ans: **the most liquid of all assets**
83. Paper currency system is managed by the   Ans: **Central Monetary authority**
84. The basic distinction between M1 and M2 is with regard to_____   Ans: **time deposits of banks**
85. Irving Fisher's Quantity Theory of Money was popularized in   Ans: **1911**
86. MV stands for   Ans: **supply of legal tender money**
87. Inflation means   Ans: **Prices are rising**
88. _____ inflation results in a serious depreciation of the value of money.   Ans: **Hyper**
89. _____ inflation occurs when general prices of commodities increases due to increase in production costs such as wages and raw materials.   Ans: **Cost-push**
90. During inflation, who are the gainers?   Ans: **Debtors**
91. _____ is a decrease in the rate of inflation.   Ans: **Disinflation**
92. Stagflation combines the rate of inflation with   Ans: **Stagnation**
93. The study of alternating fluctuations in business activity is referred to   Ans: **Trade cycle**
94. During depression the level of economic activity becomes extremely   Ans: **Low**
95. "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   Ans: **Crowther**
96. Debit card is an example of   Ans: **plastic money**
97. Fisher's Quantity Theory of money is based on the essential function of money as

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Ans: **medium of exchange**

98. V in MV = PT equation stands for — Ans: **Velocity of circulation of money**

99. When prices rise slowly, we call it — Ans: **mild inflation**

100. _____ inflation is in no way dangerous to the economy. — Ans: **Creeping**

101. A Bank is a _____ — Ans: **Financial institution**

102. A Commercial Bank is an institutions that provides services _____ — Ans: **Both a and b**

103. The Functions of commercial banks are broadly classified into _____ — Ans: **a, b, and c**

104. Bank credit refers to _____ — Ans: **Bank loans and advances**

105. Credit creation means _____ — Ans: **Multiplication of loans and advances**

106. NBFI does not have _____ — Ans: **Banking license**

107. Central bank is ————————— authority of any country. — Ans: **Monetary**

108. Who will act as the banker to the Government of India? — Ans: **RBI**

109. Lender of the last resort is one of the functions of _____ — Ans: **Central Bank**

110. Bank Rate means _____ — Ans: **Re-discounting the first class securities**

111. Repo Rate means _____ — Ans: **Rate at which the RBI is willing to lend to commercial banks**

112. Moral suasion refers _____ — Ans: **Persuasion**

113. ARDC started functioning from _____ — Ans: **July 1, 1963**

114. NABARD was set up in _____ — Ans: **July 1982**

115. EXIM bank was established in _____ — Ans: **March 1982**

116. The State Financial Corporation Act was passed by _____ — Ans: **Government of India**

117. Monetary policy his formulated by _____ — Ans: **Central Bank**

118. Online Banking is also known as _____ — Ans: **Internet Banking**

119. Expansions of ATM _____ — Ans: **Automated Teller Machine**

120. 2016 Demonetization of currency includes denominations of _____ — Ans: **Rs. 500 and Rs.1000**

121. Trade between two countries is known as _____ trade — Ans: **External**

122. Which of the following factors influence trade? — Ans: **All of the above.**

123. International trade differs from domestic trade because of _____ — Ans: **All the above**

124. In general, a primary reason why nations conduct international trade is _____ — Ans: **because Resources are not equally distributed among all trading nations**

125. Which of the following is a modern theory of international trade? — Ans: **Factor endowment theory**

126. Exchange rates are determined in _____ — Ans: **foreign exchange market**

127. Exchange rate for currencies is determined by supply and demand under the system of _____ — Ans: **Flexible exchange rate**

128. Net export equals _____ — Ans: **Export – Import**

129. Who among the following enunciated the concept of single factoral terms of trade? — Ans: **Jacob Viner**

130. Terms of Trade of a country show _____ — Ans: **Ratio of prices of exports and imports**

131. Favourable trade means value of exports are _____ Than that of imports. — Ans: **More**

132. If there is an imbalance in the trade balance (more imports than exports),it can be reduced by — Ans: **stimulating exports**

133. BOP includes _____ — Ans: **both visible and invisible items**

134. Components of balance of payments of a country includes _____
a) Current account   b) Official account   c) Capital account   d) All of above — Ans: **All of above**

135. In the case of BOT, _____ — Ans: **Transactions of goods are recorded.**

136. Tourism and travel are classified in which of balance of payments accounts? — Ans: **services account**

137. Cyclical disequilibrium in BOP occurs because of _____ — Ans: **Both (a) and (b).**

138. Which of the following is not an example of foreign direct investment? — Ans: **the purchase of bonds or stock issued by a textile company overseas**

139. Foreign direct investments not permitted in India _____ — Ans: **Automic energy**

140. Benefits of FDI include, theoretically _____
a) Boost in Economic Growth   b) Increase in the import and export of goods and services
c) Increased employment and skill levels   d) All of these — Ans: **All of these**

141. International Monetary Fund was an outcome of _____ — Ans: **Bretton Woods Conference**

142. International Monetary Fund is having its headquarters at _____ — Ans: **Washington D.C.**

143. IBRD is otherwise called _____ — Ans: **World Bank**

144. The other name for Special Drawing Rights is _____ — Ans: **Paper gold**

145. The organization which provides long term loan is _____ — Ans: **World Bank**

146. Which of the following countries is not a member of SAARC? — Ans: **Japan**

147. International Development Association is an affiliate of _____ — Ans: **World Bank**

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148. _____ relates to patents, copyrights, trade secrets, etc.,   Ans: **TRIPS**

149. The first ministerial meeting of WTO was held at _____   Ans: **Singapore**

150. ASEAN meetings are held once in every _____ years   Ans: **3**

151. Which of the following is not the member of SAARC?   Ans: **China**

152. SAARC meets once in _____ years.   Ans: **2**

153. The headquarters of ASEAN is _____   Ans: **Jaharta**

154. The term BRIC was coined in _____   Ans: **2001**

155. ASEAN was created in _____   Ans: **1967**

156. The Tenth BRICS Summit was held in July 2018 at _____   Ans: **Johannesburg**

157. New Development Bank is associated with _____   Ans: **BRICS**

158. Which of the following does not come under'Six dialogue partners'of ASEAN?   Ans: **North Korea**

159. SAARC Agricultural Information Centre (SAIC) works as a central information institution for agriculture related resources was founded on _____   Ans: **1988**

160. BENELUX is a form of _____   Ans: **Customs union**

161. The modern state is _____   Ans: **Welfare state**

162. One of the following is NOT a feature of private finance _____   Ans: **Publicity**

163. The tax possesses the following characteristics _____
    a) Compulsory   b) No quid pro quo   c) Failure to pay is offence   d) All the above   Ans: **All the above**

164. Which of the following canons of taxation was not listed by Adam smith?   Ans: **Canon of simplicity**

165. Consider the following statements and identify the correct ones.
    i. Central government does not have exclusive power to impose tax which is not mentioned in state or concurrent list.
    ii. The Constitution also provides for transferring certain tax revenues from union list to states.
        Ans: **ii. only**

166. GST is equivalence of _____   Ans: **Sales tax**

167. The direct tax has the following merits except _____   Ans: **convenient**

168. Which of the following is a direct tax?   Ans: **Income tax**

169. Which of the following is not a tax under Union list?   Ans: **Agricultural Income Tax**

170. "Revenue Receipts" of the Government do not include _____   Ans: **Rent from property**

171. The difference between revenue expenditure and revenue receipts is _____   Ans: **Revenue deficit**

172. The difference between total expenditure and total receipts including loans and other liabilities is called   Ans: **Fiscal deficit**

173.The primary purpose of deficit financing is _____   Ans: **Economic development**

174. Deficit budget means _____ Ans: **An excess of government's total expenditure over its total revenue**

175. Methods of repayment of public debt is _____   Ans: **All these**

176. Conversion of public debt means exchange of _____Ans: **low interest bonds for higher interest bonds**

177.The word budget has been derived from the French word "bougette" which means _____   Ans: **A small bag**

178. Which one of the following deficits does not consider borrowing as a receipt?   Ans: **Fiscal deficit**

179. Finance Commission determines _____   Ans: **The resources transfer to the states**

180. 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   Ans: **both**

181. The term environment has been derived from a French word_____.   Ans: **Environia**

182. The word biotic means environment _____   Ans: **living**

183. Ecosystem is smallest unit of _____   Ans: **Biosphere**

184. Who developed Material Balance Models?   Ans: **Alen kneese & R.V.Ayres**

185. Environmental goods are _____   Ans: **Non-market goods**

186. In a pure public good, consumption is _____   Ans: **Rival**

187. One of the most important market failures is caused by _____   Ans: **Negative externalities**

188. The common source of outdoor air pollution is caused by combustion processes from the following _____   Ans: **Motor Vehicles**

189. The major contributor of Carbon monoxide is _____   Ans: **Automobiles**

190. Which one of the following causes of global warming?   Ans: **Increasing temperature14**

191. Which of the following is responsible for protecting humans from harmful ultraviolet rays?   Ans: **Ozone layer**

192. Global warming also refers to as _____   Ans: **None of the above**

193. Which of the following is the anticipated effect of Global warming?   Ans: **Changing precipitation**

194. The process of nutrient enrichment is termed as _____   Ans: **Eutrophipation**

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195. Primary cause of Soil pollution is _____   Ans: **Chemical fertilizer**
196. Which of the following is main cause for deforestation?   Ans: **Timber harvesting industry**
197. Electronic waste is commonly referred as _____   Ans: **e-waste**
198. Acid rain is one of the consequences of _____   Ans: **Water Pollution**
199. Sustainable Development Goals and targets are to be achieved by _____   Ans: **2030**
200. Alkali soils are predominantly located in the _____ plains?
     a. Indus-Ganga   b. North-Indian   c. Gangetic plains d. All the above   Ans: **All the above**
201. "Redistribution with Growth" became popular slogan which approach? Ans: **New welfare oriented approach**
202. Which is not the feature of economic growth?   Ans: **Wider concept**
203. Which among the following is a characteristic of underdevelopment?   Ans: **Vicious circle of poverty**
204. The non-economic determinant of economic development   Ans: **Human resource**
205. Economic growth measures the _____   Ans: **Increase in output**
206. The supply side vicious circle of poverty suggests that poor nations remain poor because
                                    Ans: **a and b above**
207. Which of the following plan has focused on the agriculture and rural economy?   Ans: **Gandhian Plan**
208. Arrange following plans in correct chronological order
     a) People's Plan   b) Bombay Plan   c) Jawaharlal Nehru Plan   d) Vishveshwarya Plan
                                    Ans: **(iv) (iii) (ii) (i)**
209. M.N. Roy was associated with _____   Ans: **People's Plan**
210. Which of the following country adopts indicative planning?   Ans: **Germany**
211. Short-term plan is also known as_____   Ans: **Controlling Plans**
212. Long-term plan is also known as _____   Ans: **Perspective Plans**
213. The basic philosophy behind long-term planning is to bring _____ changes in the economy?
                                    Ans: **Industrial**
214. Sarvodaya Plan was advocated by_____   Ans: **J.P. Narayan**
215. Planning Commission was set up in the year _____   Ans: **1950**
216. Who wrote the book 'The Road to Serfdom'?   Ans: **Friedrich Hayek**
217. Perspective plan is also known as _____   Ans: **Long-term plan**
218. NITI Aayog is formed through _____   Ans: **Cabinet resolution**
219. Expansion of NITI Aayog?   Ans: **National Institution for Transforming India**
220. The Chair Person of NITI Aayog is   _____ Ans: **Prime Minister**
221. The word 'statistics' is used as _____.   Ans: **Singular and Plural**
222. Who stated that statistics as a science of estimates and probabilities.   Ans: **Boddington**
223. Sources of secondary data are _____.   Ans: **Both (A) and (B)**
224. The data collected by questionnaires are_____.   Ans: **Primary data**
225. A measure of the strength of the linear relationship that exists between two variables is called:
                                    Ans: **Correlation coefficient**
226. If both variables X and Y increase or decrease simultaneously, then the coefficient of correlation will be:
                                    Ans: **Positive**
227. 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_____   Ans: **Negative**
228. The value of the coefficient of correlation r lies between _____   Ans: **-1 and +1**
229. The term regression was used by _____   Ans: **Galton**
230. The purpose of simple linear regression analysis is to: Ans: **Predict one variable from another variable**
231. A process by which we estimate the value of dependent variable on the basis of one or more independent variables is called _____   Ans: **Regression**
232. If Y = 2 - 0.2X, then the value of Y intercept is equal to _____   Ans: **2**
233. In the regression equation $Y = \beta 0 + \beta 1X$, the Y is called _____   Ans: **Dependent variable** 17
234. In the regression equation $Y = \beta 0 + \beta 1X$, the X is called _____   Ans: **Independent variable**
235. Econometrics is the integration of _____   Ans: **Economics Mathematics and Statistics**
236 . Econometric is the word coined by _____   Ans: **Ragnar Frish**
237. The raw materials of Econometrics are _____   Ans: **Data**
238. The term U in regression equation is _____   Ans: **Stochastic error term**
239. The term U is introduced for the representation of _____   Ans: **Omitted Variable**
240. Econometrics is the amalgamation of _____   Ans: **3 subjects**

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Book Back 2 Marks, 3 Marks and 5 Marks
CHAPTER1
INTRODUCTION TO MACRO ECONOMICS

VERY SHORT ANSWER

1. 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.

2. Define the term 'Inflation'.
   ★ Inflation refers to steady increase in general price level.
   ★ Estimating the general price level by constructing various price index numbers such as Wholesale Price Index, Consumer Price Index, etc, are needed.

3. What is meant by an 'Economy'?
   J. R. Hicks defined as, "An economy is a cooperation of producers and workers to make goods and services that satisfy the wants of the consumers".

4. Classify the economies based on status of development.
   ⌃ Developed economies   ⌃ Under developed economies
   ⌃ Undeveloped economies   ⌃ developing economies

5. What do you mean by Capitalism?
   ♦ The system where the means of production are privately owned and market determines the economic activities.
   ♦ Adam Smith is the 'Father of Capitalism'.

6. Define 'Economic Model'.
   ✳ A model is a simplified representation of real situation.
   ✳ Economists use models to describe economic activities, their relationships and their behaviour.

7. 'Circular Flow of Income' - Define.
   The circular flow of income is a model of an economy showing connections between different sectors of an economy. It shows flows of income, goods and services and factors of production.

Short Answer Questions:

1. State the importance of Macro Economics.
   i) There is a need to understand the functioning of the economy at the aggregate level to evolve suitable strategies and to solve the basic problems prevailing in an economy.
   ii) Understanding the future problems, needs and challenges of an economy as a whole is important to evolve precautionary measures.
   iii) Macro economics provides ample opportunities to use scientific investigation to understand the reality.

2. Describe the different types of economic systems.
   Economic System refers to the manner in which individuals and institutions are connected together to carry out economic activities in a particular area.
   There are three major types of economic systems.
   1. Capitalistic Economy (Capitalism), 2. Socialistic Economy (Socialism) 3. Mixed Economy (Mixedism)

3. Outline the major merits of capitalism.
   1. Automatic Working: Without any government intervention, the economy works automatically.
   2. Efficient Use of Resources: All resources are put into optimum use.
   3. Incentives for Hard work: Hard work is encouraged and entrepreneurs get more profit for more efficiency.
   4. Economic Progress: Production and productivity levels are very high in capitalistic economies.

4. Indicate the demerits of socialism.
   1. Red-Tapism and Bureaucracy:
   As decision are taken by government agencies, approval of many officials and movement of files from one table to other takes time and leads to red tapism.
   2. Absence of Incentive:
   The major limitation of socialism is that this system does not provide any incentive for efficiency. Therefore, productivity also suffers.
   3. Limited Freedom of Choice:
   Consumers do not enjoy freedom of choice over the consumption of goods and services.

5. Enumerate the features of mixed economy.
   1. Ownership of Property and Means of Production
   The means of production and properties are owned by both private and public. Public and Private have the right to purchase, use or transfer their resources.
   2. Coexistence of Public and Private Sectors
   In mixed economies, both private and public sectors coexist. Private industries undertake activities primarily for profit. Public sector firms are owned by the government with a view to maximize social welfare.

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3. Economic Planning
    The central planning authority prepares the economic plans. National plans are drawn up by the Government and both private and public sectors abide.

6. Distinguish between Capitalism and Globalism.

Basis of Difference	Capitalism	Globalism
Term coined by	Adam Smith is the 'Father ofCapitalism'(1776). Capitalistic economy is also termed as a free economy	The term coined by Manfred D Steger(2002) to denote the new market ideology of globalisation
Meaning	The system where the means of production are privately owned andmarket determines the economic activities.	An economic system where the economic activities of a nation are inter connected and inter dependent on each other nation.
Feature	The role of the government isminimum and market determinesthe economic activities.	Connects nations together throughInternational trade and aiming at globaldevelopment.

7. 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.

Long Answer Questions:
1. Discuss the scope of Macro Economics.
i. National Income:
    Measurement of national income and its composition by sectors are the basic aspects of macro economic analysis.
ii. Inflation:
    Inflation refers to steady increase in general price level. Estimating the general price level by constructing various price index numbers such as Wholesale Price Index, Consumer Price Index, etc,
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. Poverty and Unemployment:
    The major problems of most resource - rich nations are poverty and unemployment. This is one of the economic paradoxes.
v. Economic Growth:
    The growth and development of an economy and the factors determining them could be understood only through macro analysis.
vi. Economic Policies:
    Economic policies are necessary to solve the basic problems, to overcome the obstacles and to achieve growth.

2. Illustrate the functioning of an economy based on its activities.
    Economic System refers to the manner in which individuals and institutions are connected together to carry out economic activities in a particular area.
❖ In an economy, the fundamental economic activities are production and consumption. These two activities are supported by several other activities.
❖ 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.
❖ In addition to these supporting activities, external activities from other economies such as import, export.

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3. Compare the features of capitalism and socialism.

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

4. Compare the feature among Capitalism, Socialism and Mixedism.

Features	Capitalism	Socialism	Mixedism
Ownership	Private Ownership	Public Ownership	Private Ownership and Public Ownership
Economic Motive	Profit	Social Welfare	Social Welfare andProfit Motive
Solution of Central Problems	Free Market System	Central Planning System	Central PlanningSystem and FreeMarket System
Government Role	Internal Regulation only	Complete Involvement	Limited Role
Income Distribution	Unequal	Equal	Less unequal
Nature of Enterprise	Private Enterprise	Government Enterprise	Both Private and StateEnterprises

CHAPTER 2
National Income

Very Short Answer Questions:

1. Define National Income.

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

2. Write the formula for calculating GNP.

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

3. What is the difference between NNP and NDP?

Basis	NNP	NDP
Meaning	Net National Product refers to thevalue of the net output of the economyduring the year.	NDP is the value of net output ofthe economy during the year.
Formula	NNP = GNP – depreciationallowance.	Net Domestic Product = GDP -Depreciation.

4. Trace the relationship between GNP and NNP.

Basis of Relationship	GNP	NNP
At Market price	GNP is the total measure of the flow of final goods and services at market value r in a country during a year,	Net National Product refers to the value of the net output of the economy during the year.
Formula	GNP at Market Prices = GDP atMarket Prices + Net Factor income.	NNP = GNP – depreciation allowance.

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

Personal income 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 profits) + Transfer payments

6. Define GDP deflator.

⌃ GDP deflator is an index of price changes of goods and services included in GDP.
⌃ It is a price index which is calculated by dividing the nominal GDP in a given year by the real GDP for the same year and multiplying it by 100.

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

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7. 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.

Short Answer Questions:
1. 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 is obtained by dividing national income by population.
Per Capita income = National Income / Population.

2. Differentiate between personal and disposable income.

Sl.No	Basis of Difference	Personal Income	Disposable Income
1	Meaning	Personal income is the total income received by the individuals before payment of direct taxes in a year.	Disposable Income is the individuals income after the payment of income tax.
2	Implication	Personal income 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. Disposal income = consumption + saving.

3. 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.

4. 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, it includes personal consumption expenditure, net domestic investment, government expenditure on consumption as well as capital goods and net exports.
Symbolically, GNP = C + I + G + (X-M)
C - Private consumption expenditure I - Private Investment Expenditure
G - Government expenditure X-M = Net exports

5. 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 value added method.
✱ Any commodity which is either raw material or intermediate good for the final production should not be included.

6. 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.

7. List out the uses of national income.
i) To know the relative importance of the various sectors of the economy and their contribution towards national income
ii) To formulate the national policies such as monetary policy, fiscal policy and other policies
iii) To formulate planning and evaluate plan progress

Long Answer Questions:
1. Explain the importance of national income.
National income is of great importance for the economy of a country. Nowadays the national income is regarded as accounts of the economy, which are known as social accounts.
It enables us,
★ To know the relative importance of the various sectors of the economy and their contribution towards national income; from the calculation of national income.

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★ To formulate the national policies such as monetary policy, fiscal policy and other policies; the proper measures can be adopted to bring the economy to the right path with the help of collecting national income data.

★ To formulate planning and evaluate plan progress; it is essential that the data pertaining to a

★ country's gross income, output, saving and consumption from different sources should be available for economic planning.

★ 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 know the distribution of income for various factors of production in the country.

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

Introduction

National Income can be computed at any of three levels, viz., production, income and expenditure.

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

Output = Income = Expenditure

1. Product Method

Product method measures the output of the country. It is also called inventory method. Under this 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.

Steps Involved

The value of the final product is derived by the summation of all the values added in the productive process. To avoid double counting, either the value of the final output.

Precautions

1. Double counting is to be avoided under value added method.
2. The value of output used for self consumption should be counted while measuring national income.

2. Income Method (Factor Earning Method)

This method approaches national income from the distribution side. Under this method, national income is calculated by adding up all the incomes generated in the course of producing national product.

Steps involved

1. The enterprises are classified into various industrial groups.
   i) Labour income - Wages and salaries, fringe benefits, employer's contribution to social security.
   ii) Capital income – Profit, interest, dividend and royalty
   iii) Mixed income – Farming, sole proprietorship and other professions.

Precautions

Items not to be included- Transfer payments are not to be included in estimation of national income

Items to be included- Imputed value of rent for self occupied houses or offices is to be included.

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

1. Transfer payments

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

2. Difficulties in assessing depreciation allowance

The deduction of depreciation allowances, accidental damages, repair and replacement charges from the national income is not an easy task.

3. Unpaid services

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

4. Income from illegal activities

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

5. Production for self-consumption and changing price

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

6. Capital Gains

The problem also arises with regard to capital gains. Capital gains arise when a capital asset such as a house, other property, stocks or shares, etc.

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

❖ National Income and Social Accounting

❖ National income is also being measured by the social accounting method.

❖ Under this method, the transactions among various sectors such as firms, households, government, etc.,

❖ Social Accounting and Sector Under this method, the economy is divided into several sectors.

The Importance of social accounting are as follows:

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(1) In Classifying Transactions:
　　　Economic activity in a country involves innumerable transactions relating to buying and selling, paying and receiving income, exporting and importing, paying taxes, etc.

(2) In Understanding Economic Structure:
　　　Social accounting helps us to understand the structure of the body economic.

(3) In Understanding Different Sectors and Flows:
　　　Social accounts throw light on the relative importance of the different sectors and flows in the economy. (Eg):production sector, consumption sector, investment sector and the rest of the world sector

(4) In Clarifying Relations between Concepts:
　　　Social accounts help in clarifying the relationships between such related concepts as net national product at factor cost and gross national product at market prices.

(5) In Guiding the Investigator:
　　　Social accounts are a guide for the economic investigator by indicating the type of data which might be collected for analysing the behaviour of the economy.

Chapter 3
Theories of Employment and Income

Very Short Answer Questions:
1. Define full employment.
　　Keynes defines full employment as the absence of involuntary unemployment.

2. What is the main feature of rural unemployment?
　　　The main feature of rural unemployment is the existence of unemployment in the form of disguised unemployment and seasonal unemployment.

3. Give short note on frictional unemployment.
　　★ Frictional unemployment 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.

4. Give reasons for labour retrenchment at present situation.
　　　The Industrial Dispute Act, 1947 states that 'retrenchment means termination of service of a workman by an employer for any reason whatsoever.

5. List out the assumptions of Say's law.
　　1. No single buyer or seller of commodity or an input can affect price.
　　2. Full employment.
　　3. People are motivated by self interest and self – interest determines economic decisions.
　　4. Money acts only as a medium of exchange.

6. What is effective demand ?
　　　Effective demand denotes 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.

7. What are the components of aggregate supply ?
　　Aggregate Supply = C + S + T + Rf = Aggregate income generated in the economy
　　　1. consumption expenditure **(C)**
　　　2. private savings **(S)**
　　　3. Net tax payments **(T)**
　　　4. Personal (desired) transfer payments to the foreigners **(Rf)**
　　ED = Y = C + I = Output = Employment

Short Answer Questions:
1. Explain the following in short
　　(i) Seasonal unemployment
　　　This type of unemployment occurs during certain seasons of the year. In agriculture and agro based industries like sugar, production activities are carried out only in some seasons.
　　(ii) Frictional unemployment
　　　Frictional unemployment arises due to imbalance between supply of labour and demand for labour. This is because of immobility of labour, break down of machinery, shortage of raw materials etc.
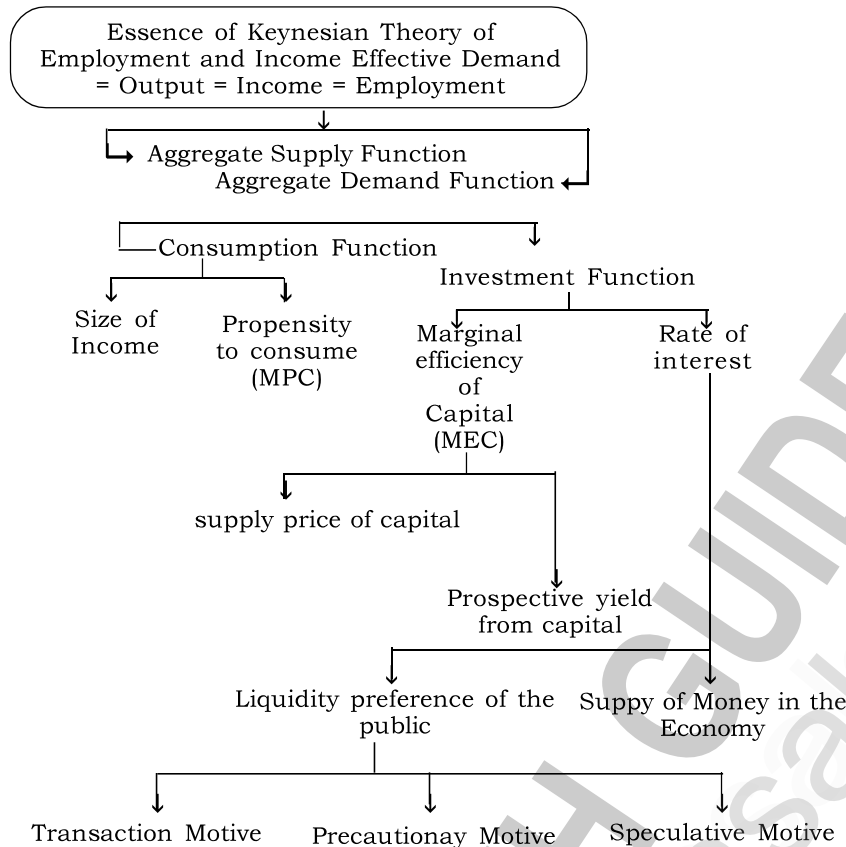　　*(iii) Educated unemployment*
　　　Sometimes educated people are underemployed or unemployed when qualification does not match the job. Faulty education system, lack of employable skills.

2. Write short note on the implications of Say's law.
　　1. There is no possibility for over production or unemployment.
　　2. As automatic price mechanism operates in the economy, there is no need for government intervention.
　　3. Interest flexibility brings about equality between saving and investment.
　　4. Money performs only the medium of exchange function in the economy.

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

Essence of Keynesian Theory of Employment and Income Effective Demand = Output = Income = Employment

Aggregate Supply Function
Aggregate Demand Function

Consumption Function

Investment Function

Size of Income

Propensity to consume (MPC)

Marginal efficiency of Capital (MEC)

Rate of interest

supply price of capital

Prospective yield from capital

Liquidity preference of the public

Suppy of Money in the Economy

Transaction Motive   Precautionay Motive   Speculative Motive

4. What do you mean by aggregate demand? Mention its components.
- ❖ The aggregate demand is the amount of money which entrepreneurs expect to get by selling the output produced by the number of labourers employed.
- ❖ It is the expected income or revenue from the sale of output at different levels of employment.
- ❖ Aggregate demand are:1.Consumption demand 2. Investment demand 3. Government expenditure and 4. Net Export (export – import) *$AD = C + I + G + (X – M)$*

5. Explain about aggregate supply with the help of diagram.
Aggregate supply refers to the value of total output of goods and services produced in an economy in a year. *Aggregate Supply = C + S + T + Rf = Aggregate income generated in the economy*
- ★ Z curve is linear where money wages remains fixed;
- ★ Z1 curve is non - linear since wage rate increases with employment.
- ★ When full employment level of Nf is reached it is impossible to increase output by employing more men.
- ★ The slope of the aggregate supply curve depends on the relation between the employment and productivity.
- ★ The aggregate supply depends on the relationship between price and wages.

6. Write any five differences between classism and Keynesianism.

S.No	Keynesianism	Classicism
1	Short-run equilibrium	Long-run equilibrium
2	Saving is a vice	Saving is a social virtue.
3	Macro approach to national problem	Micro foundation to macro problems
4	State intervention is advocated	Champions of Laissez-fair policy

7. According to classical theory of employment how wage reduction solve the problem of unemployment diagrammatically explain
i) during the days of the great depression Prof AC Pigou supplied the most logical part of unemployment.

ii)According to pigou ,under free competition the tendency of the economic system is automatically provide full employment in the labour market.

iii)Unemployment results from rigidy in the wage structure and state interference in the market economy.

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iv)According to Prof Pigou if all government interference are removed and forces of competition are allowed to work freely the market induced changes of wages rates will lead to full employment

v)Prof Pigou illustrated the following equation .

N=q,Y\w

N=No of workers Q=fraction of income earned as wages and salaries

Y=full employment level of national income

W=Wage rate

vi)If Y is given N can be increased only by reduction in W

vii)this can be explained with following figure.

Long Answer Questions:

1. Describe the types of unemployment.

Introduction

Unemployment is problem faced when there are people, who are willing to work and able to work but cannot find suitable jobs.

Types of unemployment

1. Cyclical Unemployment unemployment exists during the downturn phase of trade cycle in the economy. In a business cycle during the period of recession and depression, income and output fall.

2. Seasonal Unemployment unemployment occurs during certain seasons of the year. In agriculture and agro based industries like sugar, production activities are only in some season.

3. *Frictional Unemployment (Temporary Unemployment)*

✪ Frictional unemployment 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.

4. *Educated Unemployment*

Sometimes educated people are underemployed or unemployed when qualification does not match the job.

5. *Technical Unemployment*

Modern technology being capital intensive requires less labourers and contributes to technological unemployment.

2. Critically explain Say's law of market.

Say's Market Law

According to Say, "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.

Assumptions of Say's law.

1. No single buyer or seller of commodity or an input can affect price.
2. Full employment.
3. People are motivated by self interest.
4. There will be a perfect competition in labour and product market.
5. There is wage-price flexibility.
6. Money acts only as a medium of exchange.
7. Long - run analysis.
8. There is no possibility for over production or unemployment.

Implications of Say's law.

1. There is no possibility for over production or unemployment.
2. As automatic price mechanism operates in the economy, there is no need for government intervention.
3. Money performs only the medium of exchange function in the economy.

Criticisms of Say's Law

1. According to Keynes, supply does not create its demand.
2. Automatic adjustment process will not remove unemployment.
3. Money is not neutral. Individuals hold money for unforeseen contingencies while businessmen keep cash reserve for future activities.

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

Equilibrium between ADF and ASF

(i) Under the Keynes theory of employment, a simple two sector economy consisting of the households sector and the business sector is taken to understand the equilibrium between ADF and ASF.

(ii) All the decisions concerning consumption expenditure are taken by the individual households, while the business firms take decisions concerning investment.

(iii) It is also assumed that consumption function is linear and planned investment is autonomous.

There are two approaches

1. Aggregate demand - Aggregate supply approach 2. Saving - Investment approach

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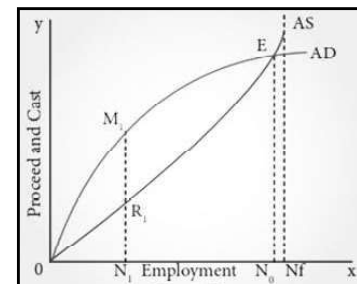
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Diagram explanation :
(i) In the figure, the aggregate demand and aggregate supply reach equilibrium at point - E.
(ii) The employment level is N0 at that point.
(iii) At ON1 employment, the aggregate supply is N1 R1
(iv) They are able to produce M1 N1
(v) The expected level of profit is M1 R1
(vi) To attain this level of profit, entrepreneurs will employ more labourers.

4. Explain the differences between classical theory and Keynes theory.

S.no	DIFFERENCES	CLASSICAL THEORY	KEYNES THEORY
1	*Equilibrium*	Long-run equilibrium	Short-run equilibrium
2	*Savings and Investment*	Saving and investment equilibrium through interest rate	Saving and investment equilibrium through income levels
3	*Money*	The function of money is to act as a medium of exchange	The function of money is a medium of exchange.
4	**Approach**	Micro foundation to macro Problems	Macro approach to national Problems.
5	*Intervention*	No government intervention	Government intervention is necessary for stabilization of economy
6	*Employment*	Full employment	Unemployment and under employment are possible
7	*Output*	Supply determined	Aggregate demand determined
8	*Economic System*	Laissez faire policy.	Discard Laissez faire.

Unit 4
Consumption and Investment

Very Short Answer Questions:

1. What is consumption function?
➤ The consumption function or propensity to consume refers to income consumption relationship.
➤ It is a "functional relationship between two aggregates viz., total consumption and gross national income".
[C= f (Y)]

2. What do you mean by propensity to consume?
✪ Propensity to consume refers to income consumption relationship.
✪ When income increases consumption also increases.

3. Define average propensity to consume (APC).
The average propensity to consume is the ratio of consumption expenditure to any particular level of income. Algebraically it may be expressed as under: APC = C (Consumption) Y (Income)

4. 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. it may be expressed as under: MPC = $\Delta C \backslash \Delta Y$.

Where, ΔC = Change in Consumption. ΔY = Change in Income

5. What do you mean by propensity to save?
❖ The propensity to save refers to income savings relationship.
❖ Saving function is a "functional relationship between two aggregates viz., total savings and gross national income". (**S = f (Y)** S = Savings Y = Income f = Function)

6. Define average propensity to save (APS).
★ The average propensity to save is the ratio of saving to income.
★ APS is the quotient obtained by dividing the total saving by the total income.
★ It can be expressed APC = S
★ Y Where, S = Saving. Y = Income

7. 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 = $\Delta S \backslash \Delta Y$

ΔS – Change in Saving. ΔY – Change in Income

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8. Define Multiplier.
- ✪ 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 $\ddot{A}Y$ stands for resultant increase in income, the multiplier

  $K = \Delta Y/\Delta I$.

9. Define Accelerator.
Accelerator is the numerical value of the relation between an increase in consumption and the resulting increase in investment. Accelerator (β) = $\Delta I \Delta C$

Short Answer Questions:
1. State the propositions of Keynes's Psychological Law of Consumption
   (1) When income increases, consumption expenditure also increases but by a smaller amount.
   The reason is that as income increases, our wants are satisfied side by side, so that the need to spend more on consumer goods diminishes.
   (2) The increased income will be divided in some proportion between consumption expenditure and saving.

S. No.	Autonomous investment	Induced investment
1	Independent	Planned
2	Income inelastic	Income elastic
3	Welfare motive	Profit motive

3. Explain any three subjective and objective factors influencing the consumption function.
   A) Subjective Factors
   1. *The motive of precaution:* To build up a reserve against unforeseen contingencies.
   2. *The motive of foresight:* The desire to provide for anticipated future needs. Eg. Old age
   3. *The motive of calculation:* The desire to enjoy interest and appreciation.

   B) Objective Factors
   1) *Income Distribution:* There is large disparity between rich and poor.
   2) *Price level:* When the price falls, real income goes up;
   3) *Wage level:* Wage level plays an important role in determining the consumption function.

4. Mention the differences between accelerator and multiplier effect

BASIS	ACCELERATOR	MULTIPLIER
1. Meaning	The accelerator coefficient is the ratio between induced investment and an initial change in consumption	The multiplier is defined as the ratio of the change in national income to change in investment.
2. Effect	Change in consumption expenditure forms the effect	Change in Investment forms the effect.
3. Formula	$\beta = \Delta I /\Delta C$	$K = \Delta Y/\Delta I$

5. State the concept of super multiplier.
   Meaning of Super Multiplier
   - ★ In order to measure the total effect of initial investment on income, Hicks has combined the k and β mathematically and given it the name of the Super Multiplier.
   - ★ The super multiplier is worked out by combining both induced consumption and induced
   - ★ investment.
   - ★ The combined name of the super multiplier and the accelerator is also called the leverage effect. which may lead the economy to very high or low level of income propagation. **Y= C + IA + IP**

6. Specify the limitations of the multiplier.
   - ✪ The multiplier 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 leakages. These leakages are the limitations of the multiplier.
   - ✪ Payment towards past debts.
   - ✪ Purchase of existing wealth
   - ✪ Import of goods and services

Long Answer Questions:
1. Explain Keynes psychological law of consumption function with diagram.
   Meaning of Psychological law of consumption
   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.

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Assumptions:
1. The other variables such as income distribution, tastes, habits, social customs, price movements, population growth, etc. do not.
2. *Existence of Normal Conditions:* The law holds good under normal conditions. People may spend the whole of increased income on consumption.
3. *Existence of a Laissez-faire Capitalist Economy:* The law operates in a rich capitalist economy where there is no government intervention.
        The three propositions of the law Diagrammatically, the three propositions

Explanations
Proposition (1): When income increases from 120 to 180 consumption also increases from 120 to 170 but the increase in consumption is less than the increase in income, 10 is saved.
Proposition (2): When income increases to 180 and 240, it is divided in some proportion between consumption by 170 and 220 and saving by 10 and 20 respectively.
Proposition (3): Increases in income to 180 and 240 lead to increased consumption 170 and 220 and increased saving 20 and 10 than before.

2. Briefly explain the subjective and objective factors of consumption function?
A) Subjective Factors
1. The motive of precaution: To build up a reserve against unforeseen contingencies. Eg. Accidents,sick.
2. The motive of foresight: The desire to provide for anticipated future needs. Eg. Old age
3. The motive of calculation: The desire to enjoy interest and appreciation.
4. The motive of improvement: The desire to enjoy for improving standard of living.

B) Objective Factors
1) Income Distribution
        If there is large disparity between rich and poor, the consumption is low because the rich people have low propensity to consume and high propensity to save.
2) Price level
        Price level plays an important role in determining the consumption function. When the price falls, real income goes up.
3) Wage level
        Wage level plays an important role in determining the consumption function and there is positive relationship between wage and consumption.
4) Fiscal Policy
        When government reduces the tax the disposable income rises and the propensity to consume of community increases.

3. Illustrate the working of Multiplier
Definition of Multiplier
➤ 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 ÄY stands for resultant increase in income, the multiplier K =ΔY/ΔI.
The value of multiplier depends on MPC
        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.
Working of Multiplier – Illustration
➤ 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 (Rs.20 Crores is saved).
➤ As a result, suppliers of goods get an income of Rs.80 crores. They inturn spend Rs.64 crores (80% of Rs.80cr).
➤ In this manner consumption expenditure and increase in income act in a chain like manner.
        The final result is ΔY = 100+100×4/5+100 ×[4/5]2+100×[4/5]

4. Explain the operation of the Accelerator.
Meaning of Accelerator
Accelerator (β) = ΔI\ΔC
ΔI = Change in investment outlays (say 100)
ΔC = Change in consumption demand (Say 50)

Operation of the Acceleration Principle
★ Let us suppose that in order to produce 1000 consumer goods, 100 machines are required. Also suppose that working 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.

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★ Suppose that demand for consumer goods rises by 10 percent (ie from 1000 to 1100). This results in increase in demand for 10 more machines.

★ So that total demand for machines is 20. (10 for replacement and 10 for meeting increased demand). It may be noted here a 10 percent increase in demand for consumer goods causes a 100 percent increase in demand for machines (from 10 to 20).

Diagrammatic illustration:
Operation of Accelerator.

✪ SS is the saving curve. II is the investment curve. At point E1, the economy is in equilibrium with OY1 income. 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.

Figure.4.7
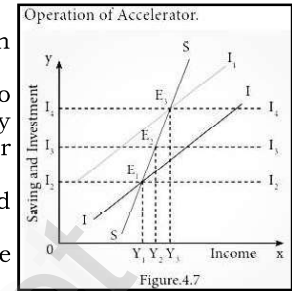
5. What are the differences between MEC and MEI.

Marginal Efficiency of Capital (MEC)	Marginal Efficiency of Investment (MEI)
It is based on a given supply price for capital.	It is based on the induced change in the price due to change in the demand for capital.
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.
The capital stock is taken on the X axis of diagram.	The amount of investment is taken on the Xaxis of diagram.
It is a "Stock" concept.	It is a "flow" concept.
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

Very Short Answer Questions:
1. Define Money.

"Money can be anything that is generally acceptable as a means of exchange and at the same time acts as a measure and a store of value". – Crowther.

2. What is barter?
❖ Exchange of goods for goods is known as "Barter Exchange"
❖ In a barter system, the commodities and services were directly exchanged for other commodities and services.

3. What is commodity money?

In order to function as money, the commodity had to be widely acceptable, which means that everyone had to be willing to accept it as a payment for goods or services.

4. What is gold standard?
★ Gold Standard is a system in which the value of the monetary unit or the standard currency is directly linked with gold.
★ The monetary unit is defined in terms of a certain weight of gold.

5. What is plastic money? Give example.

Plastic money is a term that is used predominantly in reference to the hard plastic cards used every day in place of actual bank notes. such as *Cash cards, Credit cards, Debit cards.*

6. Define inflation.
❖ "Too much of Money chasing too few goods" - Coulbourn
❖ "A state of abnormal increase in the quantity of purchasing power"- Gregorye

7. What is Stagflation?
✪ Stagflation is a combination of stagnant economic growth, high unemployment and high inflation.
✪ It is the co-existence of a high rate of unemployment and inflation.

Short Answer Questions:
1. Write a note on metallic money.
➤ Under metallic standard, some kind of metal either gold or silver is used to determine the standard value of the money and currency.

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> ➤ Standard coins made out of the metal are the principal coins used under the metallic standard.
> ➤ These standard coins are full bodied or full weighted legal tender. Their face value is equal to their intrinsic metal value.

2. What is money supply?
   ★ Money supply means the total amount of money in an economy.
   ★ It refers to the amount of money which is in circulation in an economy at any given time.
   ★ Money supply plays a crucial role in the determination of price level and interest rates.
   ★ Money supply viewed at a given point of time is a stock and over a period of time it is a flow.

3. What are the determinants of money supply?
   1. Currency Deposit Ratio (CDR); It is the ratio of money held by the public in currency to that they hold in bank deposits.
   2. Reserve deposit Ratio (RDR); Reserve Money consists of two things *(a) vault cash in banks and (b) deposits of commercial banks with RBI.*
   3. Cash Reserve Ratio (CRR); It is the fraction of the deposits the banks must keep with RBI.

4. Write the types of inflation.
   On the basis of speed:
   (i) Creeping inflation   (ii) Walking inflation
   (iii) Running inflation and   (iv) Galloping inflation or Hyper-inflation.

   On the basis of demand and cost:
   (i) Demand-Pull Inflation   (ii) Cost-Push Inflation

   On The Basis Of Inducement:
   (i) Currency inflation   (ii) Credit inflation
   (iii) Deficit induced inflation   (iv) Profit induced inflation
   (v) Scarcity induced inflation   (vi) Tax induced inflation

5. 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.

6. 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 which the public desires to hold in the form of money.
        Thus, the price level P = M/KY or the value of money (The reciprocal of price level) 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 the people decide to keep in the form of cash, *Keynes indicates that K is a real balance, because it is measured in terms of consumer goods.*

7. Explain disinflation.
   ★ Disinflation is the slowing down the rate of inflation by controlling the amount of credit (bank loan, hire purchase) available to consumers without causing more unemployment.
   ★ Disinflation may be defined as the process of reversing inflation without creating unemployment or reducing output in the economy.

IV. Long Answer Questions:
1. Illustrate Fisher's Quantity theory of money.
   ➤ The general form of equation given by Fisher: MV = PT
   ➤ Fisher points out that in a country during any given period of time, 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".
        M = Money Supply/quantity of Money V = Velocity of Money
        P = Price level T = Volume of Transaction.
   ➤ Extended Form of equation

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➤ Fisher extended his original equation of exchange to include bank deposits M1 and its velocity V1. The revised equation was:
  (a) the quantity of money in circulation 'M'
  (b) the velocity of circulation of money 'V'
  (c) the volume of bank credit money M1 (d) the velocity of circulation of credit money V1 and the volume of trade (T)

✪ Figure (1) shows the effect of changes in the quantity of money on the price level. When the quantity of money is 0M, the price level is 0P.

✪ When the quantity of money is doubled to 0M2 , the price level is also doubled to 0P2.

✪ Further, when the quantity of money is increased four-fold to 0M4 , the price level also increases by four times to 0P4.

✪ Figure (2) 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 0M4, the value of money is reduced by 0I /P4.

✪ This inverse relationship between the quantity of money and the value of money is shown by downward sloping curve 1 / 0P = f(M).

2. Explain the functions of money.

1. Primary Functions
i) Money as a medium of exchange: Money has the quality of general acceptability, and all exchanges take place in terms of money.
ii) Money as a measure of value: The second important function of money is that it measures the value of goods and services.

2. 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 a Standard of Deferred Payments: In the absence of money, the borrowed amount could be returned only in terms of goods and services.

3. 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.

4. 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.

3. What are the causes and effects of inflation on the economy?

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 Public Expenditure: Government activities have been expanding due to developmental activities and social welfare programmes.
iii) Cheap Monetary Policy: Cheap monetary policy or the policy of credit expansion also leads to increase in the money supply.
iv) Deficit Financing: In order to meet its mounting expenses, the government resorts to deficit financing by borrowing from the public and even by printing more notes.

Effects of Inflation
The effects of inflation can be classified into two heads:
  (1) Effects on Production (2) Effects on Distribution.

1. 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.
➤ However, hyper-inflation results in a serious depreciation of the value of money and it discourages savings

2. Effects on Distribution
i) Debtors and Creditors: During inflation, debtors are the gainers while the creditors are losers.
ii) Fixed-income Groups: The fixed income groups are the worst hit during inflation because their incomes being fixed do not bear any relationship with the rising cost of living.

4. Discribe the phases of prade cycle.

i) Boom or Prosperity Phase: The full employment and the movement of the economy beyond full employment is characterized as boom period.

ii) Recession: The turning point from boom condition is called recession. This happens at higher rate, than what was earlier.

iii) Depression: During depression the level of economic activity becomes extremely low. Firms incur losses and closure of business becomes a common feature and the ultimate result is unemployment.

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iv) Recovery: After a period of depression, recovery sets in. This is the turning point from depression to revival towards upswing. It begins with the revival of demand for capital goods.

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Chapter - 6
Banking
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Very Short Answer Questions:

1. Define Commercial banks.

Commercial bank refers to a bank, or a division of a large bank, which more specifically deals with deposit and loan services provided to corporations, individual members of the public/small business.

2. What is credit creation?

✪ Credit Creation means the multiplication of loans and advances.

✪ Commercial banks receive deposits from the public and use these deposits to give loans.

3. Define Central bank.

A central bank, reserve bank, or monetary authority is an institution that manages a state's currency, money supply, and interest rates.

4. Distinguish between CRR and SLR.

S.No	BASIS FOR COMPARISON	CRR	SLR
1	Meaning	CRR is the percentage of money which the bank has to keep with the Central Bank of India in the form of cash.	The bank has to keep a certain percentage of their Net Time and Demand Liabilities in the form of liquid assets as specified by RBI.
2	Form	Cash	Cash and other assets like gold and government securities viz.

5. 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.

6. What is rationing of credit?

➤ This is the oldest method of credit control.

➤ It aims to control and regulate the purposes for which credit is granted by commercial banks.

7. Mention 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 Co-operative Banks and other banking activities.

Short Answer Questions:

1. 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.

2. Give a brief note on NBFI.

★ A non-banking financial institution (NBFI) or non-bank financial company (NBFC) is a financial institution that does not have a full banking license or is not supervised by the central bank.

★ The NBFIs do not carry on pure banking business, but they will carry on other financial transactions. NBFIs can be broadly classified into two categories. Viz.., (1) Stock Exchange (2) Other Financial institutions.

3. Bring out the methods of credit control.

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Methods of Credit Control
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General (Quantitative)	Selective (Quantitative)
1. Bank Rate	1. Rationing of Credit
2. Open Market Operations	2. Direct Action
3. Variable Cash Reserve Ratio	3. Moral suasion
	4. Publicity
	5. Regulation of Consumer's Credit
	6. Marginal Requirements

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4. What are the functions of NABARD?
➤ NABARD acts as a refinancing institution for all kinds of production and investment credit to agriculture, small-scale industries, cottage and village industries, handicrafts
➤ It provides short-term, medium-term and long-term credits to state cooperative Banks (SCBs), RRBs, LDBs
➤ It maintains a Research and Development Fund to promote research in agriculture and rural development.

5. Specify the functions of IFCI.
★ Long-term loans; both in rupees and foreign currencies.
★ Under writing of equity, preference and debenture issues.
★ Guaranteeing the deferred payments in respect of machinery imported from abroad or purchased in India;
★ Guaranteeing of loans raised in foreign currency from foreign financial institutions.

6. Distinguish between money market and capital market.

BASIS FOR COMPARISON	MONEY MARKET	CAPITAL MARKET
Meaning	The mechanism through which short term funds are loaned and borrowed.	System which is concerned with raising capital by dealing in shares, bonds and other long term investments.
Financialinstruments	Treasury Bills, Commercial Papers, Certificate of Deposit, Trade Credit etc.	Shares, Debentures, Bonds, Retained Earnings, Asset Securitization, Euro Issues etc.
Institutions	Central bank, Commercial bank,non financial institutions, bill brokers, Acceptance houses, and so on.	Commercial banks, Stock exchange,non-banking institutions like insurance companies etc.

7. Mention the objectives of demonetizations.
Meaning of Demonitisation
Demonitisation 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 Demonetisation
1. Removing Black Money from the country.
2. Stopping of Corruption.
3. Stopping Terror Funds.
4. Curbing Fake Notes

Long Answer Questions:
1. Explain the role of Commercial Banks in economic development.
1. Capital Formation
Banks play an important role in capital formation. They mobilize the small savings of the people scattered over a wide area through their network of branches all over the country.

2. 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.

3. 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.

4. 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.

5. Finance to Government
Government is acting as the promoter of industries in underdeveloped countries for which finance is needed for it. Banks provide long-term credit to Government.

6. 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.

2. Elucidate the functions of Commercial Banks.
Functions of Commercial Banks
(A) PRIMARY FUNCTIONS:
1. 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 Deposits*   ➤ *Time Deposits*

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2. Advancing Loans

It refers to granting loans to individuals and businesses. Commercial banks grant loans in the form of overdraft, cash credit, and discounting bills of exchange.

(B) SECONDARY FUNCTIONS

The secondary functions can be classified under three heads, namely, agency functions, general utility functions, and other functions.

1. Agency Functions

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

➤ **Collecting Cheques**   ➤ **Collecting Income**   ➤ **Paying Expenses**

2. General Utility Functions

It implies that commercial banks provide some utility services to customers.

➤ **Providing Locker Facilities**   ➤ **Issuing Traveler's Cheques**

3. 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

It refers to one of the important functions of commercial banks that help in increasing money supply.

Credit Creation

Credit Creation means the multiplication of loans and advances. Commercial banks receive deposits from the public and use these deposits to give loans.

3. **Describe the functions of Reserve Bank of India.**

1. 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.

2. 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.

3. 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.

4. 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.

6. Regulator of Economy: It controls the money supply in the system, monitors different key indicators like GDP, Inflation, etc.

4. **What are the objectives of Monetary Policy? Explain.**

The objectives of monetary policy

1. Neutrality of Money

The 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

Economists like Crustave Cassel and Keynes suggested price stabilization as a main objective of monetary policy.

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

Economic growth 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.

6. Equilibrium in the Balance of Payments

Equilibrium in the balance of payments is another objective of monetary policy which emerged significant in the post war years

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Chapter 7
International Economics

Very Short Answer Questions:

1. What is International Economics?

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

2. Define international trade.
- ✪ International trade refers to the trade or exchange of goods and services between two or more countries.
- ✪ It is also called as 'external trade' or 'foreign trade'.

3. State any two merits of trade.
- ❖ Trade is one of the powerful forces of economic integration.
- ❖ It brings foreign exchange to our country.

4. What is the main difference between Adam Smith and Ricardo with regard to the emergence of foreign trade?
- ★ According to Adam Smith, the basis of international trade was absolute cost advantage.
- ★ According to Ricardo a country can gain from trade when it produces at relatively lower costs.

5. Define Terms of Trade.
- ➤ Terms of Trade is the rate at which the goods of one country are exchanged for goods of another country.
- ➤ It is expressed as the relation between export prices and import prices.

6. What do you mean by balance of payments?

Balance of payment is a systematic record of a country's economic and financial transactions with the rest of the world over a period of time.

7. What is meant by Exchange Rate?
- ✦ Exchange rate may be defined as the price paid in the home currency (say Rs.75) for a unit of foreign currency (say 1 US $).
- ✦ The transactions in the exchange market are carried out at exchange rates. It is the external value of domestic currency.

Short Answer Questions:

1. Describe the subject matter of International Economics.

1. Pure Theory of Trade

This component explains the causes for foreign trade, composition, direction and volume of trade, determination of the terms of trade and exchange rate, issues related to balance of trade and balance of payments.

2. Policy Issues

policy issues such as free trade vs. protection, methods of regulating trade, capital and technology flows, use of taxation, subsidies and dumping, exchange control and convertibility, foreign aid, external borrowings and foreign direct investment.

3. International Financial and Trade Regulatory Institutions

The financial institutions like International Monetary Fund IMF, IBRD, WTO etc which influence international economic transactions and relations shall also be the part of international economics.

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

S. No	Classical Theory of International Trade	Modern Theory of International Trade
1	The classical theory explains thephenomenon of international trade on thebasis of labour theory of value.	The modern theory explains the phenomenonof international trade on the basis of generaltheory of value.
2	It presents a one factor (labour) model	In presents a multi-factor (labour and capital)model.
3	It attributes the differences in thecomparative costs to difference in theproductive efficiency of workers in the twocountries.	It attributes the differences in comparative coststo the differences in factor endowments in thetwo countries.

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

1. Net Barter Terms of Trade

The ratio between the prices of exports and of imports is called the "net barter terms of trade'. It is expressed as: **Tn= (Px / Pm) x 100**

Where,

Tn = Net Barter Terms of Trade

Px = Index number of export prices

Pm = Index number of import prices

2. Gross Barter Terms of Trade

It is an index of relationship between total physical quantity of imports and the total physical quantity of exports. **Tg= (Qm/Qx) x 100**

Where, Qm = Index of import quantities

Qx = Index of export quantities

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

BASIS FORCOMPARISON	BALANCE OF TRADE	BALANCE OF PAYMENT
Meaning	Balance of Trade (BOT) refers to the total value of a country's exports of commodities and total value of imports of commodities.	BOP is a systematic record of acountry's economic and financial Transactions with the rest of the world over a period of time.
Records	Transactions related to goods only.	Transactions related to both goods and services are recorded.
Capital Transfers	Are not included in the Balance of Trade.	Are included in Balance of Payment.

5. What are import quotas?

i. Meaning

✪ The import quota means physical limitation of the quantities of different products to be imported from foreign countries within a specified period of time, usually one year.

✪ The import quota may be fixed either in terms of quantity or the value of the product.

ii. Example

✪ The government may specify that 60,000 colour T.V. sets may be imported from Japan.

6. Write a brief note on flexible exchange rate.

❖ Under the flexible exchange rate (also known as floating exchange rate) system, exchange rates are freely determined in an open market by market forces of demand and supply.

❖ The economic position of the country determines the market demand and supply for its currency.

❖ The higher the demand for a particular currency, the higher is its exchange rate and the lower the demand, the lesser is the value of currency compared to other currencies.

7. State the objectives of Foreign Direct Investment.

★ Sales Expansion   ★ Acquisition of resources

★ Diversification   ★ Minimization of competitive risk.

Long Answer Questions:

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

S.No	Internal Trade	International Trade
1	Trade takes place between different individuals and firm within the same nation.	Trade takes place between different individual sand firms in different countries.
2	Labour and capital move freely from one region to another.	Labour and capital do no move easily from one nation to another.
3	There will be free flow of goods and services since there are no restrictions.	Goods and services do not easily move from one country to another since there are a number of restrictions like tariff and quota.
4	There is only one common currency.	There are different currencies.
5	The physical and geographical conditions of a country are more or less similar.	There are differences in physical and geographical conditions of the two countries.
6	Trade and financial regulations are more or less the same	Trade and financial regulations such as interestrate, trade laws differ between countries.

2. Explain briefly the Comparative Cost Theory.

➤ According to Ricardo, a country can gain from trade when it produces at relatively lower costs.

➤ 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.

Assumptions

1. There are only two nations and two commodities
2. Labour is the only element of cost of production.
3. All labourers are of equal efficiency.
4. No change in technology.

5. No transport cost.
6. Perfect competition.
7. Full employment.
8. No government intervention.

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Diagrammatic Explanation
❖ India should concentrate on the production of wheat in which she enjoys a comparative cost advantage. (80/120 < 90/100).
❖ 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.

3. Discuss the Modern Theory of International Trade.
The Factor endowment model
✦ Developed by Heckscher and Ohlin
✦ Countries with a relative factor abundance can specialise and trade
✦ Abundance of skilled labour →specialisation →export → exchange for goods are services produced by countries with abundance of unskilled labour
H-O: Illustration Chart
The Theory
☢ difference in the endowments of factors of production between countries,
☢ differences in the factor proportions required in production.

Assumptions
1. There are two countries, two commodities and two factors.
2. Countries differ in factor endowments.
3. Commodities are categorized in terms of factor intensity.
4. Countries use same production technology.
5. There is perfect competition in both product and factor markets in both the countries.

Explanation
       According to Heckscher - Ohlin, "a capital-abundant country will export the capital –intensive goods, while the labour abundant country will export the labour intensive goods".

4. Explain the types of Terms of Trade given by Viner.
1. Net Barter Terms of Trade or Commodity 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: **Tn= (Px / Pm) × 100**
               Where,
               Tn = Net Barter Terms of Trade
               Px = Index number of export prices
               Pm = Index number of import prices
               This is used to measure the gain from international trade.

2. The Single Factoral Terms of Trade
       Viner has devised another concept called "the single factoral terms of trade. It represents the ratio of export-price index to the import-price index adjusted for changes in the productivity of a country's factors in the production of exports. Symbolically, it can be stated as **Tn= (Px / Pm) × 100 *Where,*** Tf stands for single factoral terms of trade index. Fx stands for productivity in exports (which is measured as the index of cost in terms of quantity of factors of production used per unit of export).

3. Double Factoral Terms of Trade
❖ Viner constructed another index called "Double factoral terms of Trade".
❖ It is expressed As **Tff = (Px / Pm) (Fx / Fm)** which takes into account the productivity in country's exports, as well as the productivity of foreign factors.

5. Bring out the components of balance of payments account.
Components of BOPs
       The credit and debit items are shown vertically in the BOP account of a country. Horizontally, they are divided into three categories.
a) The Current Account:
       It includes all international trade transactions of goods and services, international service transactions (i.e. tourism, transportation and royalty fees) and international unilateral transfers (i.e. gifts and foreign aid).
b) 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.
c) 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.

6. Discuss the various types of disequilibrium in the balance of payments.
Occurs when: Disequilibrium **Demand '" Supply Debit > Credit '! Deficit**
Types BOP Disequilibrium:
a) Cyclical Disequilibrium:
       Cyclical disequilibrium occurs because of two reasons. First, two countries may be passing through different phases of business cycle. Secondly, the elasticities of demand may differ between countries.

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b) 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.

c) 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.

7. How the Rate of Exchange is determined? Illustrate.
The equilibrium rate of exchange is determined in the foreign exchange market in accordance with the general theory of value, i.e., by 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.
★ 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.

8. Explain the relationship between Foreign Direct Investment and economic development
✦ FDI may help to increase the investment level and thereby the income and employment in the host 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.
✦ It may kindle a managerial revolution in the recipient country through professional management and sophisticated management techniques.
✦ Foreign capital may enable the country to increase its exports and reduce import requirements.
✦ Foreign investment may also help increase competition and break domestic monopolies.

Chapter 8
International Economic Organisations

Very Short Answer Questions:
1. Write the meaning of Special Drawing rights.
Special Drawing Rights are a form of international reserves created by the IMF in 1969 to solve the problem of international liquidity. It is otherwise called as 'Paper Gold'.

2. Mention any two objectives of ASEAN.
★ To accelerate the economic growth, social progress and cultural development in the region.
★ To serve as a centre of information and as an ASEAN link with other international organizations.

3. Point out any two ways in which IBRD lends to member countries.
i) Loans out of its own fund,   ii) Loans out of borrowed capital

4. Define Common Market.
A group formed by countries within a geographical area to promote duty free trade and free movement of labour and capital among its members. *E.g. European Common Market (ECM)*

5. What is Free trade area?
A free trade area is the region encompassing a trade bloc whose member countries have signed a freetrade agreement (FTA).

6. When and where was SAARC Secretariat established?
The SAARC Secretariat was established in Kathmandu (Nepal) on 16th January 1987.

7. Specify any two affiliates of World Bank Group. (write any two)
✪ International Development Association (IDA)   ✪ International Finance Corporation (IFC)

III. Short Answer Questions:
1. Mention the various forms of economic integration.
i. Economic integration takes the form of Free Trade Area, Customs Union, Common Market and Economic Union.
ii. A free trade area is the region encompassing a trade bloc whose member countries have signed a free-trade agreement (FTA). e.g. SAFTA, EFTA.
iii. A customs union is defined as a type of trade block which is composed of a free trade area with no tariff among members and with a common external tariff. e.g. BENELUX.

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2. What are trade blocks?
★ Trade blocks are a set of countries which engage in international trade together and are usually related through a free trade agreement or other associations.
★ Trade blocks cover different kinds of arrangements between or among countries for mutual benefit.
★ Some countries create business opportunities for themselves by integrating their economies in order to avoid unnecessary competition among them.

3. Mention any three lending programmes of IMF. (write any three headings)
(i) Basic Credit Facility:
　　The IMF provides financial assistance to its member nations to overcome their temporary difficulties relating to balance of payments.
(ii) Extended Fund Facility
　　Under this arrangement, the IMF provides additional borrowing facility up to 140% of the member's quota, over and above the basic credit facility.
(iii) Compensatory Financing Facility
　　IMF established compensatory financing facility to provide additional financial assistance to the member countries, particularly primary producing countries facing shortfall in export earnings.

4. What is Multilateral Agreement?
➤ Multilateral Agreements are trade agreements between three or more nations.
➤ The agreements reduce tariffs and make it easier for businesses to import and export.
➤ It is a multinational legal or trade agreements between countries. It is an agreement between more than two countries but not many.

5. Write the agenda of BRICS Summit, 2018.
　　The Tenth BRICS summit hosted by South Africa at Johanesberg in July 2018.
The agenda of BRICS:
❖ Strengthening multilateralism, reforming global governance and addressing common challenges
❖ Strengthening and consolidating BRICS cooperation in international peace and security
❖ People-to-people cooperation.

6. State briefly the functions of SAARC.
★ Maintenance of the co operation in the region
★ Prevention of common problems associated with the member nations.
★ Ensuring strong relationship among the member nations.
★ Removal of the poverty through various packages of programmes.

7. List out the achievements of ASEAN.
❂ It facilitates free moment of goods, service and investment within Asean by creating a single regional market like European Union.
❂ It provides free access to the marketers of one member country to the markets of all other member country.
❂ It improves business competitiveness between business from different countries.

Long Answer Questions:
1. Explain the objectives of IMF.
✦ To promote international monetary cooperation among the member nations.
✦ To facilitate faster and balanced growth of international trade.
✦ To ensure exchange rate stability by curbing competitive exchange depreciations.
✦ To eliminate or reduce exchange controls imposed by member nations.
✦ To establish multilateral trade and payment system in respect of current transactions instead of bilateral trade agreements.
✦ To promote the flow of capital from developed to developing nations.
✦ To solve the problem of international liquidity.

2. Bring out the functions of World Bank.
1. 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.
2. 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.
3. Provision of loans and guarantees
　　Arranging the loans or providing guarantees on loans by various other channels so as to execute important projects.
4. Promotion of foreign private investment
　　The promotion of private foreign investment by means of guarantees on loans and other investment made by private investors.

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5. Technical services

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

3. Discuss the role of WTO in India's socio economic development.
- ✪ India is the founding member of the WTO.
- ✪ India favours multilateral trade approach.
- ✪ India benefited from WTO on following grounds.
  1. By reducing tariff rates on raw materials, components and capital goods, it was able to import more for meeting her developmental requirements. India's imports go on increasing.
  2. India gets market access in several countries without any bilateral trade agreements.
  3. Advanced technology has been obtained at cheaper cost.
  4. India is in a better position to get quick redressal from the trade disputes.
  5. The Indian exporters benefited from wider market information

4. Write a note on a) SAARC b) BRICS

SAARC
- ♦ The South Asian Association for Regional Co-operation (SAARC) is an organization of South Asian nations, which was established on 8 December 1985.
- ♦ The SAARC Group (SAARC) comprises of Bangaladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Sri Lanka. In April 2007, Afghanistan became its eighth member.
- ♦ The basic aim of the organisation is 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.

BRICS
- ❱ BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa.
- ❱ It's headquarters is at Shanghai, China. The New Development Bank (NDB) formerly referred to as 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's population.

Chapter 9
Fiscal Economics

Very Short Answer Questions:

1. Define public finance.

According to **Adam Smith** *"Public finance is an investigation into the nature and principles of the state revenue and expenditure".*

2. What is public revenue?

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

3. Differentiate tax and fee.

Basis	Tax	Fees
Meaning	Tax is a compulsory payment by thecitizens to the government to meet thepublic expenditure.	Fee is charged by public authorities forrendering a service to the citizens.
Compulsion	It is legally imposed by the governmenton the tax payer	There is no compulsion involved incase of fees

4. 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 or otherwise for the project as a whole in the light of the socio-economic objectives.

5. Give two examples for direct tax.
- ✦ Corporation Tax   ✦ Income Tax

6. 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.

7. What do you mean by public debt?

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

Short Answer Questions:

1. Describe canons of Taxation.

    (1) Canon of Ability:

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

    (2) Canon of Certainty:

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

    (3) Canon of Convenience:

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

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

    (1) Rationality: Both public finance and private finance are based on rationality.

    (2) Limit to borrowing : Both have to apply restraint with regard to borrowing.

    (3) Resource utilisation: Both the private and public sectors have limited resources at their disposal.

3. What are the functions of a modern state?

    Function of Modern state :

    (1) Creating economic and social overhead.

    (2) Ensuring stability in both internal and external.

    (3) Conserving resources for sustainable development.

    (4) Defence.

    (5) Judiciary.

4. 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.

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

Basis ForComparison	Direct Tax	Indirect Tax
Meaning	Direct tax is referred to as the tax, levied on person's income and wealth.	Indirect Tax 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 different persons.

6. 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.

    ❖ Thus, primary deficit reflects borrowing requirement of the government exclusive of interest payments.

        Primary Deficit (PD) = Fiscal deficit (PD) - Interest Payment (IP)

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

    (1) Sinking Fund

        Under this method, the Government establishes a separate fund known as "Sinking Fund". The Government credits every year a fixed amount of money to this fund.

    (2) Conversion

        Conversion of loans is another method of redemption of public debt. It means that an old loan is converted in to a new loan.

    (3) Budgetary Surplus

        When the Government presents surplus budget, it can be utilised for repaying the debt.

Long Answer Questions:

1. Explain the scope of public finance.

        The subject 'Public Finance' includes five major sub-divisions, viz., Public Revenue, Public Expenditure, Public Debt, Financial Administration and Fiscal Policy.,

    1. Public Revenue

        Public revenue deals with 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.

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2. Public Expenditure
This part studies the fundamental principles that govern the Government expenditure, effects of public expenditure and control of public expenditure.

3. Public Debt
Public debt deals with the methods of raising loans from internal and external sources. The burden, effects and redemption of public debt fall under this head.

4. 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.

5. Fiscal Policy
Taxes, subsidies, public debt and public expenditure are the instruments of fiscal policy.

2. Bring out the merits of indirect taxes over direct taxes.
1) 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.
2) Equitable
The indirect tax satisfies the canon of equity when higher tax is imposed on luxuries used by rich people.
3) Economical
Cost of collection is less as producers and retailers collect tax and pay to the Government. The traders act as honorary tax collectors.
4) 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.
5) Convenient
Indirect taxes are levied on commodities and services. Whenever consumers make purchase, they pay tax along with the price.

3. Explain the methods of debt redemption.
1) Sinking Fund
Under this method, the Government establishes a separate fund known as "Sinking Fund". The Government credits every year a fixed amount of money to this fund.
2) Conversion
Conversion of loans is another method of redemption of public debt. It means that an old loan is converted into a new loan.
3) Budgetary Surplus
When the Government presents surplus budget, it can be utilised for repaying the debt.
4) Terminal Annuity
In this method, Government pays off the public debt on the basis of terminal annuity in equal annual installments.
5) Reduction in Rate of Interest
Another method of debt redemption is the compulsory reduction in the rate of interest, during the time of financial crisis.

4. State and explain instruments of fiscal policy.
Fiscal Instruments
Fiscal Policy is implemented through fiscal instruments also called 'fiscal tools' or fiscal levers: Government expenditure, taxation and borrowing are the fiscal tools.
i) Taxation:
Taxes transfer income from the people to the Government. Taxes are either direct or indirect. An increase in tax reduces disposable income. So taxation should be raised to control inflation.
ii) Public Expenditure:
Public expenditure raises wages and salaries of the employees and thereby the aggregate demand for goods and services. Hence public expenditure 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.

5. Explain the principles of federal finance.
1. Principle of Independence
Under the system of federal finance, a Government should be autonomous and free about the internal financial matters concerned. It means each Government should have separate sources of revenue, authority to levy taxes, to borrow money and to meet the expenditure.
2. Principle of Equity
From the point of view of equity, the resources should be distributed among the different states so that each state receives a fair share of revenue.

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3. Principle of Uniformity

In a federal system, 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.

4. Principle of Adequacy of Resources

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

5. Principle of Fiscal Access

In a federal system, 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.

6. Describe the various types of deficit in budget.

Budgetary Deficits

Budget deficit is a situation where budget receipts are less than budget expenditures. budget deficit is of four major types.

(A) 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 (RD) = Total Revenue Expenditure (RE) - Total Revenue Receipts (RR)

(B) Budget Deficit

Budget deficit is the difference between total receipts and total expenditure (both revenue and capital)

Budget Deficit = Total Expenditure – Total Revenue

(C) Fiscal Deficit

Fiscal deficit (FD) = Budget deficit + Government's market borrowings and liabilities

(D) 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.

Primary Deficit (PD) = Fiscal deficit (PD) - Interest Payment (IP)

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

1. 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.

2. Defence Expenditure

There has been enormous increase in defence expenditure in India during planning period. The defence expenditure has been increasing tremendously due to modernisation of defence equipment.

3. 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.

4. 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.

5. Development Projects

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

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Chapter 10
Environmental Economics

Very Short Answer Questions:

1. State the meaning of environment.

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

2. What do you mean by ecosystem?

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

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

INDIA JAPAN USA

4. What are environmental goods? Give examples.

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

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

1. Use of noise barriers   2. Newer roadway for surface transport
3. Traffic control   4. Regulating times for heavy vehicles

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6. Define Global warming.

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

7. Specify the meaning of seed ball.

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

◗ Seed balls are an easy and sustainable way to cultivate plants that provide a larger window of time when the sowing can occur.

Short Answer Questions:

1. Brief the linkage between economy and environment.

♦ Human's life 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 environment is generally Explained in the form of a "Material Balance Model" developed by Alen Kneese and Ayres.

2. Specify the meaning of material balance principle.

Meaning

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

3. Explain different types of air pollution.

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.

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.

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

Water pollution is caused due to several reasons. Here are the few major causes of water pollution:

1. Discharge of sewage and waste water:

       Sewage, garbage and liquid waste of households, agricultural runoff and effluents from factories are discharged into lakes and rivers.

2. Dumping of solid wastes:

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

3. Discharge of industrial sastes:

       Industrial waste contains pollutants like asbestos, lead, mercury, grease oil and petrochemicals, which are extremely harmful to both people and environment.

5. 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.

✦ Similarly, e-waste can be defined 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.,

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

Definition

       The land pollution is defined as, "the degradation of land because of the disposal of waste on the land".

Causes of Land Pollution

i. Deforestation and soil erosion:

       Deforestation carried out to create dry lands is one of the major concerns.

ii. Agricultural activities:

       With growing human and pet animal population, demand for food has increased considerably.

iii. Mining activities:

       During extraction and mining activities, several land spaces are created beneath the surface.

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

Climate Change

❖ The climate change refers to seasonal changes over a long period with respect to the growing accumulation of greenhouse gases in the atmosphere.

❖ Recent studies have shown that human activities since the beginning of the industrial revolution.

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.

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Long Answer Questions:
1. **Briefly explain the relationship between GDP growth and the quality of environment.**
   Environmental quality
   ◗ 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.
   ◗ Environment 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-revival 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.
   ◗ Economic growth is often pointed out to be the cause of environmental issues based on the notion that increased production equals increased pollution.

2. **Explain the concepts of externality and its classification.**
   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.
   Negative Consumption Externality
   A person smoking cigarette gets maygives satisfaction to that person, but this act causes hardship (dissatisfaction) to the non-smokers who are driven to passive smoking.
   Positive Production Externality
   The ideal location for beehives is orchards (first growing fields). While bees make honey, they also help in the pollination of apple blossoms. The benefits accrue to both producers (honey as well as apple).
   Negative Production Externality
   Negative production externalities include pollution generated by a factory that imposes costs on others. The emissions and effluents of a factory cause air and water pollution.

3. **Explain the importance of sustainable development and its goals.**
   Importance of Sustainable Development
   ✦ Sustainable development is concerned with the welfare of present and future generations.
   ✦ It aims at not only satisfying the luxury wants of rich but also basic necessities of the poor like food, sanitation, health care, education etc.
   The Global Goals For Sustainable Development
   1. End Poverty in all its forms everywhere
   2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
   3. Ensure healthy lives and promote wellbeing for all at all ages
   4. Ensure inclusive and quality education for all and promote lifelong learning
   5. Achieve gender equality and empower women and girls
   6. Ensure access to water and sanitation for all
   7. Ensure access to affordable, reliable, sustainable and modern energy for all
   8. Promote inclusive and sustainable economic growth, employment and decent work for all

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Chapter 11
Economics of Development and Planning

Very Short Answer Questions:
1. **Define economic development**
   ◆ The traditional approach defines development strictly in economic terms.
   ◆ The increase in GNP is accompanied by decline in share of agriculture in output and employment while those of manufacturing and service sectors increase.

2. **Mention the indicators of development.**
   ★ Gross National Product (GNP)
   ★ GNP per capita
   ★ Welfare
   ★ Social Indicators - health, education, food, water, sanitation and housing facilities

3. **Distinguish between economic growth and development**

Economic Growth	Economic Development
Deals with the problems of Developed countries	Deals with the problems of UDCs
Change is gradual and steady	change in discontinuous and spontaneous
Narrow	Wider concept Development = *Growth+ Change*

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4. 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.

5. Define economic planning.

According to Robbins, "Economic Planning is "collective control or suppression of private activities of production and exchange".

**6. What are the social indicators of economic development?**

The basic needs for development such as health, education, sanitation, water, food etc.

7. Write a short note on NITI Aayog.

✦ NITI Aayog (National Institution for Transforming India) was formed on January 1, 2015 through a Union Cabinet resolution.
✦ NITI Aayog is a policy think-tank of the Government of India.
✦ It replaced the Planning Commission from 13th August, 2014.

Short Answer Questions:

1. Elucidate major causes of vicious circle of poverty with diagram

◗ There are circular relationships known as the 'Vicious Circles of Poverty' that tend 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 on upon one another in such a way as to keep a poor country in a state of poverty.

The Vicious Circle of Poverty
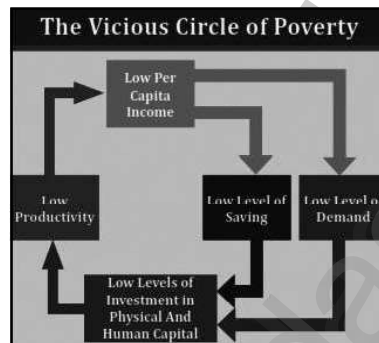
2. What are the non-economic factors determining development?

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

3. 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.

4. Trace the evolution of economic planning in India.

1. **Sir M. Vishveshwarya (1934):** a prominent engineer and politician made his first attempt in laying foundation for economic planning in India in 1934 through his book, "Planned Economy of India".

2. **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.

3. **M.N. Roy (1945)** drafted 'People's Plan". It was aiming at mechanization of agricultural production and distribution by the state only.

4. **J.P. Narayan (1950)** advocated, "Sarvodaya Plan" which was inspired by Gandhian Plan and with the idea of Vinoba Bhave.

5. Describe the case for planning.

1. To accelerate and strengthen market mechanism
2. To remove unemployment
3. To achieve balanced development
◆ Development of Agriculture and Industrial Sectors
◆ Development of Infrastructure
◆ Development of Money and Capital Markets

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6. Distinguish between functional and structural planning.

Basis of Difference	Functional Planning	Structural Planning
Meaning	Functional planning refers to that Planning which seeks to remove Economic difficulties	The structural planning refers to a good deal of changes in the socioeconomic frame work of the country.
Approach	Attempt within the existing socioeconomic framework	Attempt to change the economic Structure fundamentally
Nature	Functional planning is evolutionary	Structural planning is therefore revolutionary

7. What are the functions of NITI Aayog?
1. Cooperative and Competitive Federalism
2. Shared National Agenda
3. Decentralized Planning
4. Vision and Scenario Planning
5. Network of Expertise
6. Harmonization
7. Conflict Resolution
8. Coordinating Interface with the World
9. Internal Consultancy
10. Capacity Building

Long Answer Questions:
1. Discuss the economic determinants of economic development.
1. 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.

2. 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,.

3. Size of the Market:
    Large size of the market would stimulate production, increase employment and raise the National per capita income.

4. Structural Change:
    Structural change refers to change in the occupational structure of the economy. Any economy of the country is generally divided into three basic sectors: Primary sector, Secondary sector, Tertiary sector.

5. 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.

2. Describe different types of Planning.

1. Democratic Vs Totalitarian:	
Democratic Plan	**Totalitarian Plan**
Democratic planning implies planning within democracy.	Under totalitarian planning, there is central control and direction of all economic activities in accordance with a single plan.

2. Centralized Vs Decentralized	
Centralized Plan	**Decentralized Paln**
Under centralized planning, the entire planning process in a country is under a central planning authority.	Under decentralized planning local organizations and institutions,execute and supervise the plan without interference by the central authorities.

3. Planning by Direction Vs Inducement:	
Planning by Direction	**Planning by 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.

4. Indicative Vs Imperative Planning:	
Indicative Plan	**Imperative Plan**
Indicative planning is peculiar to the mixed economies. It has been in practice in France	The state is all powerful in preparation and implementation of the plan.

5.Short, Medium and Long term Planning:		
Short Term Plan	**Medium Term Plan**	**Long Term Plan**
Short - term upto 1 year	Medium - term 3 - 7 years	Long - term over 10 year

6. Financial Vs Physical Planning:	
Financial Plan	**Physical Plan**
Financial planning refers to the technique of planning in which resources are allocated in terms of money	Physical planning pertains to the allocation of resources in terms of men, materials and machinery.

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3. Bring out the arguments against planning.

The arguments against planning are mostly concerned with centralized and totalitarian planning.

1. 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.
- ❖ Under planning, the crucial decisions are made by the Central Planning Authority. The consumers, producers and the workers enjoy no freedom of choice.

2. Elimination of Initiative

Under centralized planning, there will be no incentive for initiatives and innovations. Planning follows routine procedure and may cause stagnation in growth. The absence of initiatives may affect progress in following ways.
- ❖ The absence of private ownership and profit motive discourages entrepreneurs.
- ❖ As all enjoy equal reward under planned economy irrespective of their effort
- ❖ The bureaucracy and red tapism which are the features of planned economy, cripple the initiative as they cause procedural delay and time loss.

3. High cost of Management
- ❖ No doubt the fruits of planning such as industrialization, social justice and regional balance are good.
- ❖ Plan formulation and implementation involve engagement of an army of staff for data collection and administration.

4. Difficulty in advance calculations
- ❖ Advance calculations in a precise manner are impossible to make decisions regarding the consumption and production.
- ❖ It is also very difficult to put the calculations into practice under planning.

Chapter 12
Introduction to Statistical Methods and Econometrics

Very Short Answer Questions:

1. What is Statistics?

According to Croxton and Cowden, "Statistics may be defined as the collection, organization, presentation, analysis and interpretation of numerical data"

2. What are the kinds of Statistics?
- ✶ Descriptive Statistics   ✶ Inferential Statistics

3. 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.

4. What are the kinds of data?

| DATA |

| BASED ON CHARACTERISTICS | BASED ON SOURCES |

i)quantitative data   ii)qualitative data

primary data   primary data   i)primary data   ii)secondary data

secondary data   secondary data
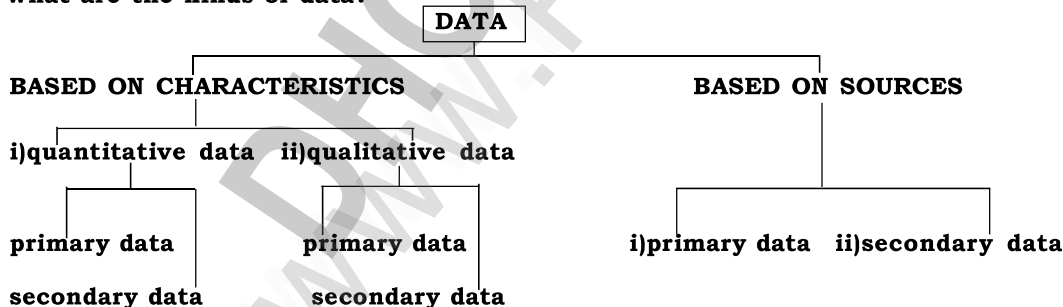
5. Define Correlation.
- ❖ Correlation is a statistical device that helps to analyse the covariation of two or more variables.
- ❖ Sir Francis Galton, is responsible for the calculation of correlation coefficient.

6. Define Regression.

Regression means going back and it is a mathematical measure showing the average relationship between two variables

7. What is Econometrics?

"Econometrics may be defined as the social science in which the tools of economic theory, mathematics and statistical inference are applied to the analysis of economic phenomena".

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Short Answer Questions:

1. 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.

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

SNO	VALUE	(x-x)	(x-x)²
1	14	14-15= -1	1
2	22	22-15=7	49
3	9	9-15=-6	36
4	15	15-15=0	0
5	20	20-15=5	25
6	17	17-15=2	4
7	12	12-15= -3	9
8	11	11-15= -4	16
N=8	120		140

$x = 120 \backslash 8 = 15$

$$\sigma = \sqrt{\epsilon(x - \bar{x})/n}$$

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

3. State and explain the different kinds of Correlation.
Type I: Based on the direction of change of variables
   ✄ Positive Correlation   ✄ Negative Correlation

Type II: Based upon the number of variables studied.
   ✄ Simple Correlation   ✄ Multiple Correlations   ✄ Partial Correlation

Type III: Based upon the constancy of the ratio of change between the variables Linear
   ✄ Correlation   ✄ Non Linear

4. 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 an absolute figure. If we know the value of the independent variable, we can find the value of the dependent variable.
- ➲ It has wider application, as it studies linear and nonlinear relationship between the variables

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

6. Differentiate the economic model with econometric model.

S.No	Economic Model	Econometric Model
1	An Economic Model is a local representation of knowledge.	An Econometric Model is an integration at dependent variable with explanatory variables.
2	It is adapted to yield a definite and precise formulation of the economic processes 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.

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

```
                        The Ministry
              ┌──────────────────┴──────────────────┐
        Statistics (NSO)                      Programme
                                            Implementation
    ┌─────────┴─────────┐          ┌──────────────┼──────────────┐
  CSO              NSSO        Twenty point   Infrastructure   MP Local area
                              Programme      monitoring and   Development
  ┌──────┬──────┬──────┐                     project monitoring    Scheme
SDRD   FOD   DPD   CPD
```
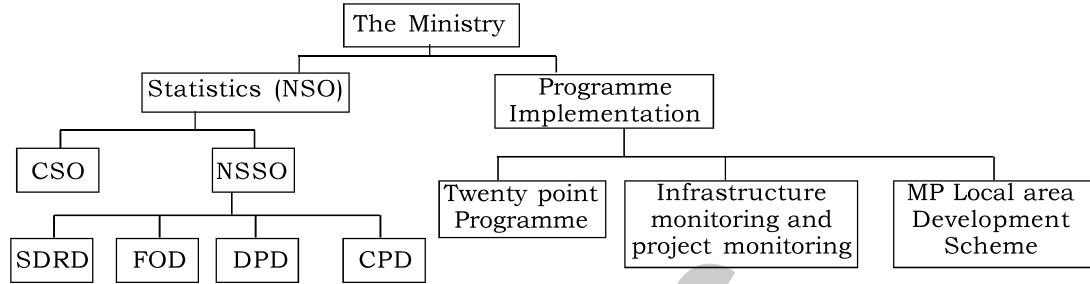
Central Statistical Office (CSO)

      The Central Statistical Office is one of the two wings of the National Statistical Organisation (NSO)

National Sample Survey Organisation (NSSO)

      The National Sample Survey Organisation, now known as National Sample Survey Office, is an Organization under the Ministry of Statistic of the Government of India.

★ Twenty Point Programme
★ Infrastructure Monitoring and Project Monitoring
★ Member of Parliament Local Area Development Scheme.

Long Answer Questions:

1. Elucidatethe nature and scope of Statistics.

Definition of Statistics

      According to Croxton& Cowden "Statistics may be defined as the collection, organisation, presentation, analysis and interpretation of numerical data"

Nature of Statistics

➲ Statistics are an aggregate of facts.
➲ Statistics are numerically enumerated, estimated and expressed.
➲ Statistics should be collected in a systematic manner for a predetermined purpose.
➲ Should be capable of being used as a technique for drawing comparison
➲ Statistics are numerated or estimated according to reasonable standard of accuracy.
➲ Statistics are affected to a marked extent by a multiplicity of causes.

Scope of Statistics

★ Statistics and Economics
★ Statistics and Commerce
★ Statistics and Education
★ Statistics and Planning
★ Statistics and Medicine
★ Statistics and Modern applications

2. 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 $d_x = X - A$ $d_y = Y - B^2$

X	Y	d_x	d_y	D^2_x	D^2_y	$d_x d_y$
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	15
36	30	6	4	36	16	24
39	32	9	6	81	36	54
		11	-3	275	159	175

$$r(x,y) = \frac{N\Sigma dxdy - \Sigma dy}{\sqrt{N\Sigma d_x^2 - (\Sigma dx)^2} \sqrt{n\Sigma d_y^2 - (\Sigma dy)^2}}$$

$$= \frac{10(175) - (11)(-3)}{\sqrt{2150 - 121 - (11^2)} \sqrt{1590 - 9}}$$

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

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

Ans: $r(x_1 y_1) = 0.9955$

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3. Describe the application of Econometrics in Economics

1. Forecasting macroeconomic indicators:

Some macroeconomists are 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.

2. Estimating the impact of immigration on native workers:

Immigration increases the supply of workers, so standard economic theory predicts that equilibrium wages will decrease for all workers. However, since immigration can also have positive demand effects.

3. Identifying the factors that affect a firm's entry and exit into a market:

The microeconomic field of industrial organization, among many issues of interest, is concerned with firm concentration and market power.

4. Determining the influence of minimum wage laws on employment levels:

The minimum wage is an example of a price floor, so higher minimum wages are supposed to create a surplus of labor (higher levels of unemployment).

5. Finding the relationship between management techniques and worker productivity:

The use of high-performance work practices (such as worker autonomy, flexible work schedules, and other policies designed to keep workers happy) has become more popular among managers.

6. Measuring the association between insurance coverage and individual health outcomes:

One of the arguments for increasing the availability (and affordability) of medical insurance coverage is that it should improve health outcomes and reduce overall medical expenditures.

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

X	45	48	50	55	65	70	75	72	80	84
Y	25	30	35	30	40	50	45	55	60	65

X	Y	U-x-65	U = Y – 45	U²	UV	V²
45	25	-20	-20	400	400	400
48	30	-17	-15	489	255	225
50	35	-15	-10	225	150	100
55	30	-10	-15	100	150	225
65	40	0	-5	0	0	25
70	50	5	5	25	25	25
75	45	10	0	100	0	0
72	55	7	5	49	35	25
80	60	15	15	225	225	225
84	65	20	20	400	400	400
ΣY=645	ΣX=435	ΣU=5	ΣV=20	ΣU²=1813	ΣV=1415	ΣV²=1675

We have,

$$\overline{x} = \frac{\Sigma x}{N} = \frac{645}{10} \text{ and } \overline{Y} = \frac{\Sigma Y}{N} = \frac{435}{10} = 43.5$$

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

$$= \frac{(10) \times 1415 - (15) \times (-20)}{(10) \times 1813 - (25)2}$$

$$= \frac{14150 + 100}{18130 - 25} = \frac{14250}{18105} = 0.787$$

Regression equation of Y on X is

Y – Ȳ = byx (X-X̄)

Y – 43.5 = 0.787 (X– 64.5)

or Y = 0.787X + 7.26

Similarly bXY can be calculated as

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

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

$$= \frac{14150 + 100}{16750 - 400} = \frac{14250}{16350} = 0.87$$

Regression equation of X on Y will be

X – X̄ = bxy (Y – Ȳ)

Y – 64.5 = 0.87 (Y – 43.5)

or X = 0.87Y + 26.65

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ADDITIONAL ONE MARK QUESTIONS

1. Father of modern macro economics **J.M. Keynes**
2. Economics is classified into two branches namely **Micro Economics, Macro Economics**
3. Macro Economics in its modern form began with **John Maynard Keynes**
4. The general theory of employment, interest and money published in   **1936**
5. Macro Economics is also known as **Income Theory**
6. A system by which people earn their living **A.J. Brown**
7. How many types of Economic systems **Three**
8. Father of Capitalistic Economy **Adam Smith**
9. Capitalistic Economy is also termed as a **Free Economy, Market Economy.**
10. Best Examples of Capitalistic Economy **USA, West Germany, Australian Japan**
11. The golden rule of a producer under capitalism is **To Maximize profit**
12. The father of Socialism is **Karl Marx**
13. A socialistic economy is also known as **Planned Economy or Command Economy**
14. Examples of Socialistic Economy. **Russia, China, Vietnam, Poland & Cuba**
15. Examples of Mixed Economy **India, England, France and Brazil**
16. Micro Means *Small*
17. Macro Means **Large, Aggregate, Economy as a whole**
18. Combination of both capitalism and socialism **Mixed Economy**
19. Socialist Economy Promote **Social Welfare Motive, Collective Welfare Motive**
20. Market forces are **Supply and demand**
21. A steady fall in general price level is termed as **Deflation**
22. The Right to property exists largely in **Capitalism**
23. Absence of price mechanism is a characteristic feature of the **Socialistic Economy**
24. Non interference of the state is a characteristic features of the **Capitalistic Economy**
25. **Firm** sectors sells the entire output to households.
26. Identify the stock variable **Wealth**
27. Capitalism leads to **Class Struggle**
28. The Work Macro is derived from the **Greek Word**
29. Macro's Meaning Large
30. **Inflation** refers to steady increase in general price level
31. Almost all economics face the problem of business **Fluctuations & Business Cycle**
32. The exchange activity supports the production and **Consumption** Activities
33. Small and large scale economics is **Scale of Activities**
34. Static and dynamic economics is **Nature of functioning**
35. How many major types of Economic systems **Three**
36. **Capitalism, and Socialism** are two extreme and opposite approaches.
37. Free Competition in both product and **Factor Market**
38. Free Competition between **Buyers and Sellers**
39. Market forces of **Demand and Supply** for price mechanism
40. Own property of inequalities of income is **Hares**
41. Who do not own property and work for their living **have not's**
42. **Stock** refers to a quantity of a commodity measured at a point of time
43. **Flow variables** are measured over a period of time
44. Expand is **Y=C+I Y=Income C= Consumption I = Investment**
45. Expand is **Y = C+I+G Y=National Income C = Consumption Expenditure I = Investment Expenditure G= Government Expenditure**.
46. State whether the statements are true or false a) There is a competition in the socialistic economy b) Profit is the main motive of capitalistic economy **a) is false b) is true**
47. a) The word micro means small b) The word macro means large **a) true b) is true**
48. a) The word macro is derived from the green word b) The word macro is derived from the Lathin word **a) True b) False**
49. a) J.M. Keynes is the father of micro economics b) J.M. Keynes is the father of modern macro economics **a) False b) True**
50. Quantity of a commodity accumulated at a point of time is termed as **Stock**
51. GNP Stands for **Gross National Product**
52. GDP Stands for **Gross Domestic Product**
53. Formula of calculating NNP at factor cost NNP at **Market price – Indirect taxes +Subsidies**

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54. Value of Output **Sales + Change in Stock**
55. Pet Capita Income **National income % Population**
56. A country which has no economic relations with other countries in termed as closed **Economy**
57. **National Income** provides a comprehensive measure of Economic Activity a nation
58. Nobel Laureate Smimon Kuznets introduced the first concept of **National Income**
59. GDP calculate at market price is known as **GDP at market price**
60. GDP by expenditure at **Market Price**
61. **GNP** is the total measure of the flow of Final Goods and Services
62. GNP includes Five types of final **goods and services**
63. Inventories of finished and unfinished goods are called **Gross Investment**
64. The difference between value of exports and imports of goods and services is known as **X-M**
65. **Personal income** is never equal to the national income
66. National Income expressed in terms of money at **Current Price**
67. **Per capital** Income reflects the economic welfare of the country
68. Capital gains are excluded from **national income**
69. Great care is required to calculate **Double Counting**
70. **Social Accounting frame work** is useful for economics as well as policy makers
71. The growth of an economy is indicated by an Increase in **national income**
72. The per capita income of an economy can be calculated by Dividing GNP by **population**
73. The difference between **NNP and NDP** is Net factor income from abroad
74. **National income** as commonly understand by every one refers to NNP
75. National income was called **'National Dividend'** by Alfred Marshall
76. National income per person is used as an indicator of **Standard of living of people**
77. The income method of calculating national income includes the income of the **Factors of Production**
78. **Business sectors** employ factors of production to produce the goods and services
79. According to the year 2001, Indian per capita income is **460 dollar**
80. GDP indicates productive capacity for an **Economy**
81. Parallel Economy refers to **Black money is Circulation**
82. National Income is measured by using **three method**
83. Secondary sector is **Industry**
84. Tertiary Sector is **banking**
85. Disposable income is **Gross National Product**
86. State whether the statements are true or false i) Production generates income ii) Income generates expenditure **both (i) and (ii) are true**
87. Methods of measuring national income i) Product method ii) Revenue method **(i) True (ii) False**
88. GDP deflator is **GDP / Real GDP**
89. Disposal Income = **Consumption – Saving**
90. Per Capita Income is **National Income / Population**
91. Product method also called as **Inventory Method**
92. Income Method is also called as **Factor earning method**
93. Expenditure method is also called as **Outlay method**
94. Change in Stock is **Closing Stock – Opening Stock**
95. Formula of GDP Deflator **Nominal GDP/ Real DDP X 100**
96. Formula of per Capital Income **National Income / Population**
97. Formula of National Income at **Constant a price National Income at Current Price % P1/ Po**
98. How many types of Basic Concepts **Three Types**
99. How many types of difficulties in calculating national income **Five types**
100. Transfer earning is referred to **Pension payments to retired persons.**
101. Interest flexibility brings equality between **Saving and Investment**
102. "Full employment as the absence of Involuntary unemployment was said by **J.M. Keynes**
103. Rate of interest is a **stock Classicism**
104. 'Demand creates its own supply – who said this **Keynesianism**
105. Every economy in the world aims at attaining the level of **Full Employment**
106. A person receives his income from **Production**
107. Total production equals to **Total Income**
108. Keynes theory of employment and income is the principle of **Short run**
109. Keynes theory of employment and income is the **Principle of Effective Demand**

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110. John Maynard Keynes was one of the most influential economists of the **20th Century**
111. Effective demand equals to **National Income**
112. **Money** is only a medium of exchange
113. Labour is **homogeneous**
114. **Wages and prices** are Flexible
115. Capital Stock and Technological knowledge are given in the **Short Run**
116. **Say's law of market** is the core of the theory of employment Classical
117. Supply Creates its own **Demand**
118. **Aggregate supply price** is the total amount of money
119. The Entrepreneur would be encouraged to employ **More Labour**
120. **Capitalism** has inherent contradictions
121. Based on **Keynesianism** Saving is Vice
122. Law of diminishing Marginal Returns takes place as more workers are **employed.**
123. Adam smith , J.B. Say are **classical economist**
124. J.M. Keynes attributes unemployment to a lack of **effective demand**
125. J.B. Say is a **French Economist**
126. Keynesian theory is based on **Short run Equilibrium**
127. Classicism theory is based on **Long Run Equilibrium**
128. Moral Suasion refers to **persuasion**
129. ARDC started functioning from **1st July 1963**
130. NABARD was set up in **July 1982**
131. J.M.Keynes was born in **1883**
132. "The general theory of employment interest and money published in **1936**
133. State whether the statements are true of False i)There are two approaches to determination of equilibrium ii) a) demand and supply approach b) Saving and Investment Approach **(i) True (ii) True**
134. I) The aggregate demand and aggregate supply reach equilibrium at point E ii) Supply creates its own demand **(i) True (ii) True**
135. i)As automatic price mechanism operates in the economy ii) Money is neutral **(i) True (ii) False**
136. i) Income is the Principle of effective demand ii) Effective demand is not equals to national income **(i) True (ii) False**
137. Keynes is a Theory of **employment and Income**
138. **Cyclical unemployment** is a Widespread unemployment
139. How many types of unemployment **Seven**
140. Classical theory was developed by **David Ricardo, J.S.Mill, J.B.Say and A.C.Pigou**
141. Say's Law of Market developed by **Jean Baptist Say (1767 – 1832)**
142. John Maynard Keynes was born in Cambridge in **1883**
143. Expand of ASF **Aggregate Supply Function**
144. The total Stock of Money circulating in an economy is **Money Supply**
145. J.M. Keynes is one of the greatest and most influential economists of the mid **20th Century**
146. Examples of Seasonal Unemployment **Ice Cream, Industry, Holiday resorts**
147. Frictional unemployment is also known as **Temporary Unemployment**
148. How many approaches determination of the equilibrium level of income in Keynesian theory **Two**
149. Expand of ASC **Aggregate Supply Curve**
150. Expand of ADF **Aggregate Demand Function**
151. Average Propensity to consume is **C/Y**
152. Marginal Propensity to Consume is **³%c / ³%Y**
153. Average Propensity to Save is **S/ Y**
154. Marginal Propensity to Save is **³%S / ³%Y**
155. Expand of MEC – **Marginal Efficiency of Capital**
156. Expand of MEI – **Marginal Efficiency of Investment**
157. The concept of Multiplier was first developed by **R.F. Khan**
158. **J.M.Keynes** redefined it as investment multiplier
159. Dynamic Multiplier is also known as **Sequence Multiplier**
160. Higher Interest rates likely to **Reduce Investment**
161. Decrease in consumption at any given level of income is likely to lead **Lower Aggregate Demand**
162. Formula for calculating Multiplier **K-1/1-MPC, ³%Y / ³%I 1/MPS**
163. If the MPC = 0.6 find **MPS 0.4**

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164. Consumption function is the relationship between **Consumption Expenditure** and the National income
165. **Accelerator** Principle explains the relationship between consumption expenditure and capital expenditure
166. In the long run, the autonomous consumption will become **zero**
167. In the Short run, consumption function **Remain constant**
168. Investment is the addition to real **Capital assets**
169. According to Keynes employment depends on **Investment**
170. MPC stands for **Marginal Propensity to Consume**
171. The term consumption function explains the relationship between **Income and Expenditure**
172. Marginal Propensity to save is the ratio of change in savings to a **change in income**
173. The Great depression of 1930's was also caused by **Fall in Investment**
174. The Magnified effect of Initial investment on income is called **Multiplier effect**
175. Multiplier **K = Y1-MPC**
176. Accelerator (â) = **DI /c D**
177. **J.M. Keynes** is the author of the general theory of employment interest and money
178. **Investment** depends upon MEC and rates of interest
179. K = 1/MPS = **Value of Multiplier**
180. If the MPS is 0.5 the multiplier is **2**
181. As income decreases consumption will **Fall**
182. State whether the statements are true or false (i) Ratio of changes in consumption to change in investment – Multiplier (ii) Ratio of changes in induced investment to change in consumption – Accelerator **(i) False (ii) True**
183. (i) APS – Ratio of the savings to income (ii) APC – Ratio of the consumption expenditure to income **i) True ii) True**
184. The Simple accelerated model was made by J.M. Clark in **1917**
185. The primary macro economic objective is acceleration of growth of **National Income**
186. Functional relationship between two **aggregates**
187. Keynes has divided factors influencing the consumption function into two namely **Subject Factors, Objective Factors**
188. **Keynes** lists Eight motives which lead individuals to retrain from spending
189. Income distribution view has been corroborated by **V.K.R.V.RAO**
190. Consumption expenditure increases with the in **Rise Wages**
191. **Rate of Interest** plays an important role in determining the consumption function
192. Households to buy consumer durables like **Automobiles, Fridge, Computer**
193. The Consumption expenditure depends not only on this **Current Income**
194. Consumption is influenced by **Demonstration Effect**
195. The Investment function refers to **Investment, Interest Rate Relationship**.
196. MEC was first introduced by J.M. Keynes in **1936**
197. Dynamic multiplier is also known as **Sequence Multiplier**
198. The Systematic development of the simple accelerator model was made by **J.M. Clark, 1917**
199. **Multiplier** ratio of change in income to change in investment IDY/ D
200. **Subjective Factors** Internal Factors related to psychological feeling
201. Liquid form of assets **Money**
202. Deflation means Price are **falling**
203. During inflation, who are gainers' **Business Men**
204. When prices are raised drastically (rapidly) we call at **Hyper Inflation**
205. Inflation is taxation without legislation was said by **Milton Friedman**
206. Barter system was introduced by **Mesopotamia Tribes**
207. **Money** is the most liquid form of Capital
208. **Money supply** means the total amount of money in Economy
209. It India currency notes are issued by the **RBI**
210. The symbol of India rupee came into use on **15th July 2010**
211. **India** is the 5th country to accept a unique currency symbol
212. Fishers quantity theory of money was first propounded in **1588** by an Italian Economist **Davanzatti**
213. The purchasing power of money was a book published by **Irving Fisher**
214. The general form of equation given by fisher is **MV = PT**
215. The exchange of one good for another without the use of money is called **Barter**
216. Phases of trade cycle is classified into **4 types**
217. The Marshall's equation is expressed as **M = KPY**

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218. "A state of abnormal increase in the quantity of purchasing power" was said by **Gregorye**
219. Barter system was introduced by **Mesopotamia Tribes**
220**. Disinflation** is the slowing down the rate of Inflation
221. Irving Fishers Quantity Theory of Money was published in **1911**
222**. Paper Currency system** is managed by the central monetary authority
223. During Depression the level of Economic Activity becomes **extremely low**
224. During Boom the level of economic activity becomes **extremely high**
225. CRR Refers to the traction of the deposits the banks must keep with **RBI**
226. "Money is what money does " **Walker**
227. **Babylonian's** also developed on improved Barter System
228. Face value is equal to their intrinsic **Metal Value**
229. Paper Currency notes issued by the **Treasury or Central bank**
230. Main functions of money can be classified into **Four categories**
231. Money is the basis of the **Credit system**
232. Currency notes are issued by **Reserve Bank of India**
233. Coins are issued by the **Ministry of Finance, Government of India**
234. Expands of **CDR – Currency Deposit Ratio**
235. Expands of **RDR – Reserve Deposit Ratio**
236. Expands of **CRR – Cash Reserve Ratio**
237. Expands of **SLR – Statutory Liquidity Ratio**
238. The New Currency Symbol designed by **Mr.D.Udaya Kumar**
239. The New Currency Selected by the Union Cabinet **15th July 2010**
240. Five country to accept a unique currency symbol **America, Britain, Japan, Europe, India**
241. Keynes Equation is Expressed **N= PK or P=n/k**
242. Too much of money chasing too few goods **Coulbourn**
243. Creeping inflation is known as a **Mild Inflation or Moderate Inflation**
244. The first Hyper Inflation of the **Century 21st**
245. Four different phases of trade cycle is referred to as **Boom, Recession, Depression, Recovery**
246. The RBI head quarters is located at **Mumbai**
247. MV stands for Supply of legal lender **money**
248. Debit card is an example of **Plastic Money**
249. V in MV = PT Equation stands for **Velocity of Circulation of Money**
250. During Depression the level of Economic activity becomes **extremely low.**
251. The Ricks banks of Sweden which had sprung from a private bank established in **1656**
252. The sole right of note issue in **1897**
253. Fundamentals of the art of banking have been developed by the Bank of England **1864**
254. A large number of central banks were established between **1921 and 1954**
255. International finance conference held at Brussels , **1920**
256. The south African reserve bank established **1921**
257. Central bank of China established **1928**
258. The reserve bank of New Zealand established **1934**
259. The reserve bank of India Established **1935**
260. The central bank of Ceylon established **1950**
261. The bank of Israel established **1954**
262. The first bank of India was bank of Hindustan **1770**
263. The banking system in India was controlled and dominated by the **Presidency banks**
264. Bank of Bengal established in **1809**
265. Bank of Bombay Established on **1840**
266. Bank of Madras Established on **1843**
267. Expand of NBFI – **Non banking Financial Institution**
268. Expand of ARDC – **Agricultural Refinance development corporation**
269. ARDC was established by an act of parliament and it started functioning from **July 1, 1963**
270. RBI will act as the banker to the **Government of India**
271. Banks issue traveller's cheque to **Individual**
272. Credit Creation means the **Multiplication of loans and advances**
273. Finance is the life blood of all economic activities such as **Trade, Commerce, Agriculture**
274. The modern banks create deposits in **Two ways**

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275. Primary deposits are also called as **Passive Deposits**
276. The minimum amount of RTGS transfer is **Two Lakhs**
277. ATM's transformed the bank tech system when they were first introduced in **1967**
278. Bank is a **financial institution.**
279. **Commercial bank** is an institutions that provides accepting deposits and providing loans To the public
280. Bank Credit refers to **bank loans and advances**
281. Credit Creation means **multiplication of loans and advances**
282. NBFI does not have **banking licence**
283. **Central bank,** RBI is the monetary authority of the country
284. Lender of the last resort is the one of the functions of **RBI**
285. Bank rate means **re-discounting the first class securities**
286. **Repo Rate** means rate at which the RBI is willing to lend to commercial banks
287. **Finance** is the life blood of all the activities
288. Moral Suasion refers to **persuasion**
289. ARDC standard functioning from **1st July 1963**
290. NABARD was set up in **July 1982**
291. Expand of NBFC – **Non bank financial company**
292. NBFI can be broadly classified into two categories **Stock exchange, Financial institutions**
293. RBI was nationalised on **1st January 1949**
294. Banking Regulation act **Sec 22**
295. Reserve bank of India headquarter moved from Calcutta to Mumbai **1937**
296. Expands of IMF – **International Monetary Fund**
297. Expands of NABARD – **National bank for Agriculture and Rural Development**
298. Expand of ARDC – **Agricultural refinance development Rural Development**
299. Expand of RRB'S – **Regional Rural banks**
300. Expand of IFCI – **Industrial finance corporation of India**
301. IMF Stands for – **International Monetary Fund**
302. Absolute cost advantage was developed by **Adam Smith**
303. Comparative cost advantage was developed by **Ricardo**
304. International trade was developed by **Eli Huckster and Berti ohlin**
305. Balance of payment includes both **visible and invisible items**
306. Net export equals **export and import**
307. **Exchange rate** are determined in foreign exchange rate
308. **Favourable trade** means value of exports is more than that of imports
309. **Internal Trade** refers to the exchange of goods and services with the political and Geographical boundaries of a nation
310. Trade is of **Two ways**
311. The official reserve assets of a country include its **Gold Stock**
312. **Structural** is one of the types of BOP disequilibrium
313. **Foreign investment** may also help increase competition
314. There are **Two** Major exchange rate system
315. FOREX refers to **foreign currencies**
316. **High Domestic price level** is responsible for high imports and low exports
317. **Large Public Debt** are droning out foreign investment
318. A country's Terms of Trade also determines the **exchange rate**
319. The modern theory explains the phenomenon of international trade on the basis of **General theory of value**
320. Viner has devised another concept called **The Single factorial terms of trade**
321. Classical theory of international trade developed **Adam smith 1776**
322. International Trade is also called as a **External Trade, Foreign Trade, Inter-regional Trade**
323. Free trade theories for absolute advantage **Adam Smith 1776**
324. Comparative advantage theory is **David Ricardo 1817**
325. Free trade retained – factor preparations Huckster Ohlin **1919**
326. International Product life cycle **Ray Varnon 1996**
327. Principles of political economy and taxation published in **1817**
328. Comparative cost theory also called as **Systematic Theory**
329. Modern theory of international trade was development by Swedish Economist Eli huckster and his student bertil Ohlimin **1919**

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330. **Modern theory** is also called as a Factor Endowment theory
331. Factor Endowment model developed by **Huckster and ohlin**
332. Net barter terms of trade developed by taussing in **1927**
333. Net barter terms of Trade developed **Tn = Py / Pm X 100**
334. Gross barter terms of trade developed by Taussing in **1927**
335. Gross barter terms or trade is **Tg=(QM x QX)x100**
336. The single factorial terms of trade is **Tf = (px /pm) fx**
337. Double factorial terms – Tff = **(px x pm)**
338. BOT stands for – **Balance of Trade**
339. BOP stands for – **Balance of Payments**
340. Balance of payment accounts chart Credit - Debit = **Balance Receipts Payments = Deficit (-) Surplus (+)**
341. Indian Rupee was devalued three times since 1947 On 29th September 1949, On 6th June 1966, On **1st July 1991**
342. The rate at which one country's currency can be traded for another country currency **Exchange Rate**
343. NEER Stands for **Nominal Effective Exchange Rate**
344. REER stands for Real effective exchange rate
345. Formula of real exchange rate **epf / p**
346. Expands for FDI **Foreign Direct Investment**
347. FPI stands for **Foreign portfolio Investment**
348. FII Stands for **Foreign Institutional Investment**
349. The early **1991** witnessed reforms in the **economic policy**
350. Net export equals **Export – Import**
351. Head quarters of SAARC in **Kathmandu**
352. Head quarters of ASEAN is located in **Indonesia**
353. Head quarters of Brics is in **Shanghai**
354. World Bank Group I**MF**
355. **Jakarta** is the head quarters of ASEAN
356. The Tenth Brics summit was held in **july 2018 at Johannesburg**
357. World bank is otherwise called **IBRD**
358. The IMF and world bank were started in **1945**
359. The GAAT was transformed into WTO on **1995**
360. The IMF head quarters are in **Washington D.C**
361. The WTO Head quarters is in **Geneva**
362. The International monetary fund was established in **1945**
363. The world bank was established in **1945**
364. The world trade organisation was started in **1995**
365. The IMF has **189** member countries
366. A member can unconditionally borrow from the fund in a year equal to **25%** of its quota
367. Unconditionally borrowing right is called as **The reserve tranche**
368. SDR's **Stands for Special Drawings Rights**
369. SDR's is otherwise called as **Paper Gold**
370. The IMF established structural adjustment facility in **March 1986**
371. The international bank for reconstruction and development otherwise called **World bank**
372. Article 1 of the agreement states the functions performed by the **world bank**
373. The first WTO conference was held at Singapore in **1996**
374. **Thailand** is not a member of ASEAN
375. SAARC meets once in **2 years**
376. World Bank provides **long term loan**
377. Expands for ESAF – **Enhanced structural adjustment facility**
378. The value of the SDR was initially defined as equivalent to **0.888671 grams of fine gold**
379. Expands for IBRD – **International bank for reconstruction and development**
380. Bretton woods conference in **1944**
381. World Bank membership has increased from the initial number of 30 to 68 in **1960.**
382. Expand of IDA – **International development association**
383. Expand of IFC – **International finance corporation 1956**
384. Expands of MIGA – **Multilateral Investment Guarantee agency 1958**
385. Expands of ICSID – **International centre for settlement of Investment Disputes**
386. India became a member of MIGA – **January 1994**

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387. The Recent conference for WTO was held at **Argentina 2017**
388. Expands for GATS – **General Agreement on Trade in Services**
389. The Multi fibre agreement governed the world trade in textiles and garments **since 1974**
390. WTO 6th Ministerial conference held at **Hong Kong 13-18 December 2015**
391. WTO 12th Ministerial conference held at **Kazakhstan -2020**
392. The 20th SAARC Summit was hosted by **Srilanka 2018**
393. How many members of SAARC **Eight**
394. SAARC members is **India, Bhutan, Pakistan, Nepal, Bangladesh, Maldives, Sriland, Afghanistan**
395. Explain for SADF – **South Asian Development Fund**
396. ASEAN was established on **8th August 1967**
397. Head Quarters of BRICS – **Shanghai, China**
398. The Brics countries make up **21%** of global GDP
399. The Brics are home to **43%** of World Population
400. Expands of CRA – **Contingent Reserve Arrangement**
401. The old and popular term of Fiscal economics is called **Public Finance**
402. **Public Finance** is related to the financing of the activities State
403. Bought refers to a **Small leather bag**
404. Unbalanced budget are of **Two types**
405. Budget estimates are prepared by **Ministry of Finance**
406. A Fine is a penalty imposed on an individual for **violation of law**
407. Sale within the states are **CGST, SGST**
408. GST will mainly remove the **Cascading Effect**
409. Capital Budget Consists of **capital receipts and Capital expenditure**
410. The Indian government accounts are maintained in **Three parts**
411. **Financial operation** of the government Treasury
412. The term fiscal is derived from **Greek World**
413. Public Finance has been newly termed as **Fiscal Economics**
414. Modern state is a **welfare state**
415. **Public Finance** is a study of the financial aspects of The government
416. **Public Finance** includes Five Major sub divisions
417. The government can borrow from **internal and external sources**
418. The private sector aims to maximize **Benefit , Profit**
419. **Defence** is the Primary function of the government
420. The population of India has increased from **36.1 crore in 1951 to 121 Crore in 2011**
421. **Public Revenue** Occupies an important place in the study of public finance
422. The term Public Income has **Two Tenses**
423. Public Revenue can be classified into **Four**
424. There are **Four types** of Canons of Taxation
425. Direct Taxes are **Progressive**
426. Indirect Taxes are **Regressive**
427. GST is of **Indirect Tax**
428. Budget refers to a **small leather bag**
429. The world budget in origin from **French World**
430. Budget Deficit = **Total Expenditure – Total Revenue**
431. **Public finance** is concerned with the income and expenditure of Public Authorities
432. **Tax Revenue** deals with the Kinds of Taxes
433. The defence expenditure of the government was **10874 Crores in 1990-91**
434. The defence expenditure of the government increased was **295511 in 2018-19**
435. The expenditure on Subsidies by central government in **1990-91 was 9581 Crores**
436. The expenditure on subsidies by central government was increased **2,29,715.67 In 2018-19**
437. The interest payment of the central government has increased from **21500 Crores in 1990-91 to 75,794 Crores in 2018-19**
438. Expands of CBDT – **Central Board of Direct Taxes**
439. Expands of GST – **Goods and Service Tax**
440. GST was passed in the parliament on **29th March 2017**
441. GST was came into effect on **1st July 2017**
442. Government establishes a separate fund known as **Sinking Fund**

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443. The government of India presented zero base budgeting in **1987-88**
444. Budget is Known as **Performance Budget**
445. The administrative reforms commission was set up in **1949 in America**
446. Performance budget is also known as **Outcome Budget**
447. First Finance Commission **1951** Year of Establishment
448. First Finance Commission Chairman **K.C.Neogy (1952-57)**
449. **Quid Pro Quo** a favour or advantage granted in return for something
450. Methods of repayment of public debt is **Conversion, Sinking fund funded debt**

DO YOU KNOW QUESTIONS

1. Macro economics is very much about tying together facts and theories. -DORN BUSCH ,FISHER AND STARTZ

2. *GLOBALISM*
   The term coined by MANFRED D .STEGER (2002) to donate the new market ideology of globalisation that connects nations together through international trade and aiming at global development. This ideology is also termed as Extended capitalism.

3. The concept of national income is an indispensable preparation for tackling the great issues of unemployed, inflation and growth. – samuelson

4. The net output of the commodities and services flowing during the year from the country productive system into the hands of the ultimate consumers or into net addition to the country stock of capital goods-simon Kuznets

5. Unemployed people suffer the demoralization,fructuation and loss of self respect that come from enforced idlelines.

6. *EX ANTE AND EXPOST IN SAYS LAW*
   The statement that supply creates own demand or equivalently that the aggregrate investment equals the aggregate saving always holds goods in the ex post sense. Since it is simply an accounting identity.
   Says law of markets ,however states that these two are equal in ex ante sense i e the total quantity which people produce i e aggregate supply must be equal to the total quantity which they plan to buy i e aggregate demand.

7. The theory of multiplier and the theory of accelerator are the two sides of the theory of fluctuations just as the theory of demand and the theory of supply are the two sides of the theory of value.The full theory must be that which shows both sides in operation.

8. AUTONOMOUS INVESTMENT
   ◆ Investment that is not dependent on the national income.
   ◆ Mainly done with the welfare motive and not for making profit.
   ◆ Examples constructions of the road bridges ,school ,charitable house.
   ◆ Not affected by rise in raw materials or wages of workers.
   ◆ Essential to development of national income and out of depression.

9. FACTORS AFFECTING MEC
   i)The cost of the capital asset
   ii)The Expected rate of return from during its lifetime.
   iii)The market rate of interest.

10. POSITIVE MULTIPLIER
    When an initial increases in an injection (or a decreases in a leakage)leads to a greater final increase in real GDP.

11. NEGATIVE MULTIPLIER
    When an initial increases in an injection (or an increases in a leakage)leads to a greater final decrease in real GDP

12. KINDS OF MULTIPLIER
    1)Tax multiplier
    2)Employment multiplier
    3)Foreign trade multiplier
    4)Investment multiplier

13. Inflation is taxation without legislation -MILTON FRIED MAN

14. THE HISTORY OF BARTER SYSTEM STARTS WAY BACK IN 6000BC
    i)Barter system was introduced by Mesopotamia tribes
    ii)Phoenicians adopted bartering of goods with various other cities across oceans.

15. The first hyper inflation of the 21st century Zi mbabwes annual inflation rate surged to an unprecendented 3714 percent at the end of april 2007

16. PRIMARY DEPOSITS
    i)It is out of these primary deposits that the bank makes loans and advances to its customers.
    ii)the initiative is taken by the customers themselves .in this case the role of the bank is passive.

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iii)so these deposits are called passive deposits.

17. FUNCTIONS OF ICICI
    i) Assistance to industries
    ii) Provision of foreign currency loans
    iii) Merchant banking
    iv) Letter of credit
    v) Project promotion
    vi) Housing loans
    vii) Leasing operations

18. NEFT AND RTGS

NEFT	RTGS
NATIONAL ELECTRONIC FUND TRANSFER	REAL TIME GROSS SETTLEMENT
Transactions happens in batches hence slow	Transactions happens in real time hence fast
Timings 8.00 am to 6.30pm (12.30pm on Saturday)	Timings 9 am to 4 .30 pm (1 .30 pmon Saturday)
No minimum limit	Minimum amount for RTGS transfer is 2 lakhs

19. Economics are linked internationally through trade in goods and through financial markets. - Dornbusch, Fisher and Startz

20. *FOREIGN PORTFOLIO INVESTMENT*
    FPI means the entry of funds into a nation where foreigners deposits money in a nations bank or make purchase in the stock and bond markets , sometimes for speculation .FPI is part of capital account of BOP.

21. *FOREIGN INSTITUTIONAL INVESTMENT*
    FII is an investment in hedge funds ,insurance companies ,pension funds and mutual funds .foreign institutional investment is a common term in the financial sectors of india.For example a mutual fund in the united states can make investment in an india based company.

22. Foreign capital infinitely prefer situations where the upside potential is vast ,if risks must be taken to get in. –RUDI DORBUSH

23. *OBJECTIVES OF WORLD BANK*
    i) Reconstruction and development
    ii) Encouragement to capital investment
    iii) Encouragement to international trade
    iv) Establishment of peace time economy
    v) Environmental protection

24. The establishment of the WTOs TRIPS (trade related aspects of intellectual property rights)Agreement in 1995 changed the face of international intellectual property law and policy making .TRIPS negotiations recognized that short comings and inconsistencies in IP protection can distort trade and impede its benefits.The TRIPS agreement helps ease trade tensions about IP issues while leaving WTO members sample space to pursue diverse domestic policies.

25. FACTS ABOUT BRICS
    i) The BRICS Countries make up 21 percent of global GDP.They have increased their share of global GDP three fold in the past 15 years.
    ii) The BRICS are home to 43 percent of worlds population.

26. Incomings may be scant,but yet, no failures there,If in expenditure you rightly learn to spare.

27. Environmental problems are really social problems …. they begin with the people as the cause and end with people as victims.   - SIR EDMUND HILLARY

28. A good plan may fail due to faulty implementation .but a faulty plan cannot succeed through good implementation Plan your work for today and everyday then work your plan. -MARGARET THATCHER

29. Statistics is the grammer of science. -KARL PEARSON

30. *MEANING OF AVERAGE*
    i)An average stands for the whole group of which its forms a part yet represent the whole
    ii)One of the most widely used set of summary figures is known as measures of location.

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Additional 2 Marks
Chapter 1
Introduction to macro economics

1. Define the term 'economy'?

The terms economy has been defined by A.J.Brown as, "A system by which people earn their living".

2.The term economy in the words of J.R.Hicks

"An economy is a co-operation of producers and workers to make goods and services that satisfy the wants of the consumers"

3. Define socialism?

Socialism is defined as a way of organizing a society in which major industries are owned and controlled by the government.

4. Define 'Inflation?

Inflation refers to steady increase in general price level.

Chapter – 2
National Income

1. Define National Income?

"The Labour and Capital of a 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

"The concept of national income is an indispensable preparation for tackling the great issues of unemployment, inflation and growth". -Samuelson

"The net output of the commodities and services flowing during the year from the country's productive system into the hands of the ultimate consumers or into net addition to the country's stock of capital goods" -Simon Kuznets

2. Define GDP deflator?

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

Chapter – 3
Theories of Employment and Income

1. Define Unemployment?

"Unemployed people suffer the demoralization, frustration and loss of self respect that come from enforced idleness". -Wonnacott. P and Wonnacott.R

2. Definition of full employment?

➤ According to Keynes, "full employment is the absence of involuntary unemployment".
➤ Lerner defines full employment as "that level of employment at which any further increase in spending would result in an inflationary spiral of wages and prices.

3. Define classical theory of employment?

✴ According to say, " A person receives his income from production which is spent on the purchase of goods and services produced by others. For the economy as a whole, therefore, total production equals total income".
✴ According to Keynes, "the factors of production such as capital goods, supply of labour, technology and efficiency of labour remain unchanged while determining the level of employment".

Chapter 4
Consumption and Investment Function

1. Definition of 'Accelerator'

'The Accelerator co-efficient is the ratio between induced investment and an initial change in consumption. Accelerator â = $\Delta I / \Delta C$ ΔI = Change in Investment, ΔC = Change in Consumption.

2. Define Average propensity to Consume?

APC is the ratio of Consumption expenditure to any particular level of income. **APC = C/Y**, C = Consumption, Y = Income

3. Define Marginal Propensity to Consume?

MPC is defined as the ratio of change in Consumption to Change in income. **MPC = $\Delta C / \Delta Y$,** ΔC = Change in Consumption, ΔY = Change in Income

4. Define Average Propensity to Save?

APS is the ratio of saving to income. **APS = S/Y,** S = Saving, Y = Income

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5. Define Marginal Propensity to Save?
MPS is the ratio of change in saving to change in income.
MPS = ∆S / ∆Y, ∆S = Change in Saving, ∆Y = Change in Income

6. Define consumption and investment function?
"The theory of multiplier and the theory of accelerator are the two sides of the theory of fluctuations as just as the theory of demand and the theory of supply are the two sides of the theory of value. The full theory must be that which shows both sides in operation. -J.R.Hicks

7. Define Multiplier.
The multiplier is defined as the ratio of the change in national income to change in investment.

Chapter – 5
Monetary Economics
1. Dfinitions of money by Walker and Crowther?
Walker   : "Money is, what money does"
Crowther : "Money can be anything that is generally acceptable as a means of exchange and at the same time acts as a measure and store of value.

2. Define Disinflation?
Disinflation may be defined as the process of reversing inflation without generating adverse effects.

3. Definition of trade cycle by J.M.Keynes
"A trade cycle is composed of periods of good trade characterized by rising prices and low unemployment percentages altering with periods of bad trade characterized by falling prices and high unemployment percentages".

4. Define inflation?
⧫ Inflation is taxation without legislation. -Milton Friedman
⧫ "Too much of money chasing too few goods." -Coulbourn
⧫ "A state of abnormal decrease in the quantity of purchasing power". -Gregorye

Chapter 6
Banking
1. Define commercial Bank?
"Commercial banks are the institutions that make short term loans to business and in the process create money". -Culbertson
According to Crowther, "The banker's business is to take the debts of other people to offer his own in exchange and there by create money".

2. Define central Bank?
According to Samuleson, " a central bank is a bank of bankers. Its duty is to control the monetary base and through control of high-powered money to control the community's supply of money".

Chapter - 7
INTERNATIONAL ECONOMICS
1. State H-O theorem
"A capital abundant country will export the capital-intensive good, while the labour-abundant country will export the labour-intensive good".

2. Define Forex
"Forex is a system or process of converting one national currency into another and of transferring money from one country to another".

3. Define International trade?
"Economics are linked internationally through trade in goods and through financial markets". -Dornbusch, Fischer and startz International trade is a trade among differed countries or trade across political boundaries it is also called as external trade or foreign trade or inter-regional trade.

4. Define terms of trade?
The gains from international trade spend upon the terms of trade which refers to the ratio of export prices to import prices.

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Chapter - 8
INTERNATIONAL ECONOMIC ORGANISATION

1. Define international Economic organizations?
  "Foreign capital infinitely prefers situations where the upside potential is vast, if risks must be taken to get in".-Rudi Dorbush.

2. Define common market?
  A group formed by countries within a geographical area to promote duty free trade and free movement of labour and capital among its members.

Chapter - 9
FISCAL ECONOMICS

1. Define Public Expenditure
  "The expenditure incurred by public authorities like Central, State and local governments to satisfy the collective social wants of the people is known as public expenditure".

2. Define Fiscal Economics?
  "Incomings may be scant; but yet, no failures there, If in expenditure you rightly learn to spare". -Thirukkural No.478

3. Define public finance?
  "Public finance is one of those subjects that lie on the border line between economics and politics. It is concerned with income and expenditure of public authorities and with the adjustment of one to the other". -Huge Dalton "Public finance is an investigation into the nature and principles of the state revenue and expenditure". -Adam Smith

4. Define Public Debt?
  " The debt is the form of promises by the treasury to pay to the holders of these promises a principal sum and in most instances interest on the principal. Borrowing is resorted to in order to provide funds for financing a current deficit". -Philip E.Taylor

5. Define Budget?
  "It is a document containing a preliminary approved plan of public revenue and expenditure". -Reney Stourn "The budget has come to mean the financial arrangements of a given period, with the usual implication that they have been submitted to the legislature for approval". -Bastabale

6. Define Fiscal Policy?
  "The term fiscal policy refers to a policy under which the Government uses its expenditure and revenue programmes to produce desirable effects and avoid undersirable effects on the national income, production and employment". -Arthur Smithies
  "By fiscal policy is meant the use of public finance or expenditure, taxes, borrowing and financial administration to further our national economic objectives" -Buehler

Chapter - 10
ENVIRONMENTAL ECONOMICS

1. Define noise pollution
Noise pollution is unwanted or excessive sound that can have deleterious effects on human health and environmental quality. - Jerry A.Natharnson and Richard E.Berg,2018

2. Define Land pollution
  The land pollution is defined as "the degradation of land because of the disposal of waste on the land".

3. Define 'Sustainable Development'
  "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

4. Define Environmental Economics?
  "Environmental problems are really social problems.... They begin with the people as the cause and end with people as victims". -Sir Edmund Hillary

5. Define Environment?
  "All conditions, circumstances, and influences surrounding and affecting the development of an organism or group of organisms".

6. Define externalities?
  "the cost or benefit imposed by the consumption and production activities of the individuals on the rest of the society not directly involved in these activity and towards which no payment is made".

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7. Define Air pollution?

"Air pollution is the presence of any solid, liquid, or gaseous substance in the atmosphere in such concentration as may be or tend to be injurious to human bings or other living creatures or plants or property or environment". -The Air (Prevention and Control) of Pollution) Act, 1981

8. Define water pollution?

"The introduction of substances or energy into the marine environment results in deleterious effects to living resources, hazards to human health, hindrance to marine activities. -United Nations, 1971

9. Define Global Warming?

Global warming is the current increase in temperature of the Earth's surface as well as its atmosphere.

Chapter – 11
ECONOMICS OF DEVELOPMENT AND PLANNING

1. Define Economic planning?

Economic planning is "collective control or suppressions of private activities of production and exchange". -Robbins

"Economic planning in the widest sense in the deliberate direction by persons in charge of large resources of economic activity towards chosen ends". –Dalton

2. Define meaning of capital accumulation

The process of addition to the existing stock of capital.

3. Define plan?

A good plan may fail due to faulty implementation. But a faulty plan cannot succeed through good implementation.

"Plan your work for today and every day, then work your plan". -Margaret Thatcher

4. Define economic development?

A sustained improvement in health, literacy and standard of living.

Chapter – 12
INTRODUCTION TO STATISTICAL METHOD

1. Define Statistics?

"Statistics is the grammar of science". -Karl Pearson

"Statistics as a science of estimates and probabilities" -Boddington

"Statistics may be defined as the collection, organization, presentation, analysis and interpretation of numerical data". -Croxton and Cowden

2. Define Average?

"A measure of central tendency is a typical value around which other figures congregate".

"An average stands for the whole group of which it forms a part yet represents the whole."

"One of the most widely used set of summary figures is known as measures of location."

3. Define Standard Deviation?

It is defined as the positive square root of the arithmetic mean of the square of the deviations of the given observation from their arithmetic mean.

4. Define Correlation?

Correlation is a statistical device that helps to analyse the covariation of two or more variables. Sir Francis Galton, is responsible for the calculation of correlation coefficient.

5. Define Regression?

The literal meaning of the word "regression" is "Stepping back towards the average".

6. Define Econometrics?

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

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Qr code questions
Economic Systems

Answer ALL questions. Choose the correct answer.

1. Which aspect is considered as Macro Economics?
(a) study of an economy   (b) study of aggregates
(c) study of an institution   (d) study of an individual

2. In which year, the term Macro was coined?
(a) 1936   (b) 1933   (c) 1940   (d) 1776

3. Who wrote the book " The General Theory of Employment, Interest and Money" ?
(a) Adam Smith   (b) Ricardo   (c) J B Say   (d) J M Keynes

4. "Macro Economics is the study of the nature, relationship and behaviour of aggregates and average of economic quantities." Who gave this definition?
(a) J M Keynes   (b) Mayer   (c) Hanson   (d) Paul A Samuelson

5. Choose the alternative term used to indicate the subject Macro Economics.
(a) Employment Theory   (b) Price Theory   (c) Micro Economics   (d) Income Theory

6. Identify the micro economic variable that is related to macro economy.
(a) National Income   (b) Consumption   (c) Inflation   d) Employment

7. Identify the macro - economic variable.
(a) Value   (b) Price   (c) Inflation   (d) Profit

8. Which is the common variable used to understand the growth process of an economy?
(a) National Income   (b) Money Supply   (c) Inflation   d) Employment

9. Point out the term used to indicate the inefficient use of human resources.
(a) employment   (b) unemployment   (c) full employment   (d) underemployment

10. Which factor influences Economic Growth?
(a) Income   (b) Employment   (c) Output   (d) All the above

11. Which is the central problem in macro economics?
(a) income and employment   (b) price and output   (c) interest and money   (d) price and profit

12. Identify the indicator that represents the aggregate production of final goods and services in an economy during a year.
(a) Gross Domestic Product   (b) Net National Product
(c) Gross National Product   (d) Per Capita Income

13. Which one is the non-economic activity of an economy?
(a) Production   (b) Consumption   (c) Exchange   (d) Education

14. Who classified economies as Low Income, Middle Income and High Income?
(a) IBRD   (b) IMF   (c) WTO   (d) UN

15. Identify the person who coined the term 'Globalism'.
(a) George Stigler   (b) Joseph Stiglitz   (c) Ragnar Frisch   (d) Manfred D Steger

16. Specify the ideology behind 'Globalism'.
(a) Extended Socialism   (b) Extended Capitalism   (c) Extended Mixed Economy   (d) None of the above

17. In what other way a capitalistic economy is known as?
(a) Market Economy   (b) Laissez faire Economy   (c) Free Economy   (d) All the above

18. Identify the feature of capitalism.
(a) No inequality   (b) Planned Economy   (c) Private Ownership   (d)Perfect Distribution

19. Indicate the merit of socialism.
(a) More Choices   (b) Healthy Competition   (c) Social Welfare   (d) Profit Motive

20. Choose the demerit of mixed economy.
(a) Lack of Coordination   (b) Inefficiency   (c) Widening Inequality   (d) All the above

21. How do you indicate the act of changing the ownership from private to public?
(a) privitisation   (b) globalisation   (c) Nationalisation   (d) capitalisation

22. What do you mean by 'static'?
(a) statistics   (b) standard   (c) state   (d) stationary

23. Identify the term that is used to indicate a simplified representation of real situation.
(a) Theory   (b) Model   (c) Hypothesis   (d) Diagram

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24. In a Circular Flow Analysis, measuring the sum total of all factor payments will be called as _____.
(a) Income Method (b) Product Method (c) Expenditure Method (d) All the above

25. The mixed economy system is understood by which model?
(a) Two-Sector Model (b) Three-Sector Model (c) Four-Sector Model (d) None of the above

Chapter - 2

26. National accounting is a system of
a) Measurement of National income
b) Accounting for Spending by different sectors in the economy
c) Presenting a Factual record of the sectors and sub – sectors of the economy
d) Analysis of economic position of different groups in the society

27. Who has made economic position of different groups in the society of national accounts?
a) J.M Keynes b) Marshall c) Richard Stone d) Richard Stone

28. Which of the following accounts is not included in the classified accounts of national accounts?
a) Production account b) Consumption account c) Saving account d) Rest of the world account

29. Fill up the blanks
a) The Production Account shows the composition of gross national and the __ that is generated in the process
b) The Personal Consumption Account shows how is received and how it is used for _____
c) The Government Current Account shows the _____ and _____ of the Government
d) The International Current Account shows the _____ and _____ of goods and services

30. Input – Output analysis has been developed by:
a) Samuelson b) W. Leontief c) Morris Copeland d) Hicks

31. Which of the following economic accounting systems brings into focus the inter – industry relationships?
a) Production accounts b) Investment accounts c) Morris Copland d) Hicks

32. Which of the following economic accounting systems has been developed by Morris Copeland?
a) Sectoral accounting b) Input – Output accounting
c) Flow of funds accounting d) Balance of Payments accounts

33. In the circular flow of income, which of the following is an injection?
a) Saving b) Taxation c) Imports d) Exports

34. The standard of living is often measured by
a) NNP b) GNP c) Real GDP Per capita d) None of these

35. GDP Measures
a) A country is expenditure b) A country's Income
c) A country's Savings d) All the above

36. How many methods are there to measure the national income?
a) 2 b) 3 c) 4 d) 5

37. It is added to GDP to get GNP
a) Net Income from abroad b) Depreciation c) Direct Taxes d) All the above

38. The payments received without any contribution to current output is called
a) Transfer payments b) financial Payments c) Real payments d) None of these

39. Net National Product is equal to
a) National Domestic Product – Depreciation
b) National Domestic Product + Depreciation
c) National Domestic Product + Net factor income from abroad
d) National Domestic Product – net factor income from abroad

40. The income which is left with the individuals after deduction of all taxes levied against their income comes under
a) Transfer payments b) Personal Disposable income
c) National income d) Per capita income

41. Which one is the method of measuring national income?
a) Fiscal method b) Monetary method c) Investment method d) Value added method

42. The value of national output produced by residents located within the country, before depreciation and including the influence of taxes and subsidies, is known as
a) NNP at market prices b) NNP at factor cost c) GDP at market prices d) GDP at factor cost

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43. The first official estimate of national income for India was prepared by Government of India for the year
a) 1947 – 48   b) 1948 – 49   c) 1949 – 50   d) 1950 – 51

44. These goods and services which are used by the producers as inputs into a further stage of production is called
a) Intermediate products   b) Factor of production   c) Final goods   d) All the above

45. Consider the following statements and identify the right ones
a) National income is the monetary value of all final goods andservices produced
b) Depreciation is deducted from gross value of get the net value
c) A and b both
d) None of the following

46. The value of NNP at consumer point is called
a) NNP at factor cost   b) NNP at market price   c) GNP at market price   d) All the above

47. The value of NNP at production point is called
a) GNP at market price   b) NNP at factor cost
c) GNP at factor cost   d) NNP at market price

48.The value of national income adjusted for inflation is called
a) Disposable income   b) Real national income
c) Inflation rate   d) Per capita income

49.The national income estimation is the responsibility of
a) NSSO   b) Finance Ministry   c) National Income Committee d) CSO

50.As per the CSO classification, which of the following does not fall under the industrial sector?
a) Manufacturing   b) Construction   c) Fisheries   d) Mining

Chapter – 3
Multiple Choice Questions

51.Classical economists attacked a body of economic doctrines known as
a) Monetarism   b) Fiscalism   c) Welfarism   d) Mercantilism

52.The unemployment that results because it takes time for workers to search for the jobs that best suit their skills and tastes.
a) Disguised Unemployment   b) Seasonal Unemployment
c) Frictional Unemployment   d) Technological Unemployment

53.The classical economists built their full employment models on the rational of
a) Quantity theory of goods   b) Say's Law   c) Wicksells law   d) All of the above

54.The classical Theory presupposes
a) Completely flexible wage and price but fixed interest
b) Completely flexible wage, price and interest rates
c) Completely flexible price but fixed wage
d) Completely flexible price and interest, but fixed wage

55.The classical solution to unemployment of productive resources is:
a) To increase deficit spending   b) To lower profits
c) To lower money wages   d) To lower the money supply

56. If you are out of work because you are in the process of looking for a better job, economists would say that you are
a) Frictionally unemployed   b) Cyclically unemployed
c) Structurally unemployment   d) None of the above

57. People who are unemployed because they have no marketable skills are said to be
a) Frictionally unemployed   b) Cyclically unemployed
c) Structurally unemployed   d) None of the above

58. A fundamental cause of cyclical unemployment is generally
a) Severe, widespread deficiency in demand for goods and services
b) An inability of workers to move because of housing difficulties
c) Family ties which prevent workers moving from one area to another
d) High rates of income tax imposed on workers in the capital goods industries

59. According to the classical economists, prolonged unemployment could be caused only by
a) Too little spending   b) Workers making unreasonable wage demands
c) External shocks   d) Changes in consumer preferences

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60. Classical economics cover the time span from the
   a) 1700's to the 1930s   b) 1930's to the 1980's   c) 1890's to the 1930's   d) 1770's to the 1980's

61.The term classical model was coined by
   a) Alfred Marshall   b) Karl Marx   c) A.C. Pigou   d) John Maynard Keynes

62.Absence of involuntary unemployment in an economy is called
   a) Under employment   b) Full employment   c) Cyclical unemployment   d) Over full employment

63.Pigovian paradox refers to
   a) Wage cut to bring full employment
   b) Diminishing marginal utility of money as income increases
   c) Non – inclusive of unpaid services of a wife to her husband in national income accounting
   d) None of these

64.The main postulate of the classical economics is
   a) There is always full employment   b) The economy is always in the state of equilibrium
   c) Money does not matter   d) All of the above

65.Structural unemployment is a regular feature in a
   a) Static society   b) Dynamic Society   c) Both (a) and (b)   d) Neither (a) or (b)

66.Keynes' contribution is essentially
   a) Long – run growth problems   b) Relative price determination theory
   c) Short – run theory of income and employment   d) Long – run theory of income and employment

67.Keynes' General Theory was published in
   a) 1929   b) 1930   c) 1933   d) 1936

68.The logical starting point of Keynes theory of employment is
   a) Principle of Multiplier   b) Principle of acceleration
   c) Principle of economics   d) Principle of effective demand

69.In the Keynesian model of income and employment, the economy producing the equilibrium output when
   a) Total spending equals total output   b) Total income equals to total saving
   c) Total saving exceeds total investment   d) Surplus inventories are maximized

70.A recession is when your neighbor is out of work. A depression is when you are out of work. This view is given by
   a) Harry S. Truman   b) Thomas sergeant   c) Neil Wallace   d) Jacob viner

71.Keynes' theory often refers to
   a) Lack of effective supply   b) Lack of effective demand
   c) Lack of both   d) None of the above

72.Keynes' employment theory is often referred to as
   a) Lapses from full employment   b) Excess supply theory
   c) Demand deficiency theory   d) Optimum employment theory

73.Keynes' theory seeks to replace laissez-faire by
   a) Non – Intervention   b) Maximum intervention by the state
   c) State intervention in certain situations   d) Monetarism

74.The basic Keynesian concept of effective demand was given by
   a) Malthus   b) Ricardo   c) Say   d) Non of them

75. According to Keynes, the basic cause of depression is
   a) Too little productive capacity
   b) General malfunctioning of the economy
   c) Too little aggregate demand relative to productive capacity
   d) Inelastic supply

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CHAPTER 4
Section A - (25 x 1 = 25)

76. All of the following are characteristics of intended investment except that
   a. its level is influenced by the rate of capacity utilization
   b. as the interest rate falls, the quantity of intended investment increases
   c. its size is dependent on the level of national income
   d. it is by nature volatile e. its level is influenced by the introduction of new technologies

77. Milton Friedman proposed the
   a) permanent income hypothesis   b) life-cycle hypothesis
   c) absolute income hypothesis   d) relative income hypothesis saving equals investment hypothesis

78. At a specific level of national income, saving can be measured by
   a) the MPS multiplied by the level of national income
   b) 1+ MPC multiplied by the level of national income
   c) the vertical distance between the income line and the consumption function
   d) the vertical distance between the consumption function and the saving function

79. The theory of consumption which argues that consumption is based on a household's long-run estimate of their income is called the
   a. relative income hypothesis
   b. Duesenberry theory
   c. permanent income hypothesis
   d. life-cycle hypothesis e. absolute income hypothesis

80. All of the following are examples of Friedman's concept of transitory income concept except
   a) jockey winning the Triple Crown — the Kentucky Derby, the Preakness, and Belmont — in one year
   b) a $10 million winner of the Texas lottery
   c) farmer whose crops are wiped out by a drought
   d) physician experiencing a 20-fold increase in her patient load during a one-year epidemic
   e) David Letterman's $40 million salary at CBS

81. The marginal propensity to save (MPS)
   a. plus the MPC = national income   b. plus the MPC = one
   c. plus intended investment = one   d. minus national income = consumption
   e. represents the economy's level of savings

82. The life-cycle hypothesis on consumption behavior suggests that people at various stages of the life cycle,
   a. spend everything they earn so saving ends up at zero
   b. increase their marginal propensity to consume as income increases
   c. decrease their marginal propensity to consume as income increases
   d. have differing MPCs, which is still consistent with a constant MPC for the economy
   e. consume according to class status

83. Because intended investment is independent of the level of national income, we graph the investment curve as
   a. downward sloping   b. upward sloping   c. horizontal   d. vertical   e. diagonal

84. The change in consumption divided by the change in income is
   a. the relative income hypothesis   b. the marginal propensity to consume
   c. equal to a + bY   d. equal to 1 + MPS e. equal to autonomous consumption

85. Keynes's absolute income hypothesis cannot be correct because studies have shown that
   a. as disposable income increases, consumption increases at a diminishing rate
   b. the marginal propensity to consume is constant
   c. rich households save a larger fraction of additional income than poor households
   d. income is never absolute and thus a hypothesis can't be formed
   e. autonomous consumption is zero

86. Autonomous consumption refers to
   a. MPCs that are less than one
   b. MPCs that are greater than one
   c. consumption that is independent of the level of income
   d. permanent consumption associated with Friedman's permanent income hypothesis
   e. transitory consumption associated with Friedman's permanent income hypothesis

87. Shifts in the consumption curve are caused by all of the following except changes in
   a. asset holdings   b. income   c. price level expectations   d. credit availability   e. interest rates

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88. If the consumption curve is drawn through the origin,
   a. consumption and income are the same   b. the marginal propensity to consume is zero
   c. autonomous saving is very high   d. autonomous consumption is zero
   e. the marginal propensity to consume will decrease as income increases

89. If the government increases income taxes, the
   a. intended investment curve shifts upward
   b. consumption curve shifts upward
   c. consumption curve shifts downward
   d. national income decreases because people's after-tax income has fallen
   e. actual investment curve shifts downward

90. When the MPS = 0.30 and autonomous consumption is $30 billion, then
   a. the MPC = 0.30   b. consumption spending = $10 billion
   c. consumption spending = $900 billion   d. the MPC = 0.70   e. the MPC = 1.00

91. Research regarding the relationship between consumption and the level of national income shows that the marginal propensity to consume
   a. increases as income increases
   b. decreases as income increases just as Keynes predicted
   c. is constant as income increases
   d. is higher for workers in their peak income earning years than for retirees
   e. is lower for young people who have just finished college

92. The demand curve for investment is downward sloping. When it is graphed, it shows_____on the horizontal axis and _____on the vertical axis.
   a. income; investment   b. investment; income
   c. investment; the interest rate   d. the interest rate; investment   e. income; the interest rate

93. Which of the following is not a determinant of autonomous investment?
   a. income   b. the level of technology   c. the interest rate
   d. expectations of future economic growth   e. the rate of capacity utilization

94. If producers expect economic growth to be more rapid in the future, then it is likely that
   a. saving will decrease   b. interest rates will decrease
   c. the investment curve will shift up   d. the marginal propensity to consume will decrease
   e. autonomous consumption will decrease

95. If stock market prices increase dramatically so that those who own stock perceive that their wealth has increased, then, ceteris paribus
   a. the consumption function shifts downward because saving increases
   b. intended investment increases because it is now more profitable
   c. the saving curve shifts upward
   d. the saving curve is unchanged because only consumption is affected
   e. the consumption function shifts upward

96. Keynes's approach to dealing with the Great Depression of the 1930s differed from the conventional wisdom of classical economics in that
   a. he argued the depression was temporary and the economy would recover on its own
   b. he advanced long-run economic policies to end the depression whereas classical economics focused on the short run
   c. he pushed for harsher reparations from Germany to provide financial resources for the British economic recovery
   d. he believed the economy would not recover on its own and that policies should focus on the short run
   e. he advanced a theory of probability that could be applied to economics

97. Which of the following is not a reason for saving according to either Alfred Marshall or Christopher Carroll?
   a. family affection   b. to increase the wealth of the family for future generations
   c. to acquire power   d. to increase the level of consumption achieved during retirement
   e. to acquire social status

98. Research suggests that the short-run consumption curve_____while the long- run consumption curve_____.
   a. is quite steep; is very flat
   b. intersects the vertical axis above the origin; runs through the origin
   c. has a large average propensity to consume; has a large marginal propensity to consume
   d. has a large marginal propensity to consume; has a small marginal propensity to consume
   e. has a large marginal propensity to consume; has a large average propensity to consume

99. The desire to have a relatively even pattern of consumption over time is known as
   a) excess sensitivity.   b) the substitution effect.
   c) the consumption-smoothing motive.   d) forced saving.

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100.When a person receives an increase in wealth, what is likely to happen to consumption and saving?
   a. Consumption increases and saving increases.   b. Consumption increases and saving decreases.
   c. Consumption decreases and saving increases.   d. Consumption decreases and saving decreases.

CHAPTER 5

101.The definition, "Money is anything which is widely accepted in payment for goods or in discharge of other kinds of business obligation" was given by
   (a) D.H.Robertson   (b) A.C.Pigou   (c) F.A.Walker   (d) Crowther

102.The exchange of goods for goods is known as
   (a) Commodity money   (b) Barter system   (c) Plastic money   (d) Paper money

103.Which of the following is not included in M_1?
   (a) Currency   (b) Demand deposits   (c) other deposits with RBI (d) other deposit with post office

104.Which of the following is not included in M_2?
   (a) M_1 (b) Time liabilities portion of saving deposits with bank
   (c) Certificate of deposits issued by Banks (d) Term deposits with Banks with maturity over one year

105.When too much money chases too few goods the resulting inflation is called
   (a) Deflation   (b) Cost-push inflation   (c) Stagflation   (d) Demand-pull inflation

106.When prices are rising and there is unemployment and recession in the economy, it is called
   (a) Inflation   (b) Stagflation   (c) Deflation   (d) Disinflation

107.The Quantity theory of money was first propounded by
   (a) Davanzatti   (b) Fisher   (c) Marshall   (d) Robertson

108.Which bank among the following is responsible for issuing currency notes in India?
   (a) SBI   (b) RBI   (c) UTI   (d) World Bank

110.The book entitled "The Purchasing Power of Money" was published by
   (a) Fisher   (b) Pigou   (c) Keynes   (d) Marshall

111.The Cash Transactions Approach was developed by
   (a) Keynes   (b) Marshall   (c) Fisher   (d) Pigou

112.The equation MV = PT was given by
   (a) Pigou   (b) Fisher   (c) Marshal   (d) l Keynes

113.Demand for money is expressed as
   (a) MV   (b) PT   (c) PR   (d) T

114.The other name of Cambridge Equation is
   (a) Cash Transactions Approach   (b) Real Balance Approach
   (c) Cash Balances Approach   (d) Transactions Approach

115.The equation M = KPY was given by
   (a) Marshall   (b) Pigou   (c) Robertson   (d) Keynes

116.The equation P = KR / M was given by
   (a) Keynes   (b) Robertson   (c) Pigou   (d) Marshall

117.The equation M = PKT was given by
   (a) Pigou   (b) Keynes   (c) Marshall   (d) Robertson

118. The equation n = pk was given by
   (a) Marshall   (b) Keynes   (c) Robertson   (d) Pigou

119.When prices rise rapidly like a horse is called as
   (a) Walking inflation   (b) Creeping inflation (c) Running inflation   (d) Galloping inflation

120.In order to control inflation in India RBI may
   (a) Increase CRR   (b) Decrease CRR   (c) Increase SLR (d) Decrease SLR

121.Monetary Policy is given by
   (a) RBI   (b) Planning Commission   (c) Finance Minister (d) Monetary Bank of India

122.The term true inflation was referred by
   (a) Marshall   (b) Pigou   (c) Crowther   (d) Keynes

123.The Galloping inflation is also called as
   (a) Hyper inflation   (b) Demand-pull inflation   (c) Cost-push inflation   (d) Wage-price spiral

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124.The expansion of GDP is
    (a) Gross Domestic Product (b) Gross Domestic Productivity
    (c) Gross Domestic Plan   (d) Gross Domestic Price

125.The turning point from boom condition is called
    (a) Recession   (b) Recovery   (c) Depression   (d) Trade cycle

126.Which is the Central Bank of India?
    (a) SBI   (b) RBI   (c) NABARD   (d) Commercial Bank

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CHAPTER VI

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127.in India was set up in the year
    a) 1936   b) 1935   c) 1937   d) 1938

128.The oldest central bank in the world
    a) Bank of England   b) Bank of America c) RBI   d) Federal Reserve System

129.In India ,RBI was nationalized in the year
    a) 1949   b) 1948   c) 1952   d) 1959

130.Who is the executive head of RBI
    a)Prime minister   b) Chief minister   c) Governor   d) Finance minister

131.How many Deputy Governors are in RBI ?
    a) 3   b) 2   c)5   d)4

132.RBI consists of
    a)Local Board   b) Central Board   c) Both (a)& (b) d) None of these

133.The functions of RBI are divided into
    a)Traditional   b)Promotional
    c)Economical   d) Traditional, Promotional and Developmental functions.

134.The broad objective of RBI is to
    a) Regulate the issue of bank notes and to secure monetary stability   b) Banker's bank
    c) Banker to the government   d) Controller of credit

135.RBI issues currency on the basis of
    a) Fixed fiduciary system   b) proportionate fiduciary system
    c) minimum reserve system   d) partial fiduciary system.

136.One rupee note and small coins are issued by
    a)Ministry of Finance   b) Ministry of Commerce
    c) State Government   d) Ministry of Economic affairs

137.Currency of all denominations except one rupee note issued by
    a)Commercial Banks   b) RBI   c) Ministry of Finance   d) President's Office

138.Under Banking Regulation Act 1949 every bank is required to keep
    a)CRR   b)SLR   c) CRR & SLR   d) Time Depositing

139.FERA introduced in the year
    a) 1993   b) 1973   c) 1974   d) 1975

140.All commercial banks in the country are affiliated to
    a)Commercial banks   b) Foreign banks   c) RBI   d) RRBs

141.RBI issues currency on the basis of minimum of
    a)200 crores of Gold and Foreign reserves   b) 115 crores of Gold and Foreign reserves
    c) 85 crores of Gold and Foreign reserves   d) All the above

142.RRBs were established in the year
    a) 1975   b) 1976   c) 1977   d) 1978

143.NABARD was established in the year
    a) 1981   b) 1982   c) 1983   d) 1985

144.RBI introduced (SAS) Service Area Scheme in the year
    a) 1989   b) 1990   c) 1991   d) 1992

145.RBI setup Agricultural Refinance Corporation in the year
    a) 1969   b) 1964   c) 1963   d) 1970

146.FRRA (Amendment) took place in the year
    a) 1993   b) 1994   c) 1995   d) 1996

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147.Bank rate refers to
a)Interest rate
b)Rate fixed by the commercial bank at which it rediscounts first class bills of exchange and government securities holding by commercial banks.
c)Lending rate   d) Exchange rate

148.Open market operation means
a)The sale and purchase of Gold related securities and other securities, bills and bonds of government by the RBI.
b)Sale of Gold related securities. c)Purchase of Gold related securities. d) Sale and purchase of shares.

149.A central Bank does not have the objective of
a)Monetary control   b) Issue of currency   c) Profit making   d)Development banking

150.Which of the following function is performed by a central bank
a) Credit creation   b) Discounting bill
c) ownership of other banks   d) custodian of cash reserves of banks

151.Which of following function is not performed by a central bank
a) Issue of notes   b) Accepting deposits from public
c) Banker to the government   d) lender of lost resort

152. Quantitative credit control method is also known as
a) General method   b) selective method   c) Both (a) & (b)   d) Income method

153.Qualitative credit control method is also called
a)General method   b) selective method   c) Both (a) & (b)   d) Income method

154.Which of the following measures results into contraction of credit?
a)Reduction in bank rate   b) Purchase of securities by the central bank
c) Reducing the cash reserve ratio of the banks   d) Selective credit controls

155.Which of the following measures helps in the public borrowing of the government/
a) Bank rate policy   b) Open market operations
c) Variable cost reserve ratio   d) Selective credit controls

156.Which of the following methods of credit control is more direct and powerful?
a) Bank rate policy   b) Open market operations
c) Variable cash reserve ratio   d) Fixation of margin requirements.

157.Which of the following methods of credit control is more flexible?
a) Bank rate policy   b) Open market operation
c) Variable cash reserve ratio   d) Selective credit control

158.Which of the following is not a selective credit control measure?
a) Secondary reserves ratio   b) Margin requirements
c) Regulation of consumer credit   d) Rationing of credit

159.Financial markets in essence are:
a) Money markets   b) Capital markets   c) Credit markets   d) Liquidity oriented

160.Money market deals in
a) Money   b) Short term fund   c) Credit   d)Bond

161.The market for a very short period loan is called
a)Money market   b) Collateral loan market   c) Call money market d) Bill market

162.Equity market is a constituent of
a)Money market   b) Capital market   c) Stock exchange   d) Speculative market

163.A developed money market is characterized by
a) Weak banking organization   b) A developed banking system
c) Absence of a Central bank   d) Multiplicity of interest rates

164.Non –bank financial intermediaries perform the function of
a)Purchasing primary securities only   b)Selling primary securities only
c) Purchasing primary securities only and Selling primary securities only d)None of the above

165.The 'neutrality of money' objective of monetary policy is
a)Based on quantity theory of money   b)Ignores quantity theory of money
c)Supports a dynamic economy   d)Believes that economic disequilibrium is not caused by monetary change

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166.The 'price stability' objective of monetary policy
a)Was considered essential for successful working of gold standard
b)Relates to reasonable stability in general prices
c)Relates to stability in relative prices
d)Can be easily attained through monetary change

167.The 'growth objective' of monetary policy has been considered to be
a)Compatible with full employment objective under all conditions   b)Long term objective
c)Relevant for developing economies   d)Based on monetary expansion under all conditions

168.Monetary policy is
a)Opposed to fiscal policy   b) Complementary to fiscal policy
c) More effective during depression   d) Direct measures to control effective demand

169.The objectives of monetary policy
a)Remain the same for all countries under all conditions
b)Do not relate to economic growth to increase in employment
c)Can come in clash with each other
d)There can be only one objective at one time

170.Demand deposits refer to deposits received in
a) Fixed deposit account   b) Current account
c) Current account and saving bank account   d) Saving bank account

171.Which type of deposit earns relatively highest rate of interest?
a) Savings deposit   b) Term deposit
c) Current account deposits   d) Home savings deposits

172.Which type of bank loan allows the borrower to withdraw money from time to time upto a certain limit fixed by the bank?
a)Ordinary loan   b) Cash credit   c)Overdraft   d)Discounting of bill

173.The user of which card becomes the borrower of the bank?
a)Credit card   b) Debit Card   c) ATM card   d) All these

174.If the banks receive Rs.1, 000 as primary deposits and maintain a reserve ratio of 20 per cent, other things remaining the same, what will be the extent of credit creation?
a) Rs.800   b) Rs.1,000   c) Rs.4,000   d) Rs.5,000

175.Which of the following factors ensures credit creation to the maximum extent?
a) Cash transactions   b) Larger reserves
c) Larger size of primary deposits   d) Lower volume of currency in circulation

176.Which of the following is an asset for a bank?
a)Capital   b) reserve fund   c) loans and advances   d) bill payable

Chapter - 7
International Economics

177.The exchange of goods and services is known as ....
a)Domestic Trade   b) International Trade   c) Trade   d) None of these.

178.A country that does not trade with other countries is called:
a) Developed economy   b) Closed economy   c) Independent economy   d) Undeveloped economy

179.Trade between two countries is known as ....
a)External   b) Internal   c) Inter-regional   d) None of Above

180.International trade and domestic trade differ because of:
a) Trade restrictions   b) Immobility of factors
c) Different government policies   d) All of the above

181.The important advantage of foreign trade:
a) Increases employment opportunities   b) Increases international mobility of labour
c) Increases competition   d) All of the above

182.In foreign trade, protection policy means:
a)Restrictions on exports   b) Restriction on transfer of foreign exchange
c) Restrictions on imports   d) All of the above

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183. **Trade between two countries can be useful if cost ratios of goods are:**
a) Equal   b) Different   c) Undetermined   d) Decreasing

184. **Dumping refers to**
a) Buying goods at low prices abroad and selling at higher prices locally
b) Expensive goods selling for low prices   c) Reducing tariffs
d) Sale of goods abroad at low a price, below their cost and price in home market

185. **International trade and domestic trade differ because of**
a) Trade restrictions   b) Immobility of factors
c) Different government policies   d) All of the above

186. **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) (a) and (c) of above

187. **Balance of payments means**
a) The balance of receipts and payments of all banks
b) The balance of receipts and payments of State Bank
c) The balance of receipts and payments of foreign exchange by a country
d) The balance of govt. receipts and payments

188. **All of the following are credit items in the balance of payments, except:**
a) Investment inflow   b) merchandise exports
c) Payments for services to foreigners   d) private gifts to foreign residents

189. **In the balance of payments, travel and tourism are included in the category of**
a) Unilateral transfers   b) capital account   c) services account   d) merchandise account

190. **The receipts and payments for goods exported and imported are counted in:**
a) Trade account   b) Capital account   c) Current account   d) Monetary account

191. **A change in fiscal policy affects the balance of payments through:**
a) The current account only   b) The capital account only
c) Both, the current account and capital account   d) Neither current account nor capital account

192. **An exchange rate is the**
a) amount of foreign currency that can be bought
b) price of one currency on the international market
c) price of one currency against another currency
d) amount other countries are willing to pay for your currency

193. **When the exchange rate is determined by the market forces of demand and supply, it is known as**
a) Real exchange rate   b) Nominal exchange rate
c) Superfluous exchange rate   d) Floating exchange rate

194. **What would cause a country's exchange rate to fall**
a) An increased demand for its exports   b) An increased demand for its imports
c) An increased in flow of capital   d) None of the above

195. **The exchange rate is kept the same across geographically-separate markets by**
a) hedging   b) speculation   c) government regulation   d) arbitrage

196. **Income Terms of Trade was introduced by**
a) G.S.Dorrance   b) J.S.Mill   c) Jacob Viner   d) Robertson

197. **When the total value of commodity exports of a country exceeds the total value of commodity imports of that country, it is said that the country has a**
a) Unfavourable BoT   b) Favourable BoT   c) Negative BoT   d) Indirect BoT

198. **If total value of commodity exports of a country is less than the total value of commodity imports of that country, that country is said to have an**
a) Unfavourable BoT   b) Favourable BoT   c) Positive BoT   d) Direct BoT

199. **The BoP is said to be balanced when the receipts and payments are**
a) not equal   b) different   c) just equal   d) unbalanced

200. **When receipts are less than payments, the BoP is said to be**
a) favorable BoP   b). Unfavorable BoP   c) Positive BoP   d) Fruitful BoP

201. **The objectives of FDI include**
a) Sales Expansion   b) Acquisition of resources   c) Diversification   d) All of these

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CHAPTER 8

202.Bretton Woods conference proposed the setting up of International Monetary Fund, World Bank and
    a) International Trade Organisation   b) World Trade Organisation
    c) General Agreement on Tariffs and Trade   d) World Trade Centre

203.World Trade Centre is at
    a)Geneva   b) Washington D.C.   c) New York   d) Tokyo

204.The headquarters of New Development Bank is
    a)Shangai   b) Geneva   c) Washington   d) Colombo

205.The Buffer Stock Facility was started by the IMF in the year
    a) 1951   b) 1961   c) 1969   d) 1981

206.Which of the following provides additional financial assistance to primary producing countries facing shortfall in export earnings?
    a)Compensatory Financing Facility   b) Extended Fund Facility
    c) Buffer Stock Facility   d) Basic Credit Facility

207.Special Drawing Rights are related to
    a)IMF   b) World Bank   c) New Development Bank   d) IFC

208.BENELUX is an example of
    a)Economic Union   b) Customs Union   c) Common Market   d) Free Trade Area

209. ESAF stands for
    a) Enhanced Structural Adjustment Facility   b) Extended Structural Adjustment Facility
    c) Expected Stock Adjustment Facility   d) Expected Statutory Stock Facility

210.According to TRIPS Agreement, -------- enjoy 7 year period of protection.
    a)Copyrights   b)Patents   c) Geographical Indications   d) Layout designs

211. It is mandatory for the World Trade Organisation to settle any dispute within
    a)6 months   b) 12 months   c) 18 months   d) 24 months

212.The WTO convenes the inter ministerial conference once in
    a)two years   b) three years   c) four years   d) five years

213.The 2017 WTO conference was held at
    a)Kenya   b) Indonesia   c) Switzerland   d) Argentina

214.The Multi trade agreement governed the world trade in textiles and garments since
    a) 1964   b) 1969   c) 1974   d) 1978

215.Which of the following is the largest form of trade blocks?
    a)Economic Union   b) Customs Union   c) Common market   d) Free Trade area

216.The first SAARC summit was held at
    a)New Delhi   b) Colombo   c) Dhaka   d) Kathmandu

217.The strength of SAARC nations is
    a) 5   b) 6   c) 7   d) 8

218.The World Trade Organisation is the immediate successor of
    a)GATT   b) ITO   c) IDA   d) None of these

219.SAFTA is an example of
    a)Free Trade Area   b) Economic Union   c) Common Market   d) Customs Union

220.Which of the following is not the member of MERCOSUR Customs Union?
    a)Argentina   b) Brazil   c) Uruguay   d) Australia

221.ASEAN was first established in Bangkok by   countries.
    a) 3   b) 4   c) 5   d) 7

222.The New Development Bank was previously called
    a)BRICS Development Bank   b) Asian Development Bank
    c) European Central Bank   d) BRICS Bank

223.Which of the following is true? i) The headquarters of IBRD is Washington D.C.; ii) The headquarters of IMF is Washington D.C.
    a) i) only   b) ii) only   c) i) and ii)   d) neither i) nor ii)

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224.Which of the following is not true of IMF?
a) Outcome of Bretton Woods Conference   b) Solving short term BOP disequilibrium
c) Solving long term BOP disequilibrium   d) none of these

225.Which of the following does not come under World Bank Group?
a)MIGA   b) IFC   c) IDA   d) ADB

226.To become a member of World Bank one should be the member of
a)International Development Association   b)International Financial Corporation
c)International Monetary Fund   d)International Bank for Reconstruction and Development

227.The main characteristics of a tax is the following
a) A tax is a compulsory contribution imposed by a public authority.
b) A tax is a payment in return for which no direct specific quid pro quo is rendered to the payer.
c) There is no direct give and take relationship between a tax payer and the tax levying authority.
d) All of the above.

228.Indirect taxes have the advantage that they
1. Can be adjusted fairly quickly
2. Tend to be progressive
3. Influence consumption more effectively than direct tax
4. Do not distort the pattern of distribution
     a) 1,2 and 3 only   b) 1 and 3 only   c) 3 and 4 only   d) All of them

229.Which one of the following is enunciated by Adam Smith?
a) Canon of certainty   b) Canon of productivity.
c) Canon of elasticity   d) Canon of simplicity

230.Consider the following Statements
Assertion (A) : Public debt in India rose quickly since independence Reason (R) : Taxable capacity is low in developing countries like India Of these statements
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b)Both (A) and are true, but (R) is not the correct explanation of (A)
c)(A) is true, but (R) is false   d) (A) is false but (R) is true

231.Methods of repayment of public debt is
     a. Conversion   b. Sinking fund   c. Funded debt   d. All these

232.Redemption of public debt means
a)Repayment of public debt   b)Refusal to pay public debt
c)Redefining public debt in terms of foreign currency   d)Linking public debt with inflation rate

233.Budget implies
a)A statement of expected revenue and proposed expenditure   b)Sanctioned by public authority
c)Public borrowing   d)All of these

234.Budget is the main instrument of
a)Fiscal policy   b)Monetary policy   c)Economic policy   d)Export policy

235.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

236.Finance commission in India is a
a)Political body   b)Administrative body   c)Statutory body   d)Ad-hoc body

237.Which of the following articles of the Indian constitution authorizes the appointment of Finance Commission?
a)Article 246   b)Article 252   c)Article 248   d)Article 280

238.Public finance deals with
a)Household budget   b)Government budget   c)Company budget   d)None of the above

239.In India, fiscal year starts from
a)31st March   b)30th April   c)1st April   d)1st March

240.Income tax is raised by
a.Central government   b.State government   c.Local government   d.All the above

241. Sales tax is levied by
a.Central government   b.State government   c.Local government   d.All the above

242. Total Receipt – Total expenditure is equal to
a.Capital deficit   b.Revenue deficit   c.Fiscal defect   d.Budgetary deficit

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243. List-I   List-II
1.Revenue Receipts   A. Salaries
2. Capital Receipts   B. Taxes
3. Revenue Expenditure   C. Borrowing
4. Capital Expenditure   D. Building Dams
Codes:
    1 2 3 4
a) D   C   A   B
b) B   C   A   D
c) A   B   C   D
d) C   A   B   D

244. List-I   List-II
1. Fiscal deficit   A. Revenue and interest receipts minus revenueexpenditure
2. Revenue deficit   B. Revenue receipts & recovery of loans andother receipts minus total expenditure
3. Budgetary deficit   C. Receipts minus disbursements in capitalaccount
4. Capital deficit   D. Total receipts – Total disbursements
Codes:
    1 2 3 4
a) D   C   A   B
b) B   A   D   C
c) A   B   C   D
d) C   A   B   D

245. Assertion (A) : Surcharge is a tax
Reason (R) : Cess is charged for specific purpose of these statements
a) Both (A) and (R) are true and (R) is the correct explanation of (A)
b) Both (A) and are true, but (R) is not the correct explanation of (A)
c) (A) is true, but (R) is false
d) (A) is false but (R) is true

246. Which one of the following sources is considered as a source of government revenue?
a)Taxes   b)Surplus of public enterprises
c)Transfer payments   d)Mobilization of internal loans and deposits

247. Consider the following statements. The main objectives of fiscal policy in developing countries are
a) Rapid economic growth   b) Price stability   c) Full employment   d) Equitable distribution

248. Which of the statements given above is/are correct.
a) 1 and 2   b) 2 and 3   c) 2 and 4   d) 1 and 4

249. The tax which is not shared by states is
a)Sales tax   b)Income tax   c)Corporation tax   d)Central excise duty

250. Agricultural income tax is a source of revenue to
a)Central Government   b)State Government   c)Local administration   d)All the above

251. Fiscal policy in a developing country like India aims at
a)Widening the tax base   b)Mopping up most of the surpluses through taxation
c)Achieving socio-economic objectives of the state d)All the above

252. Assertion (A) : Indirect taxes promote inequalities in the distribution of income. Reason (R) : The poor bear more burden of indirect taxes.
Of these statements
a)Both (A) and (R) are true and (R) is the correct explanation of (A)
b)Both (A) and are true, but (R) is not the correct explanation of (A)
c)(A) is true, but (R) is false
d)(A) is false but (R) is true

253. Economists started devoting their attention after the Second World War towards _____
a. Scientific advancement   b. Development and Growth
c. Technological advancement   d. All the above

254. The UDCs after becoming free and independent, there was an awakening to march towards_____
a.Technological Development   b.Social Development
c.Political Development   d.Economic Development

255. Under traditional approach, the increase in GNP is accompanied by ──────────
a.Decline in share of agriculture   b.Decline in share of industry
c.Decline in share of service sector d.None of the above

256. The UDCs are predominantly characterized by _____
a.Industrial sector   b.Information sector c.Agriculture sector   d.Service sector

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**257.** _____ is a discontinuous and spontaneous change.
   a.Growth   b.Development   c.Structure   d.All the above

258. _____ is a gradual and steady change in the long run.
   a.Development   b.Growth   c.Structure   d.None of the above

259. Economic growth deals with the problems of _____ countries
   a.Advanced   b.Less developed   c.Developed   d.Under developed

260. Consider the following statements and identify the correct ones.
i. While calculating GNP, income generated by foreigners in a country is taken into consideration
ii. While calculating GNP, income generated by nationals of a country outside the country is taken into account.
   a)i only   b)ii only   c)Both   d)None

261. Under economic factors the principal factor affecting the development of an economy is the supply of _____
   a)Mineral Resources   b)Water Resources   c)Natural Resources   d)Man made Resources

262. By _____ growth rate of an economy can be speeded up
   a.Investment in capital formation   b.Investment in share market
   c.Investment abroad   d.Investment in primary sector

263. The term "laissez faire" means _____
   a.Open market   b.Controlled market   c.Closed market   d.Free market

264. Who said capital is a necessary but not a sufficient condition of progress?
   a.Ragnar Nurkse   b.Gunnar Myrdal   c.Wassily Leontief   d.Amartya Sen

265. "Productive activity will suffer, if people spend larger proportion of income and time on entertainment, liquor and other illegal activities", said by _____
   a. J.M.Keynes   b.Alfred Marshall   c.Thomas Piketty   d.D.Paul Krugman

266. What is Patrimonial capitalism?
   a.Assets simply passed on to Children from their relatives
   b.Assets simply passed on to Children from their parents
   c.Assets simply passed on to Children by the Capitalists   d.All the above

267. Which of the following country adopted economic planning for the first time in 1928?
   a.America   b.China   c.Brazil   d.Soviet Union

268. Which of the following year the first industrial policy was announced in India?
   a. 1948   b. 1956   c. 1980   d. 1991

269. The Planning Commission was created on _____
   a.15th March, 1948   b.15th March, 1949   c.15th March, 1950   d.15th March, 1951

270. Which of the following plan was inspired by Gandhian plan?
   a.People's Plan   b.Sarvodaya Plan   c.Bombay Plan   d.Vishveshwarya Plan

271. Plans can be accepted or rejected by _____
   a.President of India b.Prime Minister of India   c.Cabinet Committee   d.Indian Parliament

272. Centralized planning is also called _____
   a.Planning from below   b.Planning from medium
   c.Planning from above   d.None of the above

273. Which of the following is true towards Perspective plans?
   a.1-3 years   b.3-5 years   c.5-10 years   d.10-30 years

274. Indicative planning is being practiced in France since _____
   a.Monnet Plan of 1947-50   b.Monnet Plan of 1950-54
   c.Monnet Plan of 1954-58   d.None of the above

275. Planning Commission was replaced by NITI Aayog on _____
   a.13th August, 2015   b.13th August, 2016   c.1st January 2015   d.None of the above

276. Who will be the Ex-officio member of NITI Aayog?
   a.Prime Minister   b.President   c.Vice – President   d.Union Minster

277. Who was the first Vice-Chairman of the NITI Aayog?
   a.Dr. Raghram Rajan   b.Dr. Aravind Panangariya
   c.Dr. Aravind Subramanian   d.Dr. Gita Gopinath
278. "Statistics is a method of decision making in the face of uncertainty on the basis numerical data and calculated risk", defined by
   (A)Croxton   (B) A.L.Bowley   (C) Boddington   (D) Ya-Lun-Chou

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279.In India, the Statistics Day is celebrated on
(A) 29th June   (B) 29th July   (C) 19th June   (D) 15th June

280. _____ **is known as the founder of modern statistics and called as father of Statistics in India**
(A) R.A.Fisher   (B) Prof.P.C.Mahalanobis   (C) S.P. Gupta   (D) Prof. Wagner

281.Which is not the function of Statistics?
(A) It simplifies mass of figures.   (B) It facilitates comparison.
(B) It helps in Tamil literature.   (D) It helps in prediction

282.Considers Statistics as a science as well as an art.
(A) Croxton   (B) Tipett   (C) Boddington   (D) Ya-Lun-Chou

283.Statistics is not a body of substantive knowledge but a body of methods that can be used to obtain knowledge.
(A) Croxton   (B) Tipett   (C) Wallis an Robert   (D) Ya-Lun-Chou

284.Limitations of statistics are
(A)It does not study individuals   (B) Statistical laws are not exact
(C) Statistics table may be misused   (D) all the above mentioned

285. _____ **is the one that can assume any value between any two points on a line segment.**
(A) A continuous variable   (B) A discrete Variable (C) A constant   (D) Zero

286.The mean for given data 1,3,5,7, 9 is _____.
(A) 6   (B) 5   (C) 9   (D) 8

287. X - Xsummation value is always _____.
(A)One   (B) Odd number   (C) Zero   (D) infinity.

288.The concept of standard deviation was introduced in the year_____.
(A) 1893   (B) 1983   (C) 1973   (D) 1873

289.Standard deviation is also called as _____.
(A)Co-efficient of variation   (B) Root-Mean Square Deviation
(C) Root square deviation   (D) variance

290.Square of standard deviation is called _____ .
(A)Variance   (B) kurtosis   (C) Skewness   (D) mean deviation.

291. $\sqrt{\frac{\sum(x-\bar{x})^2}{n-1}}$ is the formula of _____.
(A)Mean   (B) Mean Deviation   (C) Standard Deviation   (D) Mode.

292.If the values of two variables are changing in the same direction, then the correlation is termed as
(A)Positive   (B) Negative   (C) Zero   (D) One

293. Y = 8.608 + 0.712X ,_____**is slope**
(A) 8.608   (B) 0.712X   (C) 0.712   (D) Y

294. $\sum X = N \beta_o + \beta_1 \sum Y$ **:,** $\sum XY = \beta_o \sum Y + \beta_1 \sum Y^2$ **are**_____.
(A) Normal equation   (B) Poisson equation   (C) equation   (D) Linear equation.

295. Find out the values of r as high degree correlation.
(A) r = 0.96   (B)r= 0.23   (C) r= 0.36   (D) r= 42

296.Limits for correlation coefficient.
(A) $-1 \leq r \leq 1$ (B) $0 \leq r \leq 1$ (C) $-1 \leq r \leq 0$ (D) $1 \leq r \leq 2$

297.The coefficient of correlation.
(A) cannot be negative   (B) cannot be positive
(C) always positive   (D) can either be positive or negative

298.If one regression coefficient is greater than unity then the other must be
(A) greater than unity   (B) equal to unity   (C) less than unity   (D) none of these

299.The lines of regression intersect at the point
(A) (X,Y)   (B) $(\overline{X}\overline{Y})$ (C) (0,0)   (D) (1,1)

300.If the two lines of regression are X + 2Y − 5 = 0 and 2X + 3Y − 8 = 0, the means of X and Y are
(A) X = − 3, Y = 4   (B) X = 2, Y = 4   (C) X =1, Y = 2   (D) X = − 1, Y = 2

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301. _____ named the integration of three subjects such that mathematics, statistical methods and economics as Econometrics" in 1926.
    (A).Francis Galton   (B) RagnarFrish   (C) Karl Person   (D) Spearsman

302. Econometrics helps to_____.
    (A) develop theories.   (B) to arrive a decision in business world
    (C) Forecaste   (D) all the above mentioned.

303.U_i is term known as _____.
    (A) Stochastic disturbance term   (C) Discrete error term
    (B) constant term   (D) variable

304.Econometrics is the amalgamation of
    (A) Statistics+ Economics Theory+ Mathematics
    (B) Statistics+ Mathematics + Computer Science
    (C) Statistics+ Mathematical Economics + Computer Science
    (D) Statistics+ Macro Economics+ Mathematics

305.CSO is located in .
    (A) New Delhi   (B) Kolkata   (C) Old Delhi   (D) Chennai

306.The Ministry of Statistics and Programme Implementation (MOSPI) came into existence as an Independent Ministry in the year_____
    (A) 1999   (B) 1998   (C) 1997   (D) 1989

307.The Industrial Statistics Wing of CSO is located in_____
    (A) New Delhi   (B) Kolkata   (C) Old Delhi   (D) Chennai

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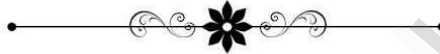
DHOSTH MODEL QUESTION PAPER 1
XII STANDARD
ECONOMICS
PART A

(i) Answer all the questions   20 x 1=20

(ii) Choose the most appropriate answer from the given four alternatives and write the option code and the corresponding answer.

1) Identify the other name for macro economics
   a) price theory   b) Income theory   c) Market theory   d) micro theory

2) Who is the father of socialism?
   a) Adamsmith   b) J M Keynes   c) Karl marx   d) Marshall

3) Teritary sector is also called as
   a) Service   b) Income   c) Industrial   d) Production

4) 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+Rf

5) Acccording to Keynes which type of unemployment previle in a capitalistic economy?
   a) full employment   b) voluntary unemployment   c) involuntary unemployment   d) under employment

6) Lowest interest rate are likely to
   a) decreasing in consumption   b) increase cost of borrowing
   c) encourage saving   d) increase borrowing and spending

7) State whether the following statement are true or false
   i) APC-ratio of the consumption expenditure to income
   ii) APS-ratio of their savings to income
   a) both i and ii are true   b) both i and ii are false
   c) (i) is true but (ii) is false   d) (i) is false but (ii) is true

8) During inflation who are the gainers?
   a) debtors   b) creditors   c) wage and salary earners   d) government

9) During depression the land of economic activity becomes extremely
   a) Maximum high   b) Very bad   c) Very low   d) Very good

10) Expansion of ATM
    a) Analytic Teller Machine   b) Adjustment Teller Machine
    c) Automatic Teller machine   d) Any Time Money

11) BOP includes
    a) Visible items only   b) invisible services only   c) a and b   d) Merchandise trade only

12) BENELUX is a form of
    a) free trade area   b) Economic union   c) common market   d) customs union

13) The WTO was established in 1995 as a successor to the
    a) BRICS   b) GATT   c) ASEAN   d) SAARC

14) GST is equivalence of
    a) sales tax   b) corporation tax   c) income tax   d) local tax

15) consider the following statements and identify the right one
    i) The finance commission is constituted by the president ii) The tenture of finance commission is five years.
    a) (i) only   b) (ii) only   c) both   d) none

16) The word biotic means environment
    a) living   b) non living   c) Physical   d) none of the above

17) For the given assertion and reason choose the correct answer
    Assertion (A)-Polluted water is harmful for agriculture.
    Reason (R)-It self affect the crops and the soil fertility.
    a) both A and R are correct   b) both A and R are incorrect
    c) both A and R are true R is the correct explanation of A   d) A is correct by R is not suitable explanation of A

18) The chair person of by NITI Aayog is
    a) Prime minister   b) President   c) Vice president   d) Finance minister

19) Economic growth measures the
    a) Growth up productivity   b) Increase in normal income   c) Increase in output   d) none of the above

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20)source of secondary data are
   a)primary data   b)secondary data   c)Published data   d)Grouped data

PART -II

ANSWER ANY 7 QUESTIONS .Q NO 30 IS COMPULSORY.
21)what is meant by an economy?
22)Give the expansion of PQLI. Mention its components.
23)What is consumption function?
24)Write a brief note an Gold standard?
25)Define commercial banks
26)State any two merits of international trade?
27)point out any two ways in which IBRD lends to member countries.
28)Specify the meaning of seed ball
29)Define correlation.
30)Differentiate internal and external public debt?

PART -III

ANSWER ANY 7 QUESTIONS Q NO 40 IS COMPULSORY
31)Indicate the demerits of socialism
32)Write any five difference between classism and Keynesianism
33)Differentiate autonomous and induced investment.
34)State Cambridge equation of value of equation.
35)Describe the subject matter of international economics
36)What are trade blocks?
37)Mention any three method of redemption of public debt.
38)What are the causes of water pollution?
39)Find the standard deviation of the following data. 14,22,9,15,20,17,12,11
40)Distinguish between economic growth and economic development .

PART -IV

ANSWER ALL THE QUESTIONS
41)a)Discuss the scope of micro economics.   **OR**
   b)Explain the various method of estimating the national income of acountry?

42)a)Elucidate the primary and secondary functions of commercial bank.   **OR**
   b)Explain the Keynes psychological law of consumptions function with diagram.

43)a)Describe any five types of unemployment.   **OR**
   b)Bring out the objectives and methodology of economics.

44)a)Explain the functions of money.   **OR**
   b)Elucidate the objectives of IMF

45)a)Discuss Adam smith theory of absolute cost advantage.   **OR**
   b)Explain the scope of public finance.

46)a)analysis the function of NITI Aayog   **OR**
   b)Explain the qualitative credit control.

47)a)Explain the concepts of externality and its classifications.   **OR**
   b)Bring out the arguments against planning.

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DHOSTH MODEL QUESTION PAPER 2
XII STANDARD
ECONOMICS
PART A
(i) Answer all the questions   **20 x 1=20**
(ii) Choose the most appropriate answer from the given four alternatives and write the option code and the corresponding answer.

1)The country following capitalism
   a)Russia   b)America   c)India   d)China

2)Net national product at factor cost is also known as
   a)National income   b)Domestic income   c)Per capita income   d)Salary

3)Per capita is obtained by dividing the national income by
   a)production   b)Population of a country   c)expenditure   d)GNP

4)Structural unemployment is a feature in a
   a)statistic society   b)socialistic society   c)Dynamic society   d)Mixed economy

5)J B Say is a
   a)Neo classical economist   b)Classical economist   c)modern economist   d)New economist

6)Identify the following and choose the correct answer by using code given below.

A. APC	(i) $\Delta s \backslash \Delta y$
B. MPC	(ii)$s \backslash y$
C. APS	(iii)$c \backslash y$
D. MPS	(iv)$\Delta c \backslash \Delta y$

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

7) _____ a serious depreciation of the value of money is the result of
   a)Creeping inflation   b)walking inflation   c)Running inflation   d)Hyper inflation

8)Decrease in the rate of inflation is
   a)Disinflation   b)Deflation   c)stagnation   d)Depression

9)central bank is _____ authority of any country
   a)monetary   b)fiscal   c)wage   d)national income

10)NABARD was set up in
   a)july 1962   b)July 1972   c)July 1982   d)July 1992

11)Trade between two countries is known as _____ trade
   a)External   b)Internal   c)inter regional   d)home

12)large _____ are dividing out foreign inventors.
   a)Public debt   b)Private debt   c)Public revenue   d)private revenue

13)One of the following is not a feature of private finance.
   a)Balancing of income and expenditure   b)secretary
   c)saving a part of income   d)publicity

14)The organisation which provides long term loan is
   a)world bank   b)international monetary fund   c)world trade organisation   d)BRICS

15which of the following is not correctly matched
   a)IMF-washington DC b)WTO-Geneva   c)SAARC-Singapore   d)BRICS –Shangai

16)Revenue expenditure is more than that of revenue receipt is called
   a)Revenue deficit   b)Fiscal deficit   c)Budget deficit   d)primary deficit

17)The major contribute of carbon monoxide is
   a)Automobile   b)Industrial process   c)Stationery fuel combustion   d)none of the above

18)The country which adopts indicative planning is
   a)finance   b)Germany   c)Italy   d)Russia

19)The basic philosophy behind long term planning is to being ——changes in the economy.
   a)Financial   b)Agricultural   c)Industrial   d)Structural

20)The raw materials of economics are
   a)Data   b)Goods   c)statistics   d)mathematics

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PART-II

ANSWER ANY 7 QUESTIONS Q NO 30 IS COMPULSORY

21)draw the diagram for circular flow of income in a two sector economy.

22)Define accelerator

23)What is the main feature of rural unemployment

24)Who issues currency notes and coins?

25)Mention the function of agriculture credit department of central bank?

26)Define common market.

27)What is meant by ecosystem?

28)Define economic development?

29)What are kinds of statistics?

30)List out the official reserve assests of a country?

PART –III

ANSWER ANY 7 QUESTIONS Q NO 40 IS COMPULSORY

31)Give a short note on expenditure method?

32)State the concept of super multiplier?

33)what do you meant by aggregate demand? Mention its components?

34)Explain demand pull and cost push inflation?

35)Distinguish cheap money policy and dear money policy?

36)Write a brief note on Flexible exchange rate?

37)What are their functions of statistics?

38)State any three characteristics of taxation?

39)Write a note on i)Functional planning ii)Structural planning?

40)Give a brief note on TRIMS?

PART IV

ANSWER ALL THE QUESTIONS

41)a)Compare the features of capitalism and socialism   **OR**

 b)Describe the importance of social accounting in economic analysis

42)a)Draw and explain that circular flow of income in a four sector economy **OR**

 b)Explain the effects and remedial measures to control water pollution.

43)a)Explain the difference between Classical theory and Keynes theory **OR**

 b)Explain the Operation of the accelerator

44)a)Explain the causes of inflation.   **OR**

 b)Elucidate the role of commercial banks in economic development of a country(any five points)

45)a)Analyse briefly the comparative cost theory   **OR**

 b)Discuss the role of WTO in india socio economic development.

46)a)State and explain the instruments of fiscal policy?   **OR**

 b)Write a note on

 i)Climate change

 ii)Acid rain

 iii)Organic farming

 iv)Global warming

47)a)Bring out the arrangement against planning   **OR**

 b)Elucidate the nature and scope of statistics.

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DHOSTH MLM
PUBLIC QUESTION PAPER MARCH 2020
XII STANDARD
ECONOMICS
PART A

(i) Answer all the questions   **20 x 1=20**

(ii) Choose the most appropriate answer from the given four alternatives and write the option code and the corresponding answer.

1. Who is regarded as the Father of Modern Macro Economics ?
   (a) Karl Marx   (b) Adam Smith   (c) J.M.Keynes   (d) Ragnar Frisch

2. Macro Economics is the study of _____
   (a) Agreegates   (b) Individuals   (c) Firms   (d) a nation

3. Primary sector is _____
   (a) Construction   (b) Industry   (c) Trade   (d) Agriculture

4. J.B Say is a_____
   (a) New Economist   (b) Neo classical Economist   (c) Classical Economist   (d) Modern Economist

5. Lower interest rates are likely to :
   (a) Increase borrowing and spending   (b) Decrease in consumption
   (c) Increase in cost of borrowing   (d) Encourage saving

6. The Multiplier is calculated as :
   (a) $1/(1-MPC)$ (b) $1/MPS$ (c) $1/MPC$ (d) (a) and (b)

7. The term super Multiplier was first used by :
   (a) Keynes   (b) J.R. Hicks   (c) R.G.D.Allen   (d) Kahn

8. The RBI Headquarters is located at :
   (a) Bengaluru   (b) Delhi   (c) Chennai   (d) Mumbai

9. Which one is primary functions of money ?
   (a) Basis of the Credit System   (b)Medium of Exchange
   (c) Store of Value   (d) Standard of Deferred Payments

10. NABARD was setup in :
    (a) July 1992   (b) July 1962   (c) July 1972   (d) July 1982

11. Expansion of RRBs :
    (a) Regional Residual Banks   (b) Regional Reserve Banks
    (c) Regional Rural Banks   (d) Regional Railway Banks

12. Exchange Rates are determined in :
    (a) Capital Market   (b) Money Market   (c) Foreign Exchange Market   (d) Stock Market

13. Balance of Payments includes :
    (a) Merchandise trade only   (b) Visible items only
    (c) Invisible items only   (d) Both visible and invisible items

14. Find out the non- Tax Revenue :
    (a) Surcharge   (b) Income Tax   (c) Cess   (d) Fees

15. The Modern State is :
    (a) Police state   (b) Laissez Faire State   (c) Aristocratic State   (d) Welfare State

16. Which one of the following cause global warming ?
    (a) Increasing temperature   (b) Earth gravitational force   (c) Oxygen   (d) Centripetal force

17. Expansion of NITI Aayog :
    (a) National Institution for Transforming India   (b) National Institute for Transport in India
    (c) National Institute for Trade in India   (d) National Institution for Tomorrow's India

18. Planning Commission was set up in the year :
    (a) 1948   (b) 1950   (c) 1951   (d) 1947

19. The data collected by questionnaire :
    (a) Grouped data   (b) Primary data   (c) Secondary data   (d) Published data

20. Short term plan is also known as _____
    (a) De-rolling plans   (b) Controlling plans   (c) De-Controlling plans   (d) Rolling plans

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PART- II

Answer any seven questions. Question No. 30 is compulsory.

21. Define the term 'Inflation'.

22. Give the meaning of National Income.

23. Write Say's "Law of Market".

24. Define Multiplier.

25. What is Plastic Money ? Give example.

26. What are the primary functions of Commercial Banks ?

27. Mention any two objective of ASEAN.

28. Define Public Finance.

29. Write any four functions of NITI Aayog.

30. Write a short note about 'Father of Statistics'.

PART- III

Answer any seven questions. Question No. 40 is compulsory.

31. State importance of Macro Economics.

32. What do you meant by the term "Personal Income" ?

33. Explain the following in short.
    a) Seasonal unemployment   b) Frictional unemployment   c) Educated unemployment

34. Specify the uses of Multiplier.

35. What are the determinants of Money Supply ?

36. Write any three difference between "Internal Trade" and "International Trade".

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

38. Describe the canons of Taxation.

39. Write a note on :   a) Climate change   b) Acid Rain

40. What are major functions of WTO ?

PART – IV

Answer all the questions.

41. (a) Compare the features of Capitalism and Socialism.   **(OR)**
    (b) Explain the importance of National Income.

42. (a) Describe the types of unemployment.   **(OR)**
    (b) Explain Keynes Psychological low of consumption function with diagram.

43. (a) What are the causes of Inflation in India ?   **(OR)**
    (b) What are the objectives of Monetary Policy ? Explain it.

44. (a) Explain and illustrate how the rate of Exchange is determined.   **(OR)**
    (b) Write note on :   (i) SAARC   (ii) BRICS

45. (a) Bring out the Merits of Indirect Taxes and Direct Taxes.   **(OR)**
    (b) Elucidate the Nature and Scope of Statistics.

46. (a) Describe the types of planning.   **(OR)**
    (b) Calculate the Karl Pearson's Co-efficient of Correlation from the following data.

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

47. (a) What are the causes for increasing public debt ?   **(OR)**
    (b) Define – Air pollution and mention the causes of Air pollution.

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