



# Padalsalai's Telegram Groups!

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**THREE MARKS****1. State the importance of Macro Economics.**

- i. There is a need to understand the functioning of the economy
- ii. Understanding the future problems, needs and challenges of an economy
- iii. Macro economics use scientific investigation to understand the reality.
- iv. Macro economics helps to make meaningful comparison of economic indicators.
- v. Macro economics helps for better prediction about future and to formulate suitable policies to avoid economic crises.

**2. Describe the different types of economic systems.**

	Type of economic system	Description
1	Capitalistic Economy (Capitalism)	Total freedom and private ownership of means of production.
2	Socialistic Economy (Socialism)	There is no freedom for private and there is public ownership of means of production.
3	Mixed Economy (Mixedism)	Co-existence of capitalism and socialism

**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.

**5. Consumers Sovereignty:**

All production activities are aimed at satisfying the consumers.

**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.

**4. Concentration of Power:**

The State takes all major decisions. The private takes no initiative in making economic decisions.

**5. Enumerate the features of mixed economy.**

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

**6. Distinguish between Capitalism and Globalism.**

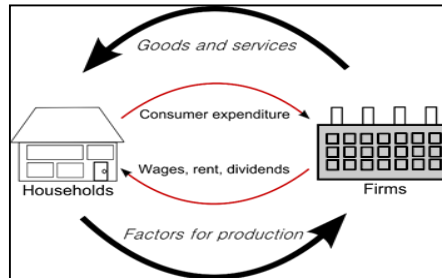
	<b>Capitalism</b>	<b>Globalism</b>
<b>Term Coined by</b>	Adam Smith	Manfred D Steger
<b>Meaning</b>	Production are privately owned and market determines the economic activities	The economic activities of a nation are inter connected and inter dependent on each other nation
<b>Feature</b>	The role of the government is minimum	Ideology is also termed as 'Extended Capitalism'.

**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.

**(ii) Firms:**

The firm sector generates its revenue by selling goods and services to the household sector.

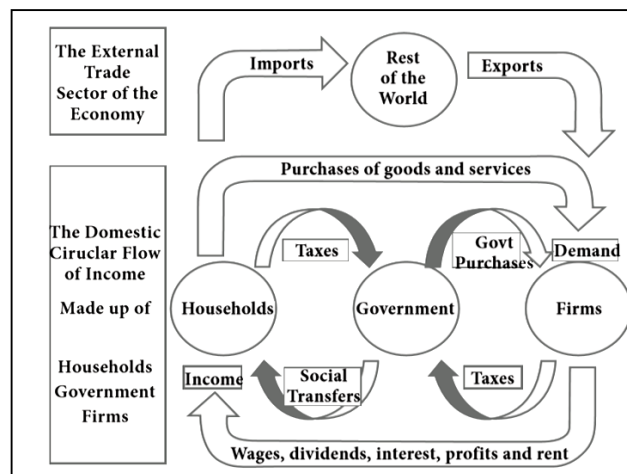
**Flow Chart****Explanation**

In a two-sector economy, production and sales are equal and there will be a circular flow of income and goods.

$Y = C + I$  Where Y is Income; C is Consumption; I is investment

**8. Draw the flow chart of four sector model.**

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



**9. 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.

**Formula : Per Capita income = National Income / Population.**

**10. Differentiate between personal and disposable income.**

	<b>Personal Income (PI)</b>	<b>Disposable Income (DI)</b>
<b>Meaning</b>	Personal income is the total income received by the individuals of a country from all sources before payment of direct taxes in a year.	It is the individuals income after the payment of income tax.
<b>Implication</b>	Personal income is never equal to the national income	This is the amount available for households for consumption.
<b>Formula</b>	Personal Income = National Income – (Social Security Contribution) + Transfer payments	Disposable Income = Personal income – Direct Tax

**11. 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.

**12. Give short note on Expenditure method.**

<b>Meaning</b>	The total expenditure incurred by the society in a particular year is added together
<b>Formula</b>	$GNP = C + I + G + (X - M)$
<b>Steps</b>	<b>Step 1 :</b> It includes personal consumption expenditure <b>Step 2 :</b> Net domestic investment, government expenditure
<b>Precautions</b>	Include government expenditure capital goods and net exports

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

1. Double counting is to be avoided under value added method.
2. Any commodity which is either raw material or intermediate good for the final production should not be included.
3. For example, value of cotton enters value of yarn as cost, and value of yarn in cloth and that of cloth in garments.

**14. Write briefly about national income and welfare.**

- ☐ National Income is considered as an indicator of the economic well being .
- ☐ The economic progress of countries is measured in terms GDP per capita.
- ☐ A country with a higher per capita income is supposed to enjoy greater economic welfare with a higher standard of living.
- ☐ But the rise in GDP or per capita income need not always promote economic welfare.

**15. List out the uses of national income.**

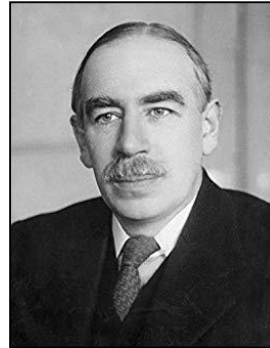
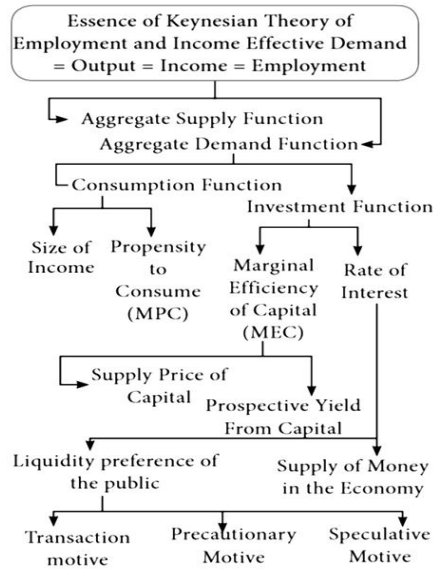
1. To know the relative importance of the various sectors of the economy and their contribution towards national income
2. To formulate the national policies such as monetary policy, fiscal policy and other policies
3. To formulate planning and evaluate plan progress
4. To build economic models both in short - run and long - run.
5. To make international comparison

**16. 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.
- (iii) Educated unemployment Sometimes educated people are underemployed or unemployed when qualification does not match the job

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

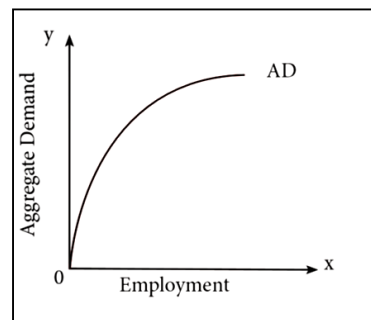
1. There is no possibility for over production or unemployment.
2. If there exist unutilized resources in the economy, it is profitable to employ them up to the point of full employment.
3. As automatic price mechanism operates in the economy

**18. Explain Keynes' theory in the form of flow chart.****19. What do you mean by aggregate demand? Mention its components.****Meaning of Aggregate Demand**

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

**Aggregate Demand Formula**

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

**Components**

1. Consumption demand (C)
2. Investment demand (I)
3. Government expenditure (G)
4. Net Export ( export – import ) (X-M)

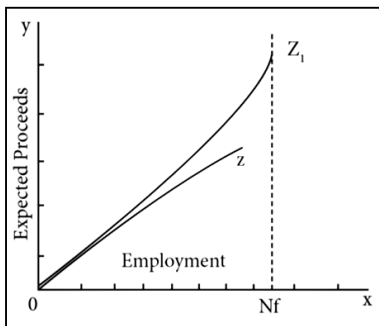
**20. Explain about aggregate supply with the help of diagram.****Meaning of Aggregate Supply**

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

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

The components of aggregate supply are :

1. Aggregate (desired) consumption expenditure (C)
2. Aggregate (desired) private savings (S)
3. Net tax payments (T)
4. Personal transfer payments to the foreigners (R<sub>f</sub>)



1. The figure shows the shape of the two aggregate supply curves drawn for the assumption of fixed money wages and variable wages.
2. Z curve is linear where money wages remains fixed;
3. Z1 curve is non - linear since wage rate increases with employment

**21. Write any five differences between classism and Keynesianism.**

S. NO	BASIS OF 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 on the one side and a store of value on the other side.
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 (under employment is voluntary and temporary)	Unemployment and under employment are possible
7	Output	Supply determined (Say's Law: Supply creates demand)	Aggregate demand determined (Demand creates supply. Model based on concept of aggregate demand)
8	Budget	Balanced budget	Budgeting should be adjusted to the requirements of economy.
9	Capitalism	Capitalism is well and good	Capitalism has inherent contradictions
10	Economic System	Laissez faire policy, self adjusting and self stabilizing	Discard Laissez faire and approves stabilizing measures by the government


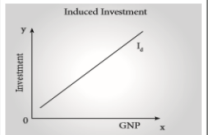


**22. State the propositions of Keynes's Psychological Law of Consumption.**

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

<b>PROPOSITION (1):</b>	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.
<b>PROPOSITION (2):</b>	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.
<b>PROPOSITION (3):</b>	Increases in income to 180 and 240 lead to increased consumption 170 and 220 and increased saving 20 and 10 than before.

**23. Differentiate autonomous and induced investment.**

Basics	Autonomous Investment	Induced Investment
Meaning	Independent	Planned
Elasticity	Income inelastic	Income elastic
Motive	Welfare motive	Profit Motive
Diagram		

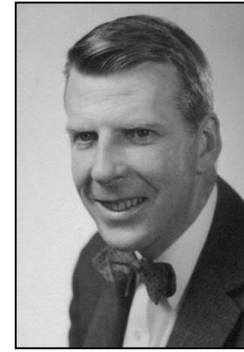
**24. Explain any three subjective and objective factors influencing the consumption function.**

	<b>SUBJECTIVE FACTORS</b>	<b>OBJECTIVE FACTORS</b>
	<b>1. The motive of precaution</b> Ex: Accidents, sickness	<b>1. Income Distribution</b> Ex: Disparity between rich and poor
	<b>2. The motive of foresight</b> Ex: Old age Savings	<b>2. Price level</b> Ex: Price falls, real income goes up
	<b>3. The motive of calculation</b> Ex: Desire to enjoy	<b>3. Wage level</b> Ex: positive relationship between wage and consumption.

**25. What is “Duesenberry” hypothesis.**

Duesenberry has made two observations regarding the factors affecting consumption.

- a) The consumption expenditure depends not only on his current income but also past income and standard of living.
- b) Consumption is influenced by demonstration effect. The consumption standards of low income groups are influenced by the consumption standards of high income groups.

**DUESENBERRY****26. Mention the differences between accelerator and multiplier effect**

	<b>Accelerator</b>	<b>Multiplier</b>
<b>Meaning</b>	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.
<b>Effect</b>	Change in consumption forms the effect	Change in investment forms the effect
<b>Formula</b>	$\beta = \Delta I / \Delta C$	$K = \Delta Y / \Delta I$
<b>Other Name</b>	The accelerator coefficient	Investment multiplier

**27. 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  $\beta$  mathematically and given it the name of the Super Multiplier

**OTHER NAME**

The combined name of the super multiplier and the accelerator is also called the leverage effect.

Formula

$$Y = C + I_A + I_P$$

$$Y = \text{Aggregate income.}$$

$C$  = Consumption expenditure  $I_A$  = autonomous investment  $I_P$  = induced private investment

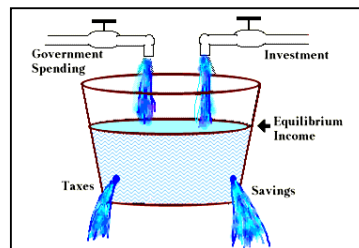
**EXPLANATION**

The super – multiplier, tells us that if there is an initial increase in autonomous investment, income will increase by  $K$  times the autonomous investment.

**28. Specify the limitations of the multiplier**

The leakages are the limitations of the multiplier.

1. Payment towards past debts.
2. Purchase of existing wealth
3. Import of goods and services
4. Non availability of consumer goods

**29. 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.
- ☐ 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

**30. 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.

**31. What are the determinants of money supply?**

1. Currency Deposit Ratio (CDR); It is the ratio of money held by the public in currency
2. Reserve deposit Ratio (RDR); Reserve of cash in banks and 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. Statutory Liquidity Ratio (SLR); It is the deposits of the commercial banks in the form of specified liquid assets.

**32. 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

**32. Explain Demand-pull and Cost push inflation.**

**(i) Demand-Pull Inflation:** ☐ Demand and supply play a crucial role in deciding the inflation levels in the society at all points of time. For instance, if the demand is high for a product and supply is low, the price of the products increases.

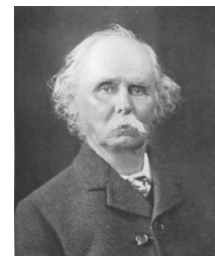
**(ii) Cost-Push Inflation:** ☐ When the cost of raw materials and other inputs rises inflation results. Increase in wages paid to labour also leads to inflation.

**33. State Cambridge equations of value of money.****I) MARSHALL'S EQUATION**

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

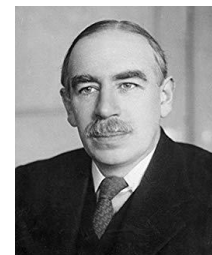
Where M is the quantity of money Y is the aggregate real income of the community P is Purchasing Power of money K represents the fraction of the real income.

The price level  $P = M / KY$

**II) KEYNES' EQUATION**

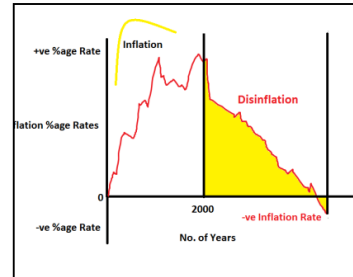
Keynes equation is expressed as: **n = pk (or) p = n / k**

Where n is the total supply of money p is the general price level of consumption goods k is the total quantity of consumption

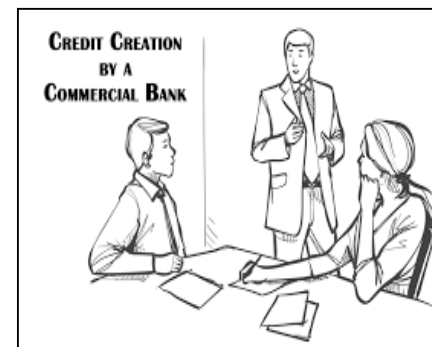


**34. EXPLAIN DISINFLATION.**

- i. 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.
- ii. Disinflation may be defined as the process of reversing inflation without creating unemployment or reducing output in the economy.

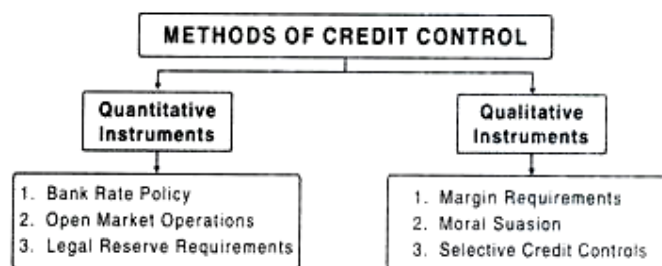
**35. Write the mechanism of credit creation by commercial banks.**

- i. Credit Creation means the multiplication of loans and advances.
- ii. 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.
- iii. This power of commercial bank to create deposits through expanding their loans and advances is known as credit creation

**36. Give a brief note on NBFI.**

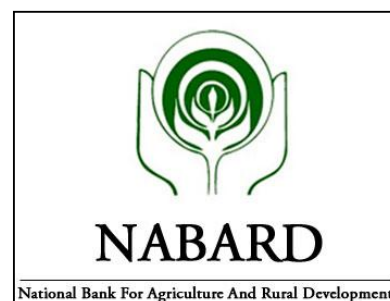
A non-banking financial institution (NBFI) or non-bank financial company (NBFC) is a financial institution that does not have a full banking license or is not supervised by the central bank.

Example: GIC Re, UTI Mutual Funds

**37. Bring out the methods of credit control**

**38. What are the functions of NABARD?**

- (i) NABARD acts as a refinancing institution to agriculture, small-scale industries, cottage and village industries, handicrafts
- (ii) It provides short-term, medium-term and long-term credits to state cooperative Banks
- (iii) NABARD gives long-term loans (upto 20 Years) to State Government
- (iv) NABARD has the responsibility of coordinating the activities
- (vi) It maintains a Research and Development Fund

**39. Specify the functions of IFCI.**

- i) Long-term loans; both in rupees and foreign currencies.
- ii) Underwriting of equity, preference and debenture issues.
- iii) Subscribing to equity, preference and debenture issues.

**40. Distinguish between money market and capital market**

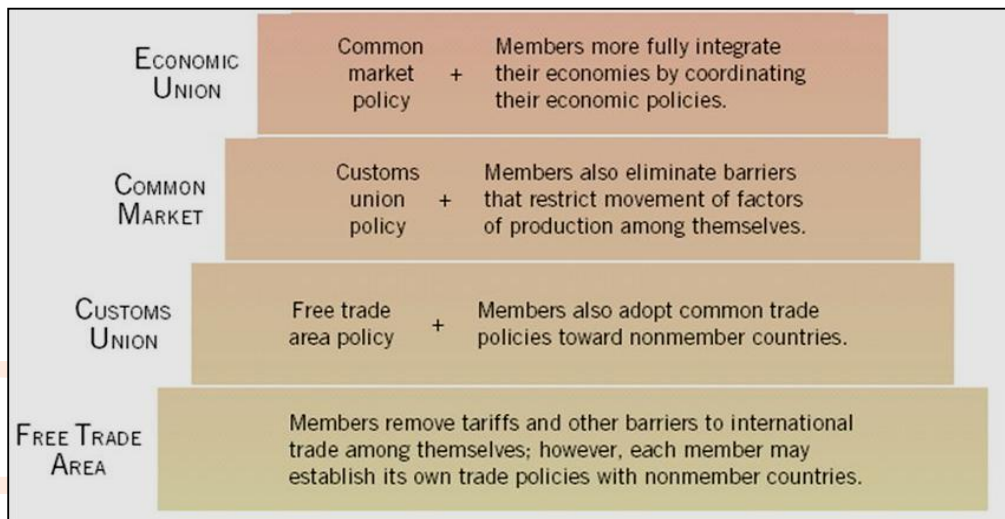
<b>BASIS FOR COMPARISON</b>	<b>MONEY MARKET</b>	<b>CAPITAL MARKET</b>
<b>Meaning</b>	Lending and borrowing of short term securities are done.	Long term securities are issued and traded.
<b>Nature of Market</b>	Informal	Formal
<b>Financial instruments</b>	Treasury Bills, Commercial Papers.	Shares, Debentures, Bonds.
<b>Liquidity</b>	High	Low
<b>Purpose</b>	To fulfil short term credit needs of the business.	To fulfil long term credit needs of the business.
<b>Time Limit</b>	Within a year	More than a year

**41. 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

**42. Mention the various forms of economic integration.****43. 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.

**44. Mention any three lending programmes of IMF.**

- (i) Basic Credit Facility:
- (ii) Extended Fund Facility
- (iii) Compensatory Financing Facility
- (iv) Buffer Stock Facility
- (v) Supplementary Financing Facility



**45. What is Multilateral Agreement?**

- ☐ Multilateral Agreements or Multilateral Trade Agreements are trade agreements between three or more nations.
- ☐ The agreements reduce tariffs and make it easier for businesses to import and export.
- ☐ Since they are among many countries, they are difficult to negotiate.

**46. Write the agenda of BRICS Summit, 2018.**

- ☐ The agenda for BRICS summit 2018 includes,
- ☐ Inclusive growth,
- ☐ Trade issues,
- ☐ Global governance,
- ☐ Shared Prosperity,
- ☐ International peace and security.

**47. State briefly the functions of SAARC.**

1. Maintenance of the co operation in the region
2. Prevention of common problems associated with the member nations.
3. Ensuring strong relationship among the member nations.

**48. List out the achievements of ASEAN.**

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

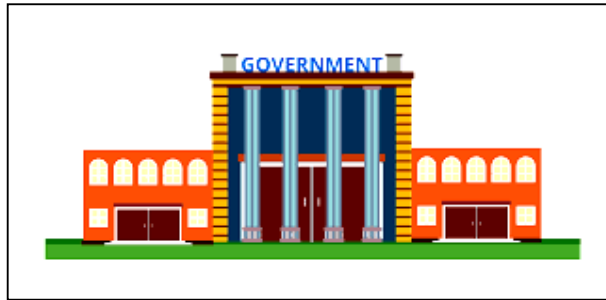
**49. Describe canons of Taxation.**

	<b>Canons of</b>	<b>Meaning</b>
1	Canon of Ability	People have to pay taxes according to their ability
2	Canon of Certainty	There is no uncertainty regarding the rate of tax or the time of payment.
3	Canon of Convenience	The tax payment should suit the convenience of the people
4	Canon of Economy	The government has to spend money for collecting taxes

**50. 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.
- (4) Administration: The effectiveness of measures depends on the administrative machinery



**51. What are the functions of a modern state?**

- (i) **Defence** The primary function of the Government is to protect the people from external aggression and internal disorder.
- (ii) **Judiciary** Rendering justice and settlement of disputes are the concern of the government.
- (iii) **Enterprises** The regulation and control of private enterprise fall under the purview of the modern State.
- (iv) **Social Justice** The Government needs to intervene with fiscal measures to redistribute income.
- (v) **Control of Monopoly** Concentration of economic power is another evil to be corrected by the Government.

**52. State any three characteristics of taxation.**

1. A tax is a compulsory payment made to the government
2. There is no quid pro quo between a taxpayer and public authorities.
3. Every tax involves some sacrifice on part of the tax payer

**53. Point out any three differences between direct tax and indirect tax.**

Basis For Comparison	Direct Tax	Indirect Tax
Meaning	Direct tax is referred to as the tax, levied on person's income and wealth and is paid directly to the government.	Indirect Tax is referred to as the tax, levied on a person who consumes the goods and services and is paid indirectly to the government.
Nature	Progressive	Regressive
Incidence and Impact	Falls on the same person.	Falls on different persons.
Tax base	Income or wealth of the assessee	Purchase/sale/manufacture of goods and provision of services
Evasion	Tax evasion is possible.	Tax evasion is hardly possible because it is included in the price of the goods and services.

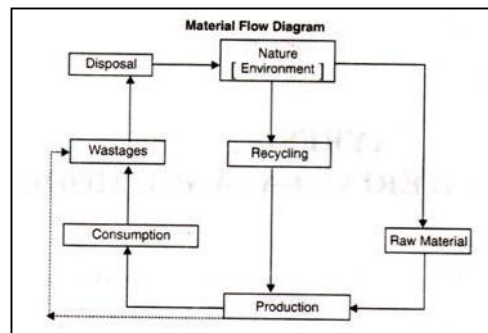
**54. What is primary deficit?**

- ☐ Primary deficit is equal to fiscal deficit minus interest payments.
- ☐ It shows the real burden of the government and it does not include the interest burden on loans taken in the past.

$$\text{Primary Deficit (PD)} = \text{Fiscal deficit (PD)} - \text{Interest Payment (IP)}$$

**55. Brief the linkage between economy and environment. Or**

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



Model Name	“Material Balance Model”
Developed by	Alen Kneese and R.V. Ayres
Definition	“what goes in must come out”
Implies	The material flow diagram implies that mass inputs must equal mass outputs for every process.
Linkage Between	Interdependence of economics and environment
Economic Activities	Production and Consumption
Process of Linkage	<p>Materials comes From Environment →</p> <ol style="list-style-type: none"> <li>1. Raw Material ↓</li> <li>2. Production ↓</li> <li>3. Goods for Consumption ↓</li> <li>4. Residual ↓</li> <li>5. Discharged or Recycled ←</li> </ol> <p>Discharges goes back to Environment</p>
Conclusion	Material and energy are drawn from environment, used for production and consumption activities and returned back to the environment as wastes.

**57. 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 or traditional stoves results in high levels of indoor air pollution.

**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

**58. State the meaning of e-waste.**

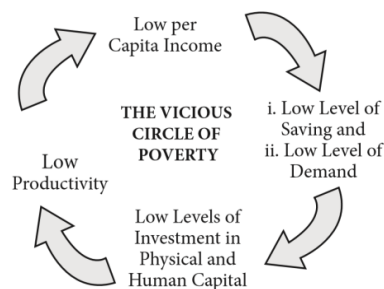
❑ Electronic waste which is commonly referred as “e-waste” is the new by product of the Info Tech society.

❑ It is a physical waste in the form of old discarded, end of life electronics.

❑ It includes a broad and growing range of electronic devices from large household appliances such as refrigerators, air conditioners, cellular phones, computers and other electronic goods".

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

	<b>Note on Climate Change</b>	<b>Note on Acid Rain</b>
<b>Meaning</b>	The climate change refers to seasonal changes over a long period in the atmosphere	It occurs when emissions from factories, cars or heating boilers contact with the water in the atmosphere.
<b>Pollutants</b>	CO <sub>2</sub>	NO, SO <sub>2</sub> and SO <sub>3</sub>
<b>Causes</b>	Industrial Revolution	Emissions and Volcanic Eruptions
<b>Effects</b>	warming of coastal waters, high temperatures, a marked change in rainfall patterns	harmful effects on plants, aquatic animals and infrastructure

**60. Elucidate major causes of vicious circle of poverty with diagram****(a) Supply side cause of vicious circle.**

Low Income → Low Saving → Low Investment → Low Production → Low Income

**(b) Demand side cause of vicious circle**

Low Income → Low Demand → Low Investment → Low Productivity → Low Income

**61. What are the non-economic factors determining development?**

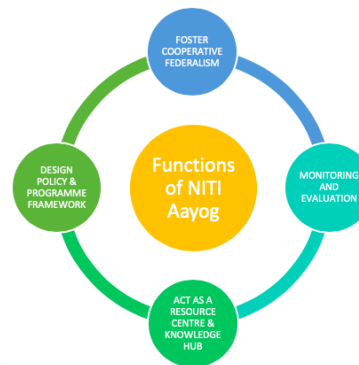
1.Human Resource 2.Technical Know-how 3.Political Freedom 4.Social Organization 5.Corruption free administration

**62. How would you break the vicious circle of poverty?**

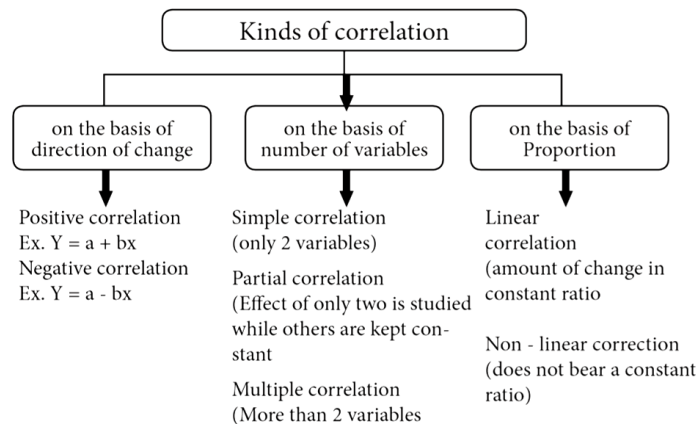
According to Nurkse, “If investment is made in several industries simultaneously the workers employed in various industries will become consumers of each other’s products and will create demand for one another.”

**63. Describe the case for planning.**

1. To accelerate and strengthen market mechanism
2. To remove unemployment:
3. To achieve balanced development
4. To remove poverty and inequalities

**64. What are the functions of NITI Aayog****65. 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.

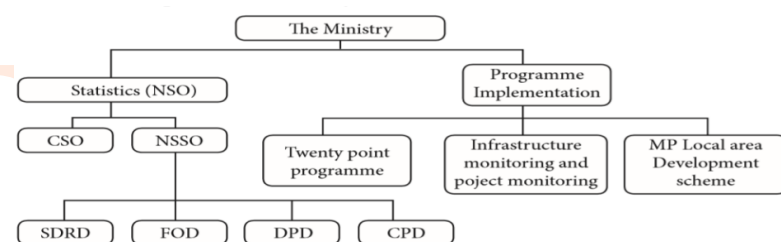
**66. State and explain the different kinds of Correlation**

**67. Mention the uses of Regression Analysis.**

1. It indicates the cause and effect relationship between the variables and establishes functional relationship.
2. Besides verification it is used for the prediction of one value, in relation to the other given value.
3. Regression coefficient is an absolute figure.
4. It has wider application, as it studies linear and nonlinear relationship between the variables.

**68. Specify the objectives of econometrics**

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

**69. Discuss the important statistical organizations (offices) in India.****70. Differentiate the economic model with econometric model.**

Basis	Economic Model	Econometric Model
<b>Meaning</b>	Economics models are developed based on Economic Theories	Econometric Models are developed based on Economic Theories to test the validity of Economic Theories
<b>Example</b>	$Y_i = \beta_0 + \beta_1 X_i$	$Y_i = \beta_0 + \beta_1 X_i + U_i$
<b>Regression Analysis</b>	does not concentrate more on error term	concentrate more on error terms
<b>U<sub>i</sub> in the Regression</b>	U <sub>i</sub> unexplained part in a regression.	U <sub>i</sub> cannot and should not be ignored

**FIVE MARKS AND TWO MARKS****FIVE MARKS****1. Discuss the scope of Macro Economics.****MEANING**

- The word 'Macro' is derived from the Greek word 'Makros' meaning 'large'.
- Macro Economics is the study of the economy as a whole.
- Macro Economics is also known as 'Income Theory'.

**SCOPE OF MACRO ECONOMICS****I. NATIONAL INCOME:**

Measurement of national income and its composition by sectors are the basic aspects of macroeconomic analysis.

**II. INFLATION:**

Inflation refers to steady increase in general price level. Ex: Estimating the general price level by constructing various price index numbers.

**III. BUSINESS CYCLE:**

Almost all economies face the problem of business fluctuations and business cycle. Ex. Boom, recession, depression and recovery.

**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.

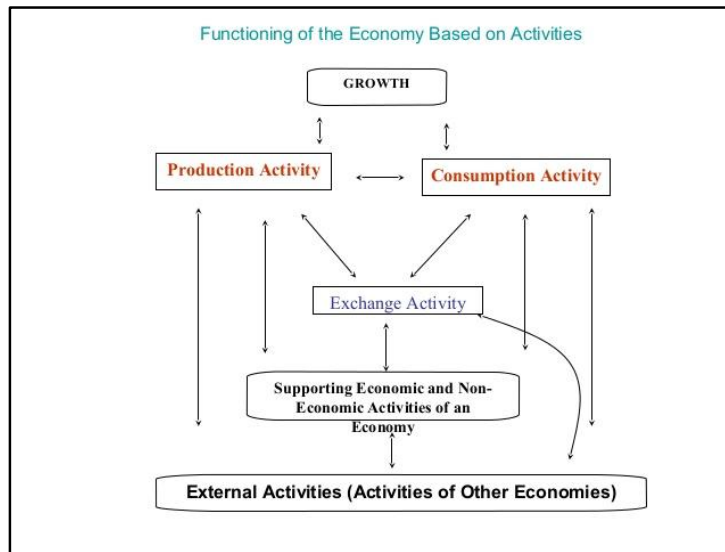
**VI. ECONOMIC POLICIES:**

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.

### **DEFINITION**

- An economy is referred to any system or area where economic activities are carried out.



### **FUNCTIONING OF AN ECONOMY BASED ON ITS ACTIVITIES**

#### **1. FUNDAMENTAL ECONOMIC ACTIVITIES**

In an economy, the fundamental economic activities are production and consumption. These two activities are supported by several other activities.

#### **2. EXCHANGE ACTIVITY**

The 'exchange activity' supports the production and consumption activities. These activities are influenced by several economic and non-economic activities.

#### **3. MAJOR ECONOMIC ACTIVITIES**

The major economic activities include transportation, banking, advertising, planning, government policy and others.

#### **4. MAJOR NON-ECONOMIC ACTIVITIES**

The major non-economic activities are environment, health, education, entertainment, governance, regulations etc.

#### **5. EXTERNAL ACTIVITIES**

External activities from other economies such as import, export, international relations, emigration, immigration, foreign investment, foreign exchange earnings, etc. also influence the entire functioning of the economy.



**3. Compare the features of capitalism and socialism.**

S.No.	Features	Capitalism	Socialism
1	Ownership of Means of Production	Private Ownership	Public Ownership
2	Economic Motive	Profit	Social Welfare
3	Solution of Central Problems	Free Market System	Central Planning System
4	Government Role	Interanal 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.**

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



**5. Explain the importance of national income.****MEANING OF NATIONAL INCOME**

National Income means the total money value of all final goods and services produced in a country during a particular period of time.

**IMPORTANCE OF NATIONAL INCOME**

1. To know the relative importance of the various sectors of the economy and their contribution towards national income
2. To formulate the national policies such as monetary policy, fiscal policy and other policies
3. To formulate planning and evaluate plan progress
4. To build economic models both in short - run and long - run.
5. To make international comparison, inter - regional comparison and inter - temporal comparison of growth of the economy during different periods.
6. To know a country's per capita income
7. To know the distribution of income for various factors of production.
8. To arrive at many macro economic variables. Ex. Tax - GDP ratio.

## 6. Discuss the various methods of estimating the national income of a country.

### MEANING OF NATIONAL INCOME

National Income means the total money value of all final goods and services produced in a country during a particular period of time.

### THREE METHODS

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



### 1. PRODUCTION METHOD

<b>Meaning</b>	The gross value of output from different sectors
<b>Formula</b>	$GNP = GDP + \text{Net Factor income from Abroad.}$
<b>Steps</b>	<b>Step 1:</b> Summation of all the values added <b>Step 2:</b> Value of the final product <b>Step 3:</b> GNP
<b>Precautions</b>	1. Double counting is to be avoided 2. Self consumption should be counted 3. Second hand goods durable goods should not be included

### 2. INCOME METHOD

<b>Meaning</b>	National income is calculated by adding up all the incomes generated in the course of producing national product
<b>Formula</b>	$Y = w + r + i + \pi + (R-P)$
<b>Steps</b>	<b>Step 1:</b> Enterprises are classified into various industrial groups <b>Step 2:</b> Factor incomes are grouped. Ex: labour income, capital income and mixed income <b>Step 3:</b> Domestic factor income plus net factor incomes from abroad
<b>Precautions</b>	1. Transfer payments are not to be included 2. Lotteries are not to be included 3. Rent for self occupied houses or offices is to be included 4. Owners of production units is to be included

### 3. EXPENDITURE METHOD

<b>Meaning</b>	The total expenditure incurred by the society in a particular year is added together
<b>Formula</b>	$GNP = C + I + G + (X-M)$
<b>Steps</b>	<b>Step 1 :</b> It includes personal consumption expenditure <b>Step 2 :</b> Net domestic investment, government expenditure
<b>Precautions</b>	Include government expenditure capital goods and net exports

**7. What are the difficulties involved in the measurement of national income?****MEANING OF NATIONAL INCOME**

National Income means the total money value of all final goods and services produced in a country during a particular period of time.

**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**

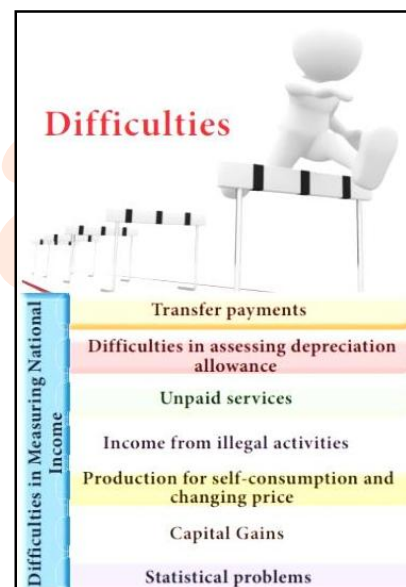
A housewife renders a number of useful services like preparation of meals, serving, tailoring, mending, washing, cleaning, bringing up children, etc. She is not paid for them.

**4. INCOME FROM ILLEGAL ACTIVITIES**

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

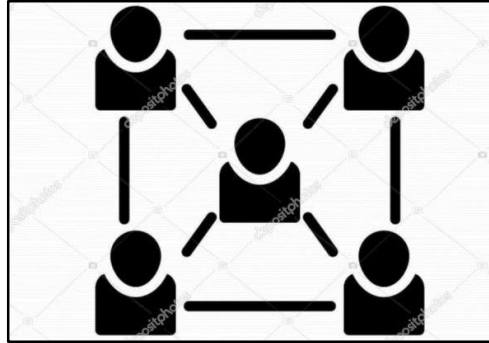
**5. STATISTICAL PROBLEMS**

There are statistical problems, too. Great care is required to avoid double counting.



**8. Discuss the importance of social accounting in economic analysis.****MEANING OF SOCIAL ACCOUNTING**

The transactions among various sectors such as firms, households, government, etc., are recorded and their interrelationships traced.

**SECTORS OF SOCIAL ACCOUNTING METHOD**

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

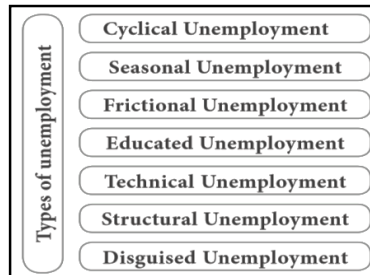
**IMPORTANCE OF SOCIAL ACCOUNTING METHOD**

1. To Classify Transactions of the economy between different sectors
2. To Understand Economic Structure
3. To Understand Different Sectors and Flows
4. To Clarify Relations between Concepts
5. To Guide economic and statistical the Investigators
6. To Explain Trends in Income Distribution
7. To Explain Movements in GNP
8. To Provide a Picture of the Working of Economy

9. Describe the types of unemployment.

### **MEANING OF UNEMPLOYMENT**

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



### **1. CYCLICAL UNEMPLOYMENT**

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

### **2. 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

### **3. FRICTIONAL UNEMPLOYMENT (TEMPORARY UNEMPLOYMENT):**

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

### **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.

### **6. STRUCTURAL UNEMPLOYMENT**

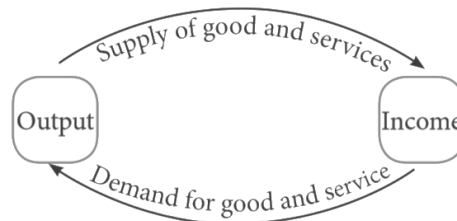
Structural unemployment is due to drastic change in the structure of the society.

### **7. DISGUISED UNEMPLOYMENT**

Disguised unemployment occurs when more people are than what is actually required.

**10. Critically explain Say's law of market.****SAYS' LAW** "Supply creates its own demand"**EXPLANATION OF SAY'S MARKET LAW**

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

**SAY'S LAW - CHART****ASSUMPTIONS OF SAY'S LAW:**

- |   |  |
|---|--|
| 1. No single buyer or seller of commodity affect price. | 5. There will be a perfect competition in labour and product market. |
| 2. Full employment.                                     | 6. There is wage-price flexibility.                                  |
| 3. People are motivated by self interest.               | 7. Money acts only as a medium of exchange.                          |
| 4. The laissez faire policy.                            | 8. Long - run analysis.  |

**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.
4. Say's law is based on wrong proposition.
5. Keynes regards full employment as a special case.
6. The need for state intervention arises in the case of general over production.

**11. Narrate the equilibrium between ADF and ASF with diagram.****ADF AND ASF**

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

**EQUATIONS**

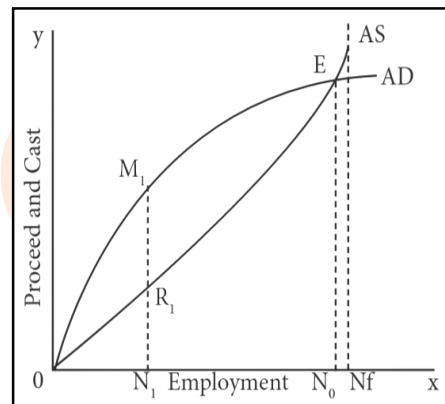
$$\text{Aggregate Demand AD} = C + I + G + (X - M) \quad \dots 1$$

$$\text{Aggregate Supply AS} = C + S + T + R_f \quad \dots 2$$

$$\text{Effective Demand ED} = Y = C + I = \text{Output} = \text{Employment} \quad \dots 3$$

**EQUILIBRIUM POINT**

$$\text{Effective Demand} = \text{AD} = \text{AS}$$

**DIAGRAM****DIAGRAM EXPLANATION**

O-X axis denotes employment  
O-Y axis denotes proceeds and cast

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

**12. Explain the differences between classical theory and Keynes theory.**

S. NO	BASIS OF 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 on the one side and a store of value on the other side.
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 (under employment is voluntary and temporary)	Unemployment and under employment are possible
7	Output	Supply determined (Say's Law: Supply creates demand)	Aggregate demand determined (Demand creates supply. Model based on concept of aggregate demand)
8	Budget	Balanced budget	Budgeting should be adjusted to the requirements of economy.
9	Capitalism	Capitalism is well and good	Capitalism has inherent contradictions
10	Economic System	Laissez faire policy, self adjusting and self stabilizing	Discard Laissez faire and approves stabilizing measures by the government



**13. 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.

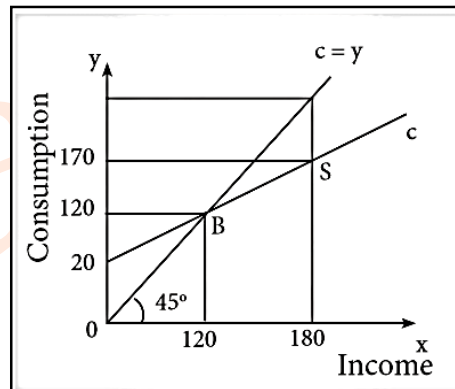
- Keynes propounded the fundamental Psychological Law of Consumption which forms the basis of the consumption function.

**ASSUMPTIONS**

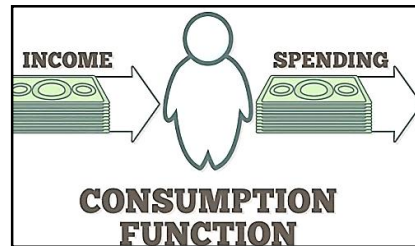
1. The other variables do not change Ex: Taste and habits.
2. Existence of Normal Conditions Ex: No War
3. Existence of a Laissez-faire Capitalist Economy Ex: free to spend

**TABLE AND DIAGRAM**

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

**EXPLANATIONS**

<b><u>PROPOSITION (1):</u></b>	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.
<b><u>PROPOSITION (2):</u></b>	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.
<b><u>PROPOSITION (3):</u></b>	Increases in income to 180 and 240 lead to increased consumption 170 and 220 and increased saving 20 and 10 than before.

**14. Briefly explain subjective and objective factors of consumption function.**

SUBJECTIVE FACTORS	OBJECTIVE FACTORS
<b>Meaning</b> Subjective factors are the internal factors related to psychological feelings. Ex: Motives	<b>Meaning</b> Objective factors are the external factors which are real and measurable. Ex: Price levels
<b>1. The motive of precaution</b> Ex: Accidents, sickness	<b>1. Income Distribution</b> Ex: Disparity between rich and poor
<b>2. The motive of foresight</b> Ex: Old age Savings	<b>2. Price level</b> Ex: Price falls, real income goes up
<b>3. The motive of calculation</b> Ex: Desire to enjoy	<b>3. Wage level</b> Ex: positive relationship between wage and consumption.
<b>4. The motive of financial independence</b>	<b>4. Duesenberry hypothesis</b> Ex: Low income groups are influenced by the consumption standards of high income groups
<b>5. The motive of pride</b>	<b>5. Windfall Gains or losses</b> Ex: Changes in the stock market



**15. 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.

**FORMULA**

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

Since  $\Delta Y$  results from  $\Delta I$ , the multiplier is called investment multiplier

**THE VALUE OF MULTIPLIER**

- Multiplier  $K = 1 / 1 - MPC$
- The multiplier is therefore defined as reciprocal of MPS.
- Therefore,  $MPC + MPS = 1$ .

**WORKING OF MULTIPLIER – ILLUSTRATION**

1. Government undertakes investment expenditure equal to Rs.100 crore	↓
2. Income of labourers and suppliers of materials increases by Rs.100 crore	↓
3. Suppose the MPC is 0.8 that is 80 %.	↓
4. Rs.80 crores is spent on consumption	↓
5. Rs.20 Crores is saved	↓
6. Suppliers of goods get an income of Rs.80 crores	↓
7. They inturn spend Rs.64 crores (80% of Rs.80 cr)	↓
8. Income act in a chain like manner	

**THE FINAL RESULT**

$$\begin{aligned} \Delta Y &= 100 + 100 \times 4/5 + 100 \times [4/5]^2 + 100 \times [4/5]^3 \text{ or,} \\ \Delta Y &= 100 + 100 \times 0.8 + 100 \times (0.8)^2 + 100 \times (0.8)^3 \\ &= 100 + 80 + 64 + 51.2 \dots \\ &= 500 \end{aligned}$$

**CONCLUSION**

- 
- When I is increased by 10,
  - Y increases by 50.
  - $K = \Delta Y / \Delta I$
  - This is multiplier effect ( $K = 5$ )
  - $K = 1 / 0.2$
  - $K = 5$

**16. Explain the operation of the Accelerator.****MEANING**

The accelerator expresses the ratio of the net change in investment to change in consumption.

**FORMULA**

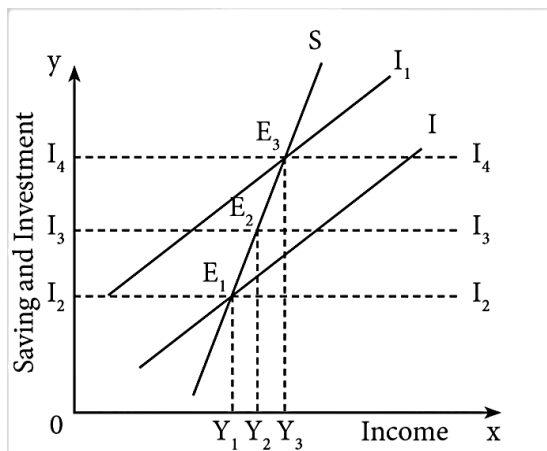
$$\text{Accelerator } (\beta) = \frac{\Delta I}{\Delta C}$$

$\Delta I$  = Change in investment outlays (say 100)

$\Delta C$  = Change in consumption demand (Say 50)

**OPERATION OF THE ACCELERATION PRINCIPLE**

1. Suppose that in order to produce 1000 consumer goods, 100 machines are required	↓
2. Suppose that working life of a machine is 10 years	↓
3. This means that every year 10 machines have to be replaced	↓
4. In order to maintain the constant flow of 1000 consumer goods	↓
5. Demand for consumer goods rises by 10 percent → 1000 to 1100	↓
6. total demand for machines is 20	↓
7. 10 percent increase in demand for consumer goods causes a 100 percent increase in demand for machines	↓
<b>CONCLUSION</b>	
→ we can conclude even a mild change in demand for consumer goods will lead to wide change in investment	

**Diagrammatic illustration:****Operation of Accelerator.****EXPLANATION**

➤ SS is the saving curve. II is the investment curve.

➤ At point E1, the economy is in equilibrium with OY1 income.

➤ Now, investment is increased from OI2 to OI4.

➤ This increases income from OY1 to OY3, the equilibrium point being E3.

➤ Therefore, increase in income by Y1 Y2 is due to the multiplier effect

➤ The increase in income by Y2 Y3 is due to the accelerator effect.

**17. What are the differences between MEC and MEI?**

	Basis	MEC	MEI
		MARGINAL EFFICIENCY OF CAPITAL	MARGINAL EFFICIENCY OF INVESTMENT
1	Meaning	Expected income stream equal to the cost of capital	Expected rate of return on investment as additional units of investment
2	Based On	Supply price for capital	Change in the demand for capital
3	Represents	Rate of return on all successive units of capital	Rate of return on just those units of capital
4	'X' Axis	Capital stock is taken	Amount of investment is taken
5	Concept	It is a "stock" concept	It is a "flow" concept
6	Determines	Optimum capital stock in an economy	Net investment of the economy

**18. Illustrate Fisher's Quantity theory of money.****FISHER'S QUANTITY THEORY OF MONEY**

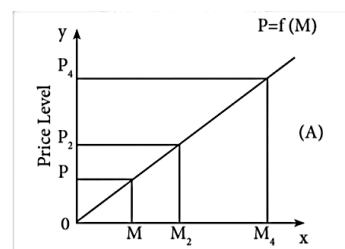
- Fisher gave it a quantitative form in terms of his famous "Equation of Exchange"
- The general form of equation given by Fisher

$$MV = PT$$

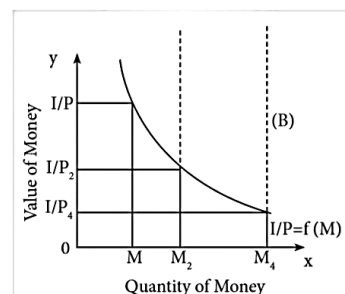
Where M = Money Supply/quantity of Money .  
V = Velocity of Money  
P = Price level  
T = Volume of Transaction

**EXPLANATION**

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)

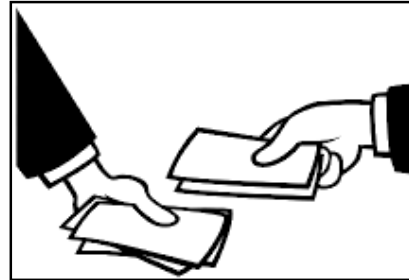
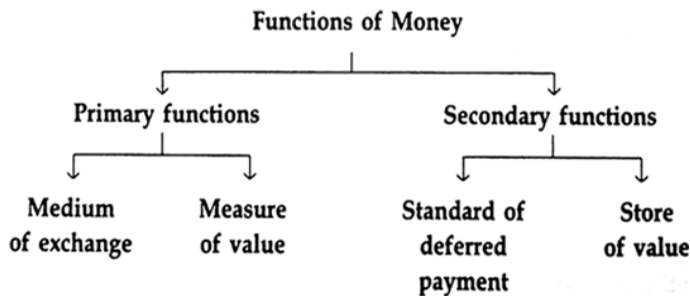
**EXTENDED FORM OF EQUATION       $PT = MV + M1V1$** 

1. Figure (A) shows the effect of changes in the quantity of money on the price level. When the quantity of money is OM, the price level is OP.
2. Figure (B) 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.



**19. Explain the functions of money****DEFINITION OF MONEY**

“Money is, what money does” – Walker

**I) MONEY AS A MEDIUM OF EXCHANGE:**

This is considered as the basic function of money. 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

**III) MONEY AS A STORE OF VALUE:**

Savings done in terms of commodities were not permanent. But, with the invention of money, this difficulty has now disappeared and savings are now done in terms of money.

**IV) MONEY AS A STANDARD OF DEFERRED PAYMENTS:**

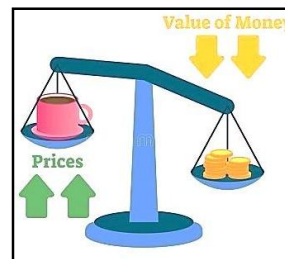
Borrowing and lending were difficult problems under the barter system. In the absence of money, the borrowed amount could be returned only in terms of goods and services

**V) MONEY AS A MEANS OF TRANSFERRING PURCHASING POWER:**

The field of exchange also went on extending with growing economic development.

**20. What are the causes and effects of inflation on the economy?****MEANING OF INFLATION**

Inflation is the rate at which the general level of prices for goods and services is rising and consequently the purchasing power of currency is falling.

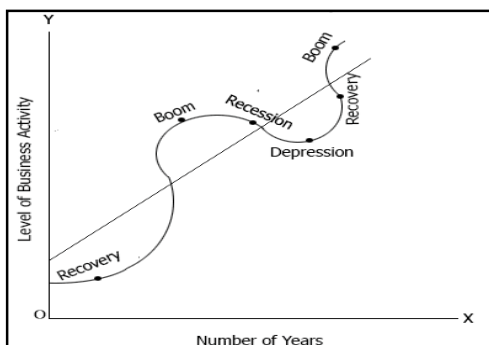


CAUSES OF INFLATION	EFFECTS OF INFLATION
i) Increase in Money Supply	i) Hyper-inflation results in a serious depreciation of the value of money
ii) Increase in Disposable Income	ii) Drain out the foreign capital
iii) Increase in Public Expenditure	iii) investment will suffer a serious set-back
iv) Increase in Consumer Spending	iv) During inflation, debtors are the gainers while the creditors are losers
v) Cheap Monetary Policy	v) The fixed income groups are the worst hit during inflation

**21. Describe the phases of Trade cycle.****MEANING OF TRADE CYCLE**

A Trade cycle refers to oscillations in aggregate economic activity particularly in employment, output, income, etc.

**PHASES OF TRADE CYCLE:** (i) Boom (ii) Recession (iii) Depression and (iv) Recovery

**DIAGRAM**

**I) BOOM:** 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.

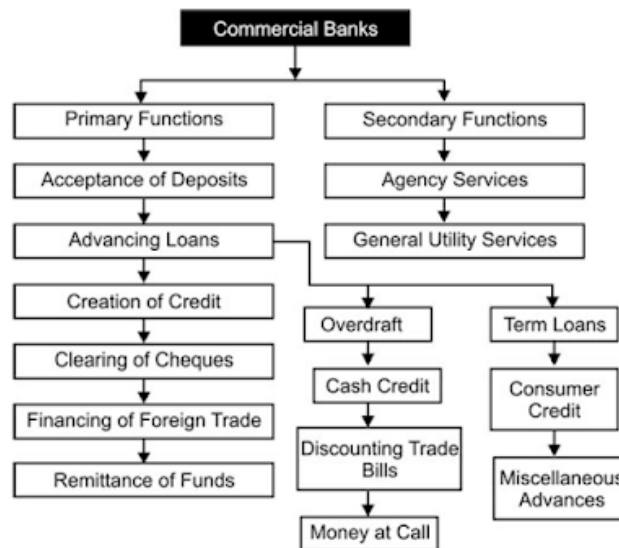
**III) DEPRESSION:** During depression the level of economic activity becomes extremely low.

**IV. RECOVERY:** After a period of depression, recovery sets in. This is the turning point from depression to revival towards upswing.



**22. Explain the role of Commercial Banks in economic development.****Role of Commercial Banks in the Economic Development of a Country**

1. Banks promote capital formation
2. Investment in new enterprises
3. Promotion of trade and industry
4. Development of agriculture
5. Balanced development of different regions
6. Influencing economy activity
7. Implementation of Monetary policy
8. Monetization of the economy
9. Export promotion cells

**23. Elucidate the functions of Commercial Banks**

**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

**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

**3. GENERAL UTILITY FUNCTIONS:** It implies that commercial banks provide some utility services to customers by performing various functions.

**4. MONEY SUPPLY:** It refers to one of the important functions of commercial banks that help in increasing money supply

**5. CREDIT CREATION:** Credit Creation means the multiplication of loans and advances



**24. Describe the functions of Reserve Bank of India.****RBI - INTRODUCTION**

- The Reserve Bank of India (RBI) is India's central banking institution
- It commenced its operations on 1 April 1935
- the RBI was nationalised on 1 January 1949

**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

**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.

**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.

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

**MEANING OF MONETARY POLICY** : Monetary Policy is the macroeconomic policy being laid down by the Central Bank towards the management of money supply and interest rate.

**THE SPECIFIC OBJECTIVES OF MONETARY POLICY ARE:**

**(I) NEUTRALITY OF MONEY** - Monetary changes could be the root cause of all economic fluctuations

**(II) STABILITY OF EXCHANGE RATES** - Exchange rate stability was the traditional objective of monetary authority.

**(III) PRICE STABILITY** - Price stability is considered the most genuine objective of monetary policy.

**(IV) FULL EMPLOYMENT** - Full employment was considered as the main goal of monetary policy.

**(V) ECONOMIC GROWTH** - The process whereby the real per capita income of a country increases



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

### **COMPONENTS OF BOPS**

They are divided into three categories, i.e.

- a) The current account,
- b) The capital account and
- c) The official settlements account or official reserve assets account.

#### **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:**

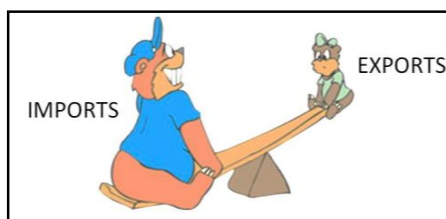
Official reserve transactions consist of movements of international reserves by governments and official agencies to accommodate imbalances arising from the current and capital accounts.

**27. Discuss the various types of disequilibrium in the balance of payments.**

**Occurs when: Disequilibrium: Demand  $\neq$  Supply Debit > Credit  $\rightarrow$  Deficit**

#### **TYPES BOP DISEQUILIBRIUM:**

- (a) Cyclical Disequilibrium,
- (b) Secular Disequilibrium,
- (c) Structural Disequilibrium.



#### **A) CYCLICAL DISEQUILIBRIUM:**

First, two countries may be passing through different phases of business cycle. Secondly, the elasticities of demand may differ between countries.

#### **B) SECULAR DISEQUILIBRIUM:**

The secular or long-run disequilibrium in BOP occurs because of long-run and deep seated changes in an economy as it advances from one stage of growth to another.

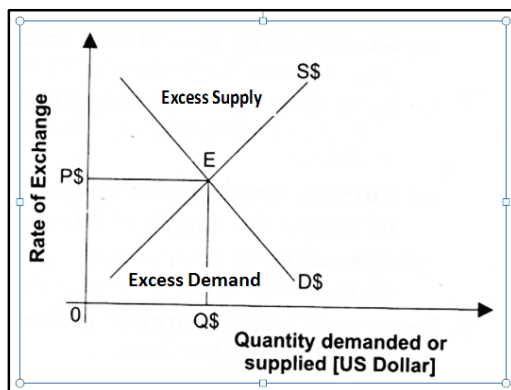
#### **C) Structural Disequilibrium:**

Structural changes in the economy may also cause such structural changes include development of alternative sources of supply, development of better substitutes.

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

### **DETERMINATION OF RATE OF EXCHANGE**

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.



### **DIAGRAM EXPLANATION**

- Y axis represents exchange rate, that is, value of rupee in terms of dollars.
- X axis represents demand and supply of foreign exchange.
- E is the point of equilibrium where D intersects S.
- The exchange rate is P, where exchange rate is determined.

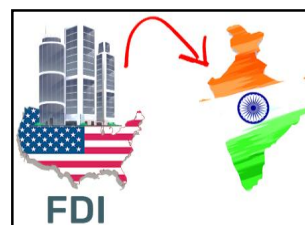
**29. Explain the relationship between Foreign Direct Investment and economic development.**

### **MEANING**

FDI means an investment in a foreign country that involves some degree of control and participation in management.

### **FDI & ECONOMIC DEVELOPMENT**

1. FDI may help to increase the investment level and thereby the income and employment.
2. Direct foreign investment may facilitate transfer of technology.
3. FDI may also bring revenue to the government.
4. A part of profit from direct foreign investment may be ploughed back into the expansion, modernization of industries.
5. Foreign investment may also help increase competition and break domestic monopolies.
6. FDI may help in filling the savings gap.



**30. Explain the objectives of IMF**

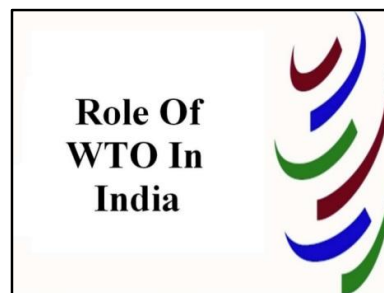
- i. To promote international monetary cooperation among the member nations.
- ii. To facilitate faster and balanced growth of international trade.
- iii. To ensure exchange rate stability by curbing competitive exchange depreciations.
- iv. To eliminate or reduce exchange controls imposed by member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

**31. Bring out the functions of World Bank.**



- Assist in reconstruction and development of its member countries.
- Promote private foreign investment.
- Promote balanced growth of international trade.
- Assist in bringing about a smooth transition from war to peaceful economies..
- Aims to reduce poverty in middle income and creditworthy poorer countries

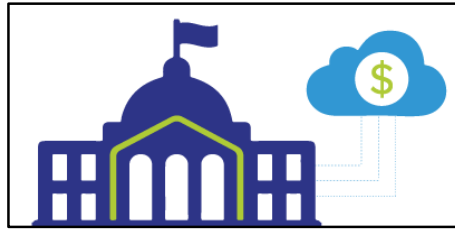
**32. Discuss the role of WTO in India's socio economic development.**

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



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

BASIS	NOTE ON SAARC	NOTE ON BRICS
		
<b>Full Form</b>	The South Asian Association for Regional Co-operation	Brazil, Russia, India, China and South Africa
<b>Member Nations</b>	Bangladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Sri Lanka, Afghanistan. <b>Total :8 Nations</b>	Brazil, Russia, India, China and South Africa <b>Total :5 Nations</b>
<b>Year</b>	1985	2010
<b>Head Quarters</b>	Kathmandu (Nepal)	Shanghai (China)
<b>Special Bank</b>	SAARC Development Bank (SDB)	The New Development Bank (NDB)
<b>Main Objective</b>	To promote the welfare of the people of South Asia and improve their quality of life	To increase trade co-operation by making an exclusive trade block
<b>Achievements</b>	The establishment of SAARC Preferential Trading Agreement (SAPTA)	Leading position in setting the global agenda
<b>Fund</b>	South Asian Development Fund (SADF)	Contingent Reserve Arrangement (CRA)

**34. Explain the scope of public finance****1. Public Revenue**

Public revenue deals with the methods of raising public revenue such as tax and non-tax, the principles of taxation, shifting of taxes and their effects.

**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.

**35. Bring out the merits of indirect taxes over direct taxes.****Merits Of Indirect Tax**

- ☐ Convenient
- ☐ No evasion
- ☐ Equitable
- ☐ Beneficial social effects
- ☐ Capital formation
- ☐ Wide coverage
- ☐ Productive

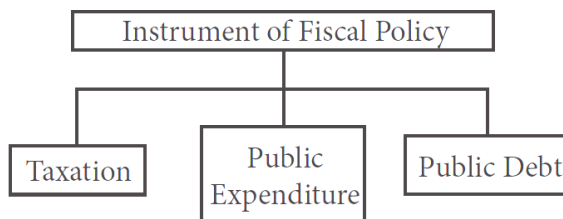
**Indirect Tax**

**36. Explain the methods of debt redemption**

Methods that are adopted for redemption of public debt are: 1. Refunding 2. Conversion 3. Surplus budgets 4. Sinking fund 5. Terminable annuities 6. Additional Taxation 7. Capital Levy 8. Surplus Balance of Payments.

**37. State and explain instruments of fiscal policy.****Fiscal Instruments**

Fiscal Policy is implemented through fiscal instruments also called 'fiscal tools'

**i) Taxation:**

Taxes transfer income from the people to the Government. Taxes are either direct or indirect.

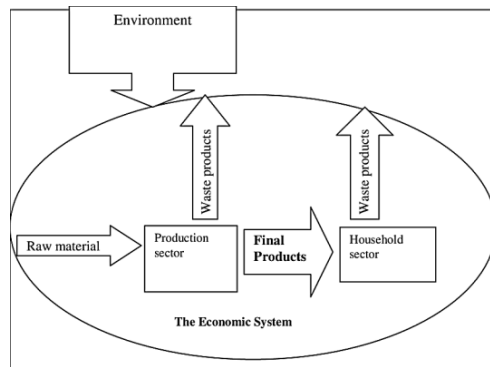
**ii) Public Expenditure:** Public expenditure raises wages and salaries of the employees and thereby the aggregate demand for goods and services.

**iii) Public debt:**

When Government borrows by floating a loan, there is transfer of funds from the public to the Government.



**38. Briefly explain the relationship between GDP growth and the quality of environment.**

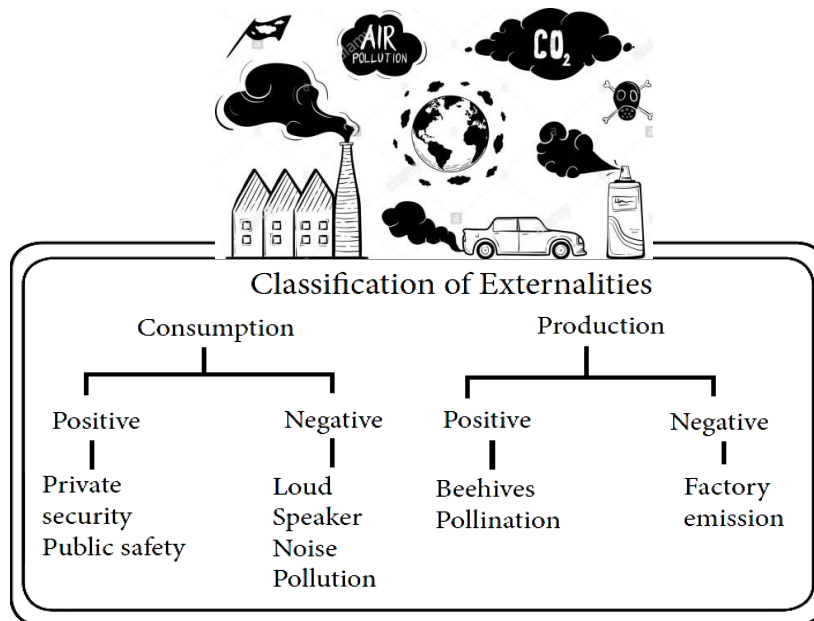


1. **Environmental quality** is a set of properties and characteristics of the environment either generalized or local, as they impinge on human beings and other organisms.
2. **GDP growth** is often pointed out to be the cause of environmental issues based on the notion that increased production equals increased pollution.

**39. Explain the concepts of externality and its classification.**

#### Meaning of Externalities

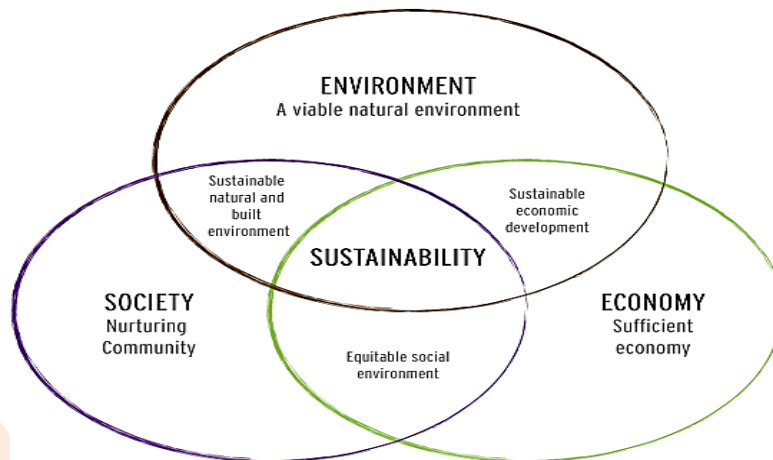
Externalities refer to external effects or spillover effects resulting from the act of production or consumption on the third parties.



**40. Explain the importance of sustainable development and its goals.****Meaning**

Sustainable development is concerned with the welfare of not only present generation but also future generation.

$$\text{Sustainable Development} = \text{Environment} + \text{Economy} + \text{Society}$$

**IMPORTANCE**

1. Environment conservation and proper utilization of natural resources.
2. Increase funding for environment development
3. Conservation of biodiversity
4. Pollution control
5. Population control and poverty elevation

**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.

**41. Discuss the economic determinants of economic development.**

**Economic Determinants of Economic Development are as follow,**

1. Natural Resource 2. Capital Formation 3. Size of the Market 4. Structural Change
5. Financial System 6. Marketable surplus 7. Foreign Trade 8. Economic System

**42. Describe different types of Planning****Definition**

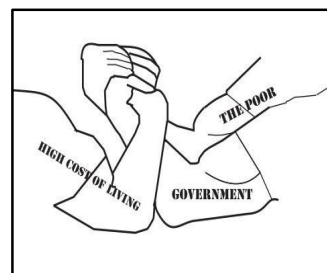
“Economic Planning in the widest sense is the deliberate direction by persons in-charge of large resources of economic activity towards chosen ends”.



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
Short - term planning concerns the plans in a time period of 1 year - operational planning.	Medium – term planning is considered for a time period of 5 years – tactical planning.	Long – term planning is considered for a time period over 10 years – strategic planning.
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.	
7. Functional Vs Structural Planning:		
Functional Plan	Structural Plan	
Functional planning refers to that planning which seeks to remove economic difficulties	The structural planning refers to a good deal of changes in the socio-economic framework of the country.	

**43. Bring out the arguments against planning.**

The **case against economic planning** has been discussed as: (i) Loss of Economic Freedom: (ii) Planning Leads to Chaos: (iii) Not easy to Formulate: (iv) No Incentive for Hard Work: (v) Danger of Bureaucracy and Red Tapism: (vi) Not Automatic: (vii) A Costly Affair:



**44. Elucidate the nature and scope of Statistics.****Definition of Statistics**

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

**Nature of Statistics**

1. Statistics are an aggregate of facts.
2. Statistics are numerically enumerated, estimated and expressed.
3. Statistics should be collected in a systematic manner.
4. Should be capable of being used as a technique for drawing comparison
5. Statistics are numerated or estimated according to reasonable standard of accuracy.

**Scope of Statistics**

Statistics is applied in every sphere of human activity – social as well as physical – like Biology, Commerce, Education, Planning, Business Management, Information Technology, etc.

**Statistics and Economics**

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

**Statistics and Firms**

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

**Statistics and Commerce**

Statistics are life blood of successful commerce.

**Statistics and Education**

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

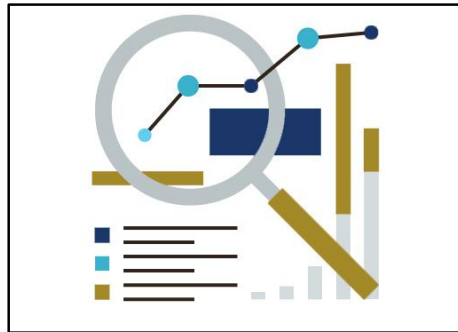
**Statistics and Medicine**

In Medical sciences, statistical tools are widely used.

**45. Describe the application of Econometrics in Economics.****DEFINITION**

“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”.

$$\text{Econometrics} = \text{Mathematics} + \text{Statistics} + \text{Economics} + \text{Empirical Data}$$

**APPLICATIONS OF ECONOMETRICS**

1. It helps to explain the behaviour of a forthcoming period that is forecasting economic phenomena.
2. It helps to prove the old and established relationships among the variables or between the variables
3. It helps to establish new theories and new relationships.
4. It helps to test the hypotheses and estimation of the parameter.
5. It helps in Forecasting macroeconomic indicators.

**TWO MARKS**

1	<b>Define Macro Economics.</b> <ul style="list-style-type: none"> <li>➤ The word 'Macro' is derived from the Greek word 'Makros' meaning 'large'.</li> <li>➤ Hence, Macro Economics is the study of the economy as a whole.</li> <li>➤ Macro Economics is also known as 'Income Theory'.</li> </ul>	
2	<b>Define the term 'Inflation'.</b> Inflation refers to steady increase in general price level.	
3	<b>What is meant by an 'Economy'?</b> An economy is referred to any system or area where economic activities are carried out.	
4	<b>Classify the economies based on status of development.</b> <ol style="list-style-type: none"> <li>1. Developed economies</li> <li>2. Underdeveloped economies</li> <li>3. Undeveloped economies</li> <li>4. developing economies</li> </ol>	
5	<b>What do you mean by Capitalism?</b> <ul style="list-style-type: none"> <li>➤ Adam Smith is the 'Father of Capitalism'.</li> <li>➤ The system where the means of production are privately owned</li> <li>➤ Market determines the economic activities</li> </ul>	
6	<b>Define 'Economic Model'.</b> <ul style="list-style-type: none"> <li>➤ A model is a simplified representation of real situation.</li> <li>➤ A model is an explanation of how the economy, or part of the economy, works.</li> </ul>	
7	<b>'Circular Flow of Income' - Define.</b> The circular flow of income is a model of an economy showing connections between different sectors of an economy.	
8	<b>Define National Income.</b> National Income means the total money value of all final goods and services produced in a country during a particular period of time	
9	<b>Write the formula for calculating GNP.</b> $\text{GNP at Market Prices} = \text{GDP at Market Prices} + \text{Net Factor income from Abroad.}$	
10	<b>What is the difference between NNP and NDP?</b>	
	<u><b>Net Domestic Product</b></u>  When depreciation is deducted from the GDP, it is called Net Domestic Product.  <b>NDP=GDP – depreciation</b>	<u><b>Net National Product:</b></u>  When depreciation is deducted from the GNP, it is called Net National Product.  <b>NNP= GNP - depreciation</b>

11	<b>Trace the relationship between GNP and NNP</b>	
	<p style="text-align: center;"><b><u>GNP</u></b></p> <p>GNP is the total measure of the flow of final goods and services of a economy during a year, including net income from abroad.</p> <p><b>GNP at Market Prices = GDP at Market Prices + Net Factor income from Abroad.</b></p>	<p style="text-align: center;"><b><u>NNP</u></b></p> <p>Net National Product refers to the value of the net output of the economy during the year.</p> <p><b>NNP = GNP – depreciation</b></p>
12	<p><b>What do you mean by the term ‘Personal Income’?</b></p> <ul style="list-style-type: none"> <li>➤ Personal income is the total income received by the individuals of a country from all sources before payment of direct taxes in a year.</li> <li>➤ Personal Income = National Income – (Social Security Contribution) + Transfer payments</li> </ul>	
13	<p><b>Define GDP deflator.</b></p> <p>GDP deflator is an index of price changes of goods and services included in GDP.</p> <div style="border: 1px solid green; padding: 10px; margin: 10px auto; width: fit-content;"> <math display="block">\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100</math> </div>	
14	<p><b>Why is self-consumption difficult in measuring national income?</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Farmers keep a large portion of food and other goods produced on the farm for self-consumption.</li> <li><input type="checkbox"/> The problem is whether that part of the produce which is not sold in the market can be included in national income or not.</li> </ul>	
15	<p><b>Define full employment.</b></p> <p>Keynes defines full employment as the absence of involuntary unemployment.</p>	
16	<p><b>What is the main feature of rural unemployment?</b></p> <p>The main feature of rural unemployment is the existence of unemployment in the form of disguised unemployment and seasonal unemployment.</p>	
17	<p><b>Give short note on frictional unemployment.</b></p> <p>Frictional unemployment arises due to imbalance between supply of labour and demand for labour.</p> <p style="text-align: center;"><b>Example : Break down of machinery, shortage of raw materials</b></p>	
18	<p><b>Give reasons for labour retrenchment at present situation.</b></p> <p>Invention and innovations lead to the adoption of new techniques there by the existing workers are retrenched (eliminated).</p>	



19	<p><b>List out the assumptions of Say's law.</b></p> <p>1. No single buyer or seller of commodity can affect price.  2. Full employment. 3. People are motivated by self interest and self – interest determines economic decisions. 4. The laissez faire policy</p>
20	<p><b>What is effective demand ?</b></p> <p>Effective demand denotes money actually spent by the people on products of industry. Effective demand equals national income.</p> <p style="text-align: center;"><b>ED = Y = C + I = Output = Employment</b></p>
21	<p><b>What are the components of aggregate supply ?</b></p> <p>1. Aggregate (desired) consumption expenditure (C)  2. Aggregate (desired) private savings (S)  3. Net tax payments (T)  4. Personal (desired) transfer payments to the foreigners (Rf)</p> <p style="text-align: center;"><b>Aggregate Supply = C + S + T + Rf</b></p>
22	<p><b>What is consumption function?</b></p> <p>The consumption function or propensity to consume refers to income consumption relationship.</p> <p style="text-align: center;"><b>C = f (Y)</b></p>
23	<p><b>What do you mean by propensity to consume?</b></p> <ul style="list-style-type: none"> <li>➤ Propensity to consume refers to income consumption relationship.</li> <li>➤ It is a “functional relationship between two aggregates viz., total consumption and gross national income.”</li> </ul>
24	<p><b>Define average propensity to consume (APC).</b></p> <p>The average propensity to consume is the ratio of consumption expenditure to any particular level of income.</p> <p style="text-align: center;"><math>APC = C/Y</math></p>
25	<p><b>Define marginal propensity to consume (MPC).</b></p> <p>The marginal propensity to consume may be defined as the ratio of the change in the consumption to the change in income.</p> <p style="text-align: center;"><math>MPC = \Delta C / \Delta Y</math></p>
26	<p><b>What do you mean by propensity to save?</b></p> <p>□ The propensity to save refers to income savings relationship.</p> <p style="text-align: center;"><b>S = f (Y)</b></p>
27	<p><b>Define average propensity to save (APS).</b></p> <p>□ The average propensity to save is the ratio of saving to income.</p> <p style="text-align: center;"><math>APS = S/Y</math></p>
28	<p><b>Define Marginal Propensity to Save (MPS).</b></p> <p>□ Marginal Propensity to Save is the ratio of change in saving to a change in income.</p> <p style="text-align: center;"><math>MPS = \Delta S / \Delta Y</math></p>

29	<b>Define Multiplier.</b> <input type="checkbox"/> The multiplier is defined as the ratio of the change in national income to change in investment. $K = \Delta Y / \Delta I$	
30	<b>Define Accelerator.</b> Accelerator is the numerical value of the relation between an increase in consumption and the resulting increase in investment. $\text{Accelerator } (\beta) = \Delta I / \Delta C$	
31	<b>Define Money</b> “Money is, what money does” - Walker.	
32	<b>What is barter?</b> <input type="checkbox"/> Exchange of goods for goods is known as “Barter Exchange” or “Barter System”. <input type="checkbox"/> In a barter system, the commodities and services were directly exchanged.	
33	<b>What is commodity money?</b> <input type="checkbox"/> In the past, most societies used a commodity with some intrinsic value for money. <b>Example: Jewelers</b>	
34	<b>What is gold standard?</b> <input type="checkbox"/> Gold Standard is a system in which the value of the monetary unit or the standard currency is directly linked with gold.	
35	<b>What is plastic money? Give example.</b> 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.	
36	<b>Define inflation.</b> “Too much of Money chasing too few goods” – Coulbourn	
37	<b>What is Stagflation?</b> <input type="checkbox"/> Stagflation is a combination of stagnant economic growth, high unemployment and high inflation. <b>Stagflation = stagnation + inflation</b>	
38	<b>Define Commercial banks.</b> Commercial bank refers to a bank, or a division of a large bank, which more specifically deals with deposit and loan services. <b>Example: SBI</b>	
39	<b>What is credit creation?</b> <ul style="list-style-type: none"> <li>➤ Credit Creation means the multiplication of loans and advances.</li> <li>➤ Commercial banks receive deposits from the public and use these deposits to give loans.</li> </ul>	
40	<b>Define Central bank.</b> <input type="checkbox"/> A central bank, reserve bank, or monetary authority is an institution that manages a state's currency, money supply, and interest rates.	
41	<b>Distinguish between CRR and SLR.</b>	
	<b>CRR</b> is the percentage of money which the bank has to keep with the Central Bank <b>Form: Cash</b>	<b>SLR</b> is the percentage of liquid assets which the bank has to keep bank itself <b>Form : gold and securities</b>

42	<p><b>Write the meaning of Open market operations.</b></p> <p><b>In narrow sense</b>, the Central Bank starts the purchase and sale of Government securities in the money market.</p>
43	<p><b>What is rationing of credit?</b></p> <p><input type="checkbox"/> This is the oldest method of credit control.</p> <p><input type="checkbox"/> It aims to control and regulate the purposes for which credit is granted by commercial banks.</p>
44	<p><b>Mention the functions of agriculture credit department.</b></p> <p>a) To maintain an expert staff to study all questions on agricultural credit; b) To provide expert advice to Central and State Government, State Co-operative Banks</p>
45	<p><b>What is International Economics?</b></p> <p><input type="checkbox"/> International Economics is that branch of economics which is concerned with the exchange of goods and services between two or more countries.</p>
46	<p><b>Define international trade.</b></p> <p><input type="checkbox"/> International trade refers to the trade or exchange of goods and services between two or more countries.</p>
47	<p><b>State any two merits of trade.</b></p> <p><input type="checkbox"/> Trade is one of the powerful forces of economic integration.</p> <p><input type="checkbox"/> International trade helps a country to export its surplus goods to other countries</p>
48	<p><b>What is the main difference between Adam Smith and Ricardo with regard to the emergence of foreign trade?</b></p> <p>The country would specialize in the production and export of those goods which are relatively more advantageous</p>
49	<p><b>Define Terms of Trade.</b></p> <p><input type="checkbox"/> Terms of Trade is the rate at which the goods of one country are exchanged for goods of another country.</p>
50	<p><b>What do you mean by balance of payments?</b></p> <p><input type="checkbox"/> Balance of payment is a systematic record of a country's economic and financial transactions with the rest of the world</p>
51	<p><b>What is meant by Exchange Rate?</b></p> <p><input type="checkbox"/> 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 \$).</p>
52	<p><b>Write the meaning of Special Drawing rights.</b></p> <p><input type="checkbox"/> SDRs act both as an international unit of account and a means of payment.</p> <p><input type="checkbox"/> Special Drawing Rights (SDRs) is otherwise called as 'Paper Gold'.</p>
53	<p><b>Mention any two objectives of ASEAN.</b></p> <p><b>(write any two)</b></p> <p>i. To accelerate the economic growth, social progress and cultural development in the region; ii. To promote regional peace and stability.</p>

54	<b>Point out any two ways in which IBRD lends to member countries.</b> i) Loans out of its own fund, ii) Loans out of borrowed capital and iii) Loans through Bank's guarantee.	
55	<b>Define Common Market.</b> <input type="checkbox"/> Common market is established through trade pacts to promote duty free trade and free movement of labour and capital among its members.. E.g. European Common Market	
56	<b>What is Free trade area?</b> <input type="checkbox"/> A free trade area is the region encompassing a trade bloc whose member countries have signed a freetrade agreement (FTA).Eg. SAFTA, EFTA	
57	<b>When and where was SAARC Secretariat established?</b> The SAARC Secretariat was established in Kathmandu (Nepal) on 16th January 1987.	
58	<b>Specify any two affiliates of World Bank Group. (write any two)</b> <input type="checkbox"/> International Bank for Reconstruction and Development (IBRD) <input type="checkbox"/> International Development Association (IDA)	
59	<b>Define public finance.</b> It is concerned with income and expenditure of public authorities and with the adjustment of one to the other	
60	<b>What is public revenue?</b> Public revenue deals with the methods of raising public revenue such as tax and non-tax, the principles of taxation.	
61	<b>Differentiate tax and fee.</b>	
	Tax is a Compulsory payment by the citizens to the government  <b>Compulsion</b>	Fee is charged by public authorities for rendering a service  <b>no compulsion</b>
62	<b>Write a short note on zero based budget.</b> <input type="checkbox"/> It involves fresh evaluation of expenditure in the Government budget, assuming it as a new item.	
63	<b>Give two examples for direct tax.</b> <input type="checkbox"/> Corporation Tax <input type="checkbox"/> Income Tax <input type="checkbox"/> Property Tax and <input type="checkbox"/> Gift Tax.	
64	<b>What are the components of GST?</b> <input type="checkbox"/> The component of GST are of 3 types. They are: CGST, SGST & IGST.	
65	<b>What do you mean by public debt?</b> According to Philip E.Taylor "The debt is the form of promises by the Treasury to pay to the holders a principal sum and interest "	
66	<b>State the meaning of environment.</b> <input type="checkbox"/> Environment means "all the conditions, circumstances, and influences surrounding and affecting the development of an organism or group of organisms".	

67	<b>What do you mean by ecosystem?</b> <input type="checkbox"/> An ecosystem includes all living things (plants, animals and organisms) in a given area, interacting with each other,	
68	<b>Mention the countries where per capita carbondioxide emission is the highest in the world.</b> USA, Australia, Canada, Japan	
69	<b>What are environmental goods? Give examples.</b> <input type="checkbox"/> Environmental goods are typically non-market goods, including clear air, clean water, landscape, green transport infrastructure	
70	<b>What are the remedial measures to control noise pollution?</b> 1. Use of noise barriers 2. Newer roadway for surface transport 3. Traffic control 4. Regulation of Loudspeakers	
71	<b>Define Global warming.</b> <input type="checkbox"/> Global warming is the current increase in temperature of the Earth's surface (both land and water) as well as its atmosphere.	
72	<b>Specify the meaning of seed ball.</b> <input type="checkbox"/> 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.	
73	<b>Define economic development</b> ➤ The traditional approach defines "increase in GNP is accompanied by decline in share of agriculture and manufacturing and service sectors increase. ➤ It emphasizes the importance of industrialization.	
74	<b>Mention the indicators of development.</b> <input type="checkbox"/> Gross National Product (GNP) <input type="checkbox"/> GNP per capita <input type="checkbox"/> Welfare <input type="checkbox"/> Social Indicators	
75	<b>Distinguish between economic growth and development</b>	
	<b>Economic Growth</b>  Deals with the problems of Developed countries  Means more Output  Scope is Narrow	<b>Economic Development</b>  Deals with the problems of UDCs  Means not only more output but also its composition  Wider Scope
76	<b>What is GNP</b> Value of all final goods and services produced within a nation in a particular year, plus income earned from abroad.	

77	<b>Define economic planning.</b> According to Robbins, "Economic Planning is "collective control or suppression of private activities of production and exchange".
78	<b>What are the social indicators of economic development?</b> The basic needs for development such as health, education, sanitation, water, food etc.
79	<b>Write a short note on NITI Aayog.</b> <ul style="list-style-type: none"> <li>➤ NITI Aayog stands for National Institution for Transforming India</li> <li>➤ It was formed on 2015, through a Union Cabinet resolution.</li> <li>➤ NITI Aayog is a policy think-tank</li> </ul>
80	<b>What is Statistics?</b> According to Croxton and Cowden, "Statistics may be defined as the collection, organization, presentation, analysis and interpretation of numerical data"
81	<b>What are the kinds of Statistics?</b> There are two major types of statistics named as 1.Descriptive Statistics and 2. Inferential Statistics.
82	<b>What do you mean by Inferential Statistics?</b> The branch of statistics concerned with using sample data to make an inference about a population of data is called Inferential Statistics.
83	<b>What are the kinds of data?</b> 1. Quantitative Data 2. Qualitative Data
84	<b>Define Correlation.</b> □ Correlation is a statistical device that helps to analyse the co-variation of two or more variables.
85	<b>Write the Meaning Regression</b> <ul style="list-style-type: none"> <li>➤ Regression means going back and it is a mathematical measure showing the average relationship between two variables</li> <li>➤ "Regression" means "Stepping back towards the average".</li> </ul>
86	<b>What is Econometrics?</b>  "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". <b>Econometrics = Mathematics + Statistics + Economics + Empirical Data</b>
	wait for three marks minimum learning material

பயமும் தயக்கமும் உள்ளவர்களிடம்  
தோல்வி வந்து கொண்டே இருக்கும்...!  
பயத்தையும் தயக்கத்தையும் தூக்கிப்போடுங்கள்,  
வெற்றி உங்கள் காலடியில்..!

- இரா. மோகன்