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01

MICRO ECONOMICS

Production Theory

Difficulty: Easy | 2026 · Shift 2 · Q1

Marginal rate of technical substitution of labour for capital is the amount of the input of _____ should be _____ when one extra unit of _____ is used.

A. Labour, reduced, capital

B. Labour, increased, capital

C. Capital, reduced, labour

D. Capital, increased, labour

EXPLANATION

Official key: C

The marginal rate of technical substitution measures how much of one input a firm can give up when it uses a little more of another input and keeps output unchanged. An isoquant shows combinations of inputs that produce this same output.

In "labour for capital," labour is the input being added. When both inputs contribute to output, the firm can offset the extra labour by using less capital. The blanks are capital, reduced, labour.

- **A:** This adds capital and gives up labour. That is substitution of capital for labour.
- **B:** This starts with an extra unit of capital and adds labour as well. Using more of both productive inputs increases output.
- **D:** This starts with more labour but also increases capital. To stay on the same isoquant, the firm needs to reduce its use of capital.

KEYWORDS: marginal rate of technical substitution | isoquant | factor substitution

02

MICRO ECONOMICS

Production Theory

Difficulty: Medium | 2026 · Shift 2 · Q2

An expenditure that has been made and cannot be recorded is known as :

A. Economic cost

B. Sunk cost

C. Opportunity cost

D. Unaccounting cost

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: B

The intended term is sunk cost. A sunk cost is an expenditure already incurred that cannot be recovered. The original says “recorded”. Whether an expenditure appears in the accounts has no bearing on whether it can be recovered.

KEYWORDS: sunk cost | incremental project decision | opportunity cost | residual asset value

03

MICRO ECONOMICS

Price and Output determination in Market

Difficulty: Medium | 2026 · Shift 2 · Q3

Supply of durable goods is more elastic in :

A. Short run

B. Long run

C. Very long run

D. Very short run

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: A

NTA keyed the short run. The wording leaves the market and the source of supply unspecified. A durable good can have a responsive resale or scrap supply in the short run, while new production can adjust more substantially over a longer period. Durability alone does not settle the comparison.

KEYWORDS: price elasticity of supply | market supply | weighted average

04

MICRO ECONOMICS

Price and Output determination in Market

Difficulty: Easy | 2026 · Shift 2 · Q4

Price Rigidity is a feature of which of the following market ?

A. Monopolistic competition

B. Perfect competition

C. Oligopoly

D. Monopoly

EXPLANATION

Official key: C

Price rigidity means a price tends to stay at its current level even when conditions change a little. This is commonly associated with oligopoly, where a few firms watch and respond to one another. In the kinked demand model, a firm expects its rivals to match a price cut but not a price increase. A price cut therefore brings relatively few new buyers, while a price rise can drive many buyers away. This gives the firm a reason to keep its current price, even after a small cost change.

- **A:** Monopolistically competitive firms have product-specific demand because they sell differentiated goods. In the standard model they set prices in response to their own demand and costs.
- **B:** A perfectly competitive firm takes the market price as given. The market price itself can change when aggregate demand or supply changes.
- **D:** A monopolist adjusts its price using its demand and cost conditions. The kinked-demand explanation depends on how rivals respond to the price change.

KEYWORDS: oligopoly | price rigidity | kinked demand curve

05

MICRO ECONOMICS

Price and Output determination in Market

Difficulty: Medium | 2026 · Shift 2 · Q5

Practice of charging different prices for the different quantities of a good is called :

A. Second degree price discrimination

B. Third degree price discrimination

C. Block pricing

D. Control pricing

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: C

NTA keyed block pricing. A block tariff charges different per-unit prices in successive quantity bands. This is an example of second-degree price discrimination, which the question also offers as option A. The stem gives too little detail to cleanly distinguish the general category from its subtype.

KEYWORDS: block pricing | nonlinear pricing | consumer surplus | consumer surplus maximization

06

MICRO ECONOMICS

Consumer Theory or Behavior

Difficulty: Easy | 2026 · Shift 2 · Q6

A curve relating the quantity of good consumed and income is known as :

A. Demand curve

B. Engel curve

C. Interior goods curve

D. Indifference curve

EXPLANATION

Official key: B

An Engel curve shows how a consumer's purchases of one good change with income, with prices held fixed. It can show purchases rising with income for a normal good or falling over an income range for an inferior good.

- **A:** The usual demand curve for a good relates its own price to quantity demanded, with income held fixed.
- **C:** Interior can describe a choice with positive quantities of both goods. It is not the name of the graph relating income to purchases of one good.
- **D:** An indifference curve compares bundles that give the same satisfaction. Its axes are quantities of goods, rather than income and one quantity.

KEYWORDS engel curve | income effect | demand curve

07

MICRO ECONOMICS

Consumer Theory or Behavior

Difficulty: Easy | 2026 · Shift 2 · Q7

What is the income elasticity of demand ?

A. $Ei = \frac{I}{Q} \cdot \frac{\Delta Q}{\Delta I}$

B. $Ei = \frac{Q}{I} \cdot \frac{\Delta Q}{\Delta I}$

C. $Ei = \frac{I}{Q} \cdot \frac{\Delta I}{\Delta Q}$

D. $Ei = \frac{\Delta I}{Q} \cdot \frac{I}{\Delta Q}$

EXPLANATION

Official key: A

Income elasticity of demand measures how much quantity demanded changes in percentage terms when income changes by a given percentage, with prices fixed. Let I be income and Q quantity demanded. Use the original amounts to express each change relative to its base. Dividing the relative change in quantity by the relative change in income gives

$$E_I = \frac{\Delta Q/Q}{\Delta I/I} = \frac{I}{Q} \cdot \frac{\Delta Q}{\Delta I}.$$

For example, if income rises by 10% and purchases rise by 5%, the elasticity is $5/10 = 0.5$. It is negative if purchases fall when income rises.

- **B:** The raw change ratio $\Delta Q/\Delta I$ points in the right direction. The conversion to relative changes multiplies it by I/Q, because the quantity change is divided by Q and the income change by I.
- **C:** The raw change ratio is reversed. Quantity demanded is the response, so ΔQ goes on top and ΔI below.
- **D:** Regrouping this product gives $(I/Q)(\Delta I/\Delta Q)$. It makes the same mistake of treating income as the response and quantity as the cause.

KEYWORDS: income elasticity of demand | percentage change | income effect

08

MICRO ECONOMICS

Consumer Theory or Behavior

Difficulty: Easy | 2026 · Shift 2 · Q8

A situation in which a marginal rate of substitution of one good in a choosen goods basket is not equal to the slope of the budget line is called ?

A. Corner solution

B. Best solution

C. Indifferent solution

D. slope solution

EXPLANATION

Official key: A

At a smooth optimum where the consumer buys positive amounts of both goods and spends the full budget, the indifference curve is tangent to the budget line. The positive marginal rate of substitution, or the amount the consumer will give up of one good for a little more of the other, equals the magnitude of the budget slope.

At a corner solution, the best affordable bundle lies at an endpoint of the two-good budget line. The consumer buys only one good. The two slopes can differ there: moving farther towards the preferred good would require buying a negative quantity of the other good. That move is infeasible. The corner bundle must still be the consumer's best affordable choice. Different slopes alone are not enough: the consumer must also have no feasible move that raises utility.

- **B:** A corner can be the best choice, but a tangency can also be the best choice. The specific name for an optimum on the boundary is a corner solution.
- **C:** Indifference means two bundles are equally preferred. It says nothing about whether the best bundle is at a budget endpoint.
- **D:** The slope is a tradeoff between two goods. It describes a curve and is not the name for this type of optimum.

KEYWORDS: corner solution | tangency condition | marginal rate of substitution | budget line

09

INDIAN ECONOMY

International Trade Theories

Difficulty: Easy | 2026 · Shift 2 · Q9

Which of the following is not included in Trade Policy ?

A. Tariffs

B. Quotas

C. Export subsidies

D. Minimum wage

EXPLANATION

Official key: D

Trade policy directly targets international exchange. A minimum wage sets a floor under pay for covered workers, so it is a labour-market policy. It can influence firms' costs and competitiveness, but that indirect effect does not make it a trade-policy instrument.

- **A:** A tariff is a tax on imports and directly changes their domestic price.
- **B:** An import quota places a quantitative limit on goods entering the country.
- **C:** An export subsidy supports sales abroad, for example through a payment linked to exports; it directly targets international trade.

KEYWORDS: trade policy instruments | minimum wage | export subsidy

10

MACRO ECONOMICS

Income and Output Determination

Difficulty: Easy | 2026 · Shift 2 · Q10

What does macroeconomics study primarily study includes ?

A. Individual firm behaviour

B. Aggregate economic relationship

C. Pricing of single product

D. Only government spending

EXPLANATION

Official key: B

Macroeconomics studies relationships across the economy as a whole. For example, it asks how total spending affects national output and employment, or how the overall price level changes. These are aggregates because they combine the activity of many households, firms and markets.

- **A:** The decisions of a single firm, such as how much to produce, are a subject of microeconomics.
- **C:** Pricing a particular good concerns one product market. Macroeconomics studies broader price movements, such as a rise in the overall price level.
- **D:** Government spending is one economy-wide variable. Household spending, investment, employment and other aggregates also enter macroeconomic analysis.

KEYWORDS: macroeconomic aggregates | aggregate output | aggregate employment

11

MACRO ECONOMICS

Income and Output Determination

Difficulty: Easy | 2026 · Shift 2 · Q11

A change in autonoumous spending results in a shifts of IS curve _____.

A. Towards X axis

B. Parallel

C. Towards Y axis

D. No change

EXPLANATION

Official key: B

Autonomous spending is spending that does not depend on current income. In the usual linear IS model, higher autonomous spending raises equilibrium income at every interest rate. The increase in income is the change in autonomous spending times the spending multiplier.

With the multiplier and the interest sensitivity of investment unchanged, every point on IS moves by the same horizontal distance. Its slope stays the same, so the shift is parallel. An increase in autonomous spending shifts it right. A decrease shifts it left.

- **A:** The horizontal axis measures income. Saying the curve moves toward that axis does not describe the effect of an unspecified increase or decrease in spending.
- **C:** With interest on the vertical axis, a leftward shift would move toward it. That is the result of a decrease in autonomous spending, while an increase moves the curve right.
- **D:** Autonomous expenditure enters planned spending directly. Changing it alters the income that balances the goods market at each interest rate.

KEYWORDS: is curve | autonomous expenditure | expenditure multiplier | parallel shift

12

MACRO ECONOMICS

Consumption and Investment Function

Difficulty: Easy | 2026 · Shift 2 · Q12

Which consumption theory states that the household make consumption decision based on a desire to smooth consumption over their entire lifetime ?

A. Life cycle income Hypothesis

B. Relative income Hypothesis

C. Absolute income Hypothesis

D. Permanent income Hypothesis

EXPLANATION

Official key: A

In the life-cycle hypothesis, a household plans how to use the resources available over its lifetime. Earnings may be low early in life, higher while working, and lower again after retirement. By saving during earning years and using those savings in retirement, the household can keep its consumption steadier than its income.

- **B:** The relative income hypothesis links spending to comparisons with other households and with the household's own past living standard.
- **C:** The absolute income hypothesis makes current income the main determinant of consumption. It does not centre the decision on resources available through retirement.
- **D:** The permanent income hypothesis also involves smoothing. Its distinguishing idea is that spending responds to the lasting part of income more than to temporary fluctuations. Planning across stages of a finite lifetime is the emphasis of the life-cycle hypothesis.

KEYWORDS: life cycle hypothesis | consumption smoothing | life cycle saving | permanent income hypothesis

13

MACRO ECONOMICS

Money and Inflation

Difficulty: Easy | 2026 · Shift 2 · Q13

The short run relationship between unemployment rate and the inflation rate is described by which curve ?

A. Laffer Curve

B. Lorenz Curve

C. Philips Curve

D. IS Curve

EXPLANATION

Official key: C

The **short-run Phillips curve** relates inflation to unemployment. With expected inflation and supply conditions held fixed, lower unemployment is associated with higher inflation, and higher unemployment with lower inflation.

- **A:** The Laffer curve relates a tax rate to the tax revenue collected. Very high tax rates can reduce the activity or income being taxed.
- **B:** The Lorenz curve describes how income or wealth is distributed. It compares the cumulative share received with the cumulative share of people.
- **D:** The IS curve shows combinations of income and the interest rate at which planned spending equals output, so the goods market is in equilibrium.

KEYWORDS: phillips curve | inflation rate | unemployment rate

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MACRO ECONOMICS

Income and Output Determination

Difficulty: Easy | 2026 · Shift 2 · Q14

The curve shows the combinations of the price level and the level of output at which goods and money markets are simultaneously in equilibrium is called :

A. Aggregate demand curve

B. Real aggregate demand curve

C. Aggregate supply curve

D. Output curve

EXPLANATION

Official key: A

Choose a price level and find where IS meets LM. At that intersection, the goods and money markets both clear, giving one level of real output. A different price level changes the purchasing power of the money supply, so the intersection can give a different output. Plot each price–output pair to obtain the aggregate demand curve.

- **B:** Real output is already the quantity measured on the aggregate demand curve's horizontal axis. The standard name for this schedule is the aggregate demand curve.
- **C:** The aggregate supply curve shows how much firms produce under different prices and production conditions. Here the curve comes from the goods and money equilibrium on the demand side.
- **D:** The curve does more than report output. It shows which quantity is demanded at each price level when the two markets are in joint equilibrium.

KEYWORDS: aggregate demand | is lm model | price level | real output

15

MACRO ECONOMICS

Consumption and Investment Function

Difficulty: Easy | 2026 · Shift 2 · Q15

If the value of the Marginal Propensity to Consume is 0.8, what will be the value of multiplier ?

A. 05

B. 04

C. 08

D. 02

EXPLANATION

Official key: A

A marginal propensity to consume of 0.8 means households spend 0.8 of each extra unit of income. They save the remaining $1 - 0.8 = 0.2$. In the simple economy, a one-unit increase in autonomous investment requires one more unit of planned saving at the new equilibrium. Saving rises by 0.2 per additional unit of income, so income must rise by $1/0.2 = 5$ units.

Equivalently, the multiplier is $1/(1 - \text{MPC}) = 5$.

- **B:** A response of 4 counts only the extra consumption across later rounds. It leaves out the first unit of investment. That unit plus 4 units of induced consumption gives 5.
- **C:** A multiplier of 8 would require households to save $1/8 = 0.125$ of each additional unit of income. They save 0.2 here.
- **D:** With a multiplier of 2, a one-unit increase in investment would raise income by two units. At the given saving propensity that would raise saving by only $0.2(2) = 0.4$.

KEYWORDS: expenditure multiplier | marginal propensity to consume | marginal propensity to save | induced consumption

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MACRO ECONOMICS

Income and Output Determination

Difficulty: Easy | 2026 · Shift 2 · Q16

The term that states, "a decrease in the unemployment rate will, in general, be accompanied by an increase in the growth rate of total output and vice versa" is known as :

A. Engel curve

B. Okun's law

C. Inflation curve

D. Modified consumption curve

EXPLANATION

Official key: B

Okun's law links changes in unemployment to the growth of real output. When production grows faster than its normal pace, firms tend to hire more, so unemployment tends to fall. Growth below that pace tends to go with rising unemployment.

For example, if the economy's normal growth rate is 2%, growth of 4% can be strong enough to lower unemployment. This can happen even if growth was 5% the year before. The comparison is with normal growth, rather than a requirement that growth accelerate each year.

- **A:** An Engel curve relates household income to purchases of a good. It concerns a spending choice within a household.
- **C:** The usual curve linking inflation and unemployment is the Phillips curve. The question describes changes in unemployment and growth in output.
- **D:** A consumption function relates household spending to income and, in some versions, factors such as wealth. It does not name the empirical output–unemployment relationship.

KEYWORDS okuns law | unemployment rate | real output growth

17

MACRO ECONOMICS

National Income Accounting

Difficulty: Easy | 2026 · Shift 2 · Q17

_____ measures changes in physical output in the economy between different time periods by valuing all goods produced at the same prices.

A. Real GDP

B. Nominal GDP

C. Current GDP

D. Nominal GNP

EXPLANATION

Official key: A

Real GDP values production in different periods at the same set of prices. With prices held fixed in the calculation, a change in the measured total reflects a change in the quantities produced.

For example, if production is unchanged but every price doubles, nominal GDP doubles. Valuing both periods at the same prices leaves real GDP unchanged, correctly showing no increase in physical output.

- **B:** Nominal GDP uses each period's own prices. Its changes can reflect price changes as well as changes in production.
- **C:** Current-price GDP is another name for nominal GDP. It does not hold the valuation prices fixed across periods.
- **D:** Nominal GNP uses current prices and measures national rather than domestic production. It also allows price changes to affect the comparison.

KEYWORDS: real gdp | nominal gdp | constant prices

18

MACRO ECONOMICS

Monetary and Fiscal Policy of India

Difficulty: Easy | 2026 · Shift 2 · Q18

Which one of the following is not a function of Reserve Bank of India ?

A. Banker to Government

B. Lender of last resort

C. Exporter's Bank

D. Banker's Bank

EXPLANATION

Official key: C

The RBI performs central-banking functions for the government and the banking system. Providing ordinary export finance to individual exporters is the role of lending institutions, including commercial banks and the Export–Import Bank of India. “Exporter’s Bank” is therefore the exception.

- **A:** As banker to government, the RBI maintains government accounts and handles receipts and payments.
- **B:** As lender of last resort, it can provide emergency liquidity to a solvent bank facing temporary funding difficulties when other funding is unavailable.
- **D:** As bankers’ bank, it maintains bank accounts and supports settlement of payments between banks.

KEYWORDS: reserve bank of india | banker to government | lender of last resort | bankers bank

19

STATISTICAL METHODS IN ECONOMICS

Simple Regression Model

Difficulty: Easy | 2026 · Shift 2 · Q19

A simple linear regression equation is represented by $Y = \alpha + \beta X$. Here α represents :

A. Intercept

B. Slope

C. Dependent variable

D. Residual

EXPLANATION

Official key: A

Set $X = 0$ in the line.

$$Y = \alpha + \beta(0) = \alpha.$$

Thus α is the **intercept**, the height at which the regression line meets the vertical Y axis. The coefficient β controls how that height changes as X increases.

- **B:** The slope is β, because it multiplies the explanatory variable.
- **C:** The dependent variable is Y, the quantity on the left side of the equation.
- **D:** A residual is an observed outcome minus its fitted value. The intercept is a coefficient of the fitted relationship, not an observation's remaining gap.

KEYWORDS: regression intercept | parameter interpretation

20

STATISTICAL METHODS IN ECONOMICS

Mean, Mode, Median, Dispersion, Skewness and deviations

Difficulty: Easy | 2026 · Shift 2 · Q20

A measure of variability that overcome the dependency on extreme value is :

A. Quartile

B. Range

C. Variance

D. Interquartile range (IQR)

EXPLANATION

Official key: D

The interquartile range measures the distance between the lower and upper quartiles:

$$\text{IQR} = Q_3 - Q_1.$$

These quartiles mark the 25th and 75th percentiles, so the measure focuses on the middle half of the distribution. A few observations far outside that middle can become more extreme while leaving the quartiles unchanged. The IQR is therefore relatively resistant to extreme values.

The IQR can still change if the altered observations move either quartile.

- **A:** A quartile is a location marking part of the ordered data. The difference between two quartiles provides the measure of spread.
- **B:** Range uses the maximum and minimum directly, making it sensitive to extreme observations.
- **C:** Variance averages squared distances from the mean. A very distant observation can contribute a large squared term.

KEYWORDS: interquartile range | quartiles | outlier resistance

21

MATHEMATICAL METHODS IN ECONOMICS

Linear Programming Probability

Difficulty: Easy | 2026 · Shift 2 · Q21

The addition law of two events A and B is written as :

A. $P(A \cup B) = P(A) + P(B) + P(A \cup B)$

B. $P(A \cup B) = P(A) + P(B) - P(A \cup B)$

C. $P(A \cup B) = P(A) + P(B) - P(A \cap B)$

D. $P(A \cup B) = P(A) - P(B) + P(A \cup B)$

EXPLANATION

Solution note: NTA keyed B. The addition rule subtracts the intersection, as shown in C.

Official key: B

The union $A \cup B$ means that A occurs, B occurs, or both occur. The intersection $A \cap B$ means that both occur.

Adding $P(A)$ and $P(B)$ counts the overlap twice. Subtract its probability once so that each outcome in the union is counted once.

$$P(A \cup B) = P(A) + P(B) - P(A \cap B).$$

- **A:** It adds the entire union again after already adding the two event probabilities. That increases the overcount instead of removing the duplicate overlap.
- **B:** It subtracts the union. Only the intersection has been counted twice, so subtracting the whole union removes too much.
- **D:** The union appears on both sides. Cancelling it leaves $P(A) = P(B)$, which is not true for arbitrary events.

KEYWORDS: addition rule of probability | union of events | intersection of events

22

MICRO ECONOMICS

Production Theory

Difficulty: Easy | 2026 · Shift 2 · Q22

For the total cost function $\pi = ax^2 + bx + c$ the marginal cost is :

A. $ax + b + c/x$

B. $ax + b$

C. $2ax + b$

D. $2ax^2 + b$

EXPLANATION

Official key: C

The question uses π to denote total cost. Marginal cost measures the rate at which total cost changes with output x. The derivative of ax^2 is $2ax$, the derivative of bx is b, and the fixed cost c has derivative zero.

$$MC = \frac{d\pi}{dx} = 2ax + b.$$

- **A:** Dividing the whole cost function by x gives this average total cost, including the fixed-cost term c/x.
- **B:** Dividing only the variable cost $ax^2 + bx$ by x gives this average variable cost.
- **D:** The power rule supplies the factor 2 and reduces the power of x from 2 to 1. The quadratic term therefore contributes $2ax$.

KEYWORDS: marginal cost | average total cost | average variable cost | power rule

23

MATHEMATICAL METHODS IN ECONOMICS

Functions of one and several real variables; Single and Multi-variable optimization

Difficulty: Easy | 2026 · Shift 2 · Q23

The function $f(x)$ has a maximum value at a point where the value of $f(x)$ is _____ than all values in the immediate neighbourhood of the point.

A. equal

B. less

C. greater

D. less to the left of the point and more to the right of the point

EXPLANATION

Official key: C

At a strict local maximum, the function value at the point is greater than its values at all sufficiently close, distinct inputs. For example, $f(x) = 4 - x^2$ has value 4 at zero, while every nearby nonzero input gives a value below 4. The graph has a local peak.

"Immediate neighbourhood" makes this a local comparison. The point need not be higher than every point over the whole domain.

- **A:** Equality can occur on a flat region. It does not express a peak strictly higher than the neighbouring values.
- **B:** A value below all neighbouring values describes a strict local minimum.
- **D:** A maximum must be higher on both sides in this comparison. Being below the values on the left and above those on the right describes a descending passage instead.

KEYWORDS local maximum | neighbourhood

24

MATHEMATICAL METHODS IN ECONOMICS

Determinants Matrix

Difficulty: Easy | 2026 · Shift 2 · Q24

Given the matrix $A = \begin{pmatrix} 1 & 2 \\ -2 & 4 \end{pmatrix}$ what will be the value of $5A$:

A. $\begin{pmatrix} \frac{1}{5} & \frac{2}{5} \\ -\frac{2}{5} & \frac{4}{5} \end{pmatrix}$

B. $\begin{pmatrix} -5 & -10 \\ 10 & -20 \end{pmatrix}$

C. $\begin{pmatrix} 5 & 10 \\ -10 & 20 \end{pmatrix}$

D. $\begin{pmatrix} 6 & 7 \\ -7 & 9 \end{pmatrix}$

EXPLANATION

Official key: C

A scalar is a single number. Multiplying a matrix by the scalar 5 means multiplying every entry by 5, with each result kept in its original position:

$$5A = \begin{pmatrix} 5(1) & 5(2) \\ 5(-2) & 5(4) \end{pmatrix} = \begin{pmatrix} 5 & 10 \\ -10 & 20 \end{pmatrix}.$$

The negative entry stays negative because the multiplier is positive.

- **A:** This divides every entry by 5. It gives $A/5$.
- **B:** Every sign is the opposite of the required result. This is $-5A$.
- **D:** Its entries add 5 to the original magnitudes. Scalar multiplication requires multiplying those entries by 5.

KEYWORDS scalar multiplication | matrix operations

25

INDIAN ECONOMY

Public Economics

Difficulty: Easy | 2026 · Shift 2 · Q25

The difference between total receipts and total expenditure is called :

A. Fiscal Deficit

B. Primary Deficit

C. Revenue Deficit

D. Budget Deficit

EXPLANATION

Official key: D

The conventional budget deficit compares total expenditure with total receipts:

$$\text{Budget deficit} = \text{Total expenditure} - \text{Total receipts}.$$

A positive result is a shortfall; a negative result is a surplus. The totals cover the whole budget; revenue-only and interest-adjusted measures are different.

- **A:** Fiscal deficit excludes borrowing receipts when measuring the government's financing gap. It is not the same all-receipts comparison.
- **B:** Primary deficit is fiscal deficit minus interest payments.
- **C:** Revenue deficit compares revenue expenditure with revenue receipts, rather than both totals.

KEYWORDS: budgetary deficit | government receipts | government expenditure

26

INDIAN ECONOMY

Agriculture and Rural Economy

Difficulty: Easy | 2026 · Shift 2 · Q26

Which among the following is not a cause of small size of holding in India ?

A. Declining population

B. Law of inheritance

C. Decline of joint family system

D. Rural indebtedness

EXPLANATION

Official key: A

Declining population would ease pressure on land, so it is not the listed cause of small holdings. Inheritance and the division of joint families split holdings among successors. Rural indebtedness can cause distress transfers and subdivision.

- **B:** Inheritance can divide a holding among heirs.
- **C:** Household division can split a joint holding.
- **D:** Indebtedness can lead to distress transfers and subdivision.

KEYWORDS land fragmentation | inheritance | rural indebtedness

27

INDIAN ECONOMY

International Trade Theories

Difficulty: Easy | 2026 · Shift 2 · Q27

The new trade theory emphasizes :

A. Absolute comparative advantage

B. Increasing return to scale and imperfect competition

C. Perfect competition

D. Ricardian technology influences

EXPLANATION

Official key: B

New trade theory explains how countries can trade even when they have similar technologies and factor endowments. Two central features are **increasing returns to scale** and **imperfect competition**.

Increasing returns mean that expanding production can reduce average cost. Firms may then serve larger markets through trade, while product differentiation allows consumers to buy varieties made in different countries. These scale and variety effects help explain two-way trade in similar manufactured products.

- **A:** Absolute advantage and comparative advantage are distinct classical concepts; combining their names does not identify new trade theory's central mechanism.
- **C:** Perfect competition is the usual benchmark of older models, whereas important new-trade models use monopolistic competition or oligopoly.
- **D:** Ricardian technology differences explain comparative advantage; new trade theory emphasises scale economies and market structure.

KEYWORDS: new trade theory | increasing returns to scale | imperfect competition | product differentiation

28

INDIAN ECONOMY

Economy and State in the Imperial Context

Difficulty: Easy | 2026 · Shift 2 · Q28

The concept of drain of wealth was first systematically explained by :

A. Dada Bhai Naoroji

B. R C Dutt

C. M G Ranade

D. G K Gokhale

EXPLANATION

Official key: A

Dadabhai Naoroji developed the systematic **drain-of-wealth explanation** of colonial poverty. The central claim was that part of India's income was transferred abroad without an equivalent benefit returning to India, reducing the resources available for domestic consumption and development.

His Poverty and Un-British Rule in India assembled evidence and arguments about this drain.

- **B:** R. C. Dutt also analysed colonial economic exploitation and developed the nationalist economic critique. The first systematic drain-theory account is attributed to Naoroji.
- **C:** M. G. Ranade wrote on Indian economic development and the need to expand industry. The standard first systematic drain-theory attribution is Naoroji.
- **D:** G. K. Gokhale criticised colonial fiscal policy, but the foundational systematic drain explanation is associated with Naoroji.

KEYWORDS: dadabhai naoroji | drain of wealth | economic nationalism

29

INDIAN ECONOMY

Agriculture and Rural Economy

Difficulty: Easy | 2026 · Shift 2 · Q29

To widening the role of bank credit from Agriculture development to Rural development, the government of India has set up NABARD in which year ?

A. 1982

B. 1986

C. 1988

D. 1985

EXPLANATION

Official key: A

NABARD was established on 12 July 1982. Its role covers agriculture and rural development, including refinance and support to rural financial institutions. The establishment year is a historical fact and does not depend on later changes to lending schemes.

- **B:** 1986 is four years after NABARD was established to support agricultural and rural credit.
- **C:** 1988 is six years after NABARD began operating in 1982.
- **D:** 1985 is three years after NABARD's establishment in 1982.

KEYWORDS: nabard | rural credit | institutional history

30

INDIAN ECONOMY

Public Economics

Difficulty: Easy | 2026 · Shift 2 · Q30

The distinguishing feature of public good is :

A. Rivalry and excludability

B. Non-Rivalry and excludability

C. Rivalry and non-excludability

D. Non-Rivalry and non-excludability

EXPLANATION

Official key: D

A pure public good is non-rival and non-excludable. Non-rival means that one person enjoying its benefit does not reduce another person's benefit. Non-excludable means that keeping individual nonpayers from benefiting is infeasible or prohibitively costly.

National defence is a standard example: an additional protected resident does not use up other residents' protection, and nonpayers cannot readily be excluded.

- **A:** Rival and excludable describes a private good, such as a purchased meal.
- **B:** Non-rival but excludable describes a club good, such as access-controlled digital content.
- **C:** Rival but non-excludable describes a common-pool resource, such as fish in an open-access fishery.

KEYWORDS: public goods | non rivalry | non excludability | goods classification

31

MICRO ECONOMICS

General Equilibrium, Efficiency and Welfare

Difficulty: Easy | 2026 · Shift 2 · Q31

Given below are two statements : one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A) : For an economy to be efficient, goods must not only be produced at minimum cost; goods must also be produced in combinations that must match people willingness to pay for them.

Reason (R) : In monopolistic competition, economy become efficient as all market agents have full market information.

In the light of the above statements, choose the most appropriate answer from the options given below :

A. Both (A) and (R) are correct and (R) is the correct explanation of (A)

B. Both (A) and (R) are correct but (R) is not the correct explanation of (A)

C. (A) is correct but (R) is not correct

D. (A) is not correct but (R) is correct

EXPLANATION

Official key: C

The assertion is true. Productive efficiency requires making a given amount of output at the lowest feasible cost. Allocative efficiency concerns the amount and mix of goods produced. If people would pay more for an extra unit than it costs society to provide, shifting resources to make more of it can raise welfare.

The reason is false. A firm in monopolistic competition sells a differentiated product and faces a downward-sloping demand curve. The firm can charge a price above marginal cost even when buyers and sellers have full information. Its markup leaves some buyers who value an extra unit above its cost without that unit.

- **A:** Full information does not remove the pricing power that comes from product differentiation. It cannot supply the claimed explanation of efficiency.
- **B:** Full information can help an agent choose among products, but it does not make the price of each product equal to marginal cost.
- **D:** Making goods cheaply enough addresses production cost. Efficiency also requires directing the economy's resources toward a mix of outputs that consumers value relative to their costs.

KEYWORDS: production efficiency | allocative efficiency | monopolistic competition | market power

32

MICRO ECONOMICS

Consumer Theory or Behavior

Difficulty: Easy | 2026 · Shift 2 · Q32

Given below are two statements : one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A) : The budget line indicates all combinations of goods for which the total amount of money spent is equal to income.

Reason (R) : The consumer spends all his income always on one commodity.

In the light of the above statements, choose the most appropriate answer from the options given below :

A. Both (A) and (R) are correct and (R) is the correct explanation of (A)

B. Both (A) and (R) are correct but (R) is not the correct explanation of (A)

C. (A) is correct but (R) is not correct

D. (A) is not correct but (R) is correct

EXPLANATION

Official key: C

The assertion describes the budget line correctly. With prices p_x and p_y, income m, and quantities x and y, the line is $p_x x + p_y y = m$. It includes every bundle that uses the whole budget. Affordable bundles that leave some income unspent are in the budget set but below the line.

The reason is false. Spending all income need not mean buying only one commodity. For example, if two goods each cost ₹2 and the budget is ₹12, buying 3 units of each spends all ₹12. That mixed bundle is on the budget line.

- **A:** Spending all income on just one good gives one of the two intercepts. The budget line also includes combinations of the two goods.
- **B:** A consumer can spend the full budget on two goods, as the bundle of 3 units of each shows. The reason incorrectly restricts full-budget spending to one commodity.
- **D:** The assertion depends on the equality between total spending and income, which holds at every point on the line. A rule requiring every consumer to choose an intercept would be unjustified.

KEYWORDS: budget line | budget set | consumption bundle | budget constraint

33

MACRO ECONOMICS

Money and Inflation

Difficulty: Easy | 2026 · Shift 2 · Q33

Given below are two statements : one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A) : The unit of account (one of the functions of money) is the unit in which prices are quoted and books are kept.

Reason (R) : The money unit is also the unit of account.

In the light of the above statements, choose the most appropriate answer from the options given below :

A. Both (A) and (R) are correct and (R) is the correct explanation of (A)

B. Both (A) and (R) are correct but (R) is not the correct explanation of (A)

C. (A) is correct but (R) is not correct

D. (A) is not correct but (R) is correct

EXPLANATION

Official key: B

The **assertion is true**. A unit of account is the common unit used to quote prices and record financial amounts. A shop might price a notebook at ₹60 and a pen at ₹10, and record both sales in rupees. Using one unit makes their values comparable.

The **reason is also true** in the ordinary monetary system. The rupee is a money unit and is used as the unit of account. But identifying the rupee as that unit does not explain what a unit of account does or why prices and accounts are expressed in a common unit. It names the unit serving the function already described.

- **A:** A shared denomination makes price comparison and accounting possible. The reason supplies no such mechanism.
- **C:** A money unit can serve as the common denomination for prices and accounts, so the reason is true.
- **D:** Quoting prices and keeping financial records in a common unit is precisely the unit-of-account function.

KEYWORDS: unit of account | functions of money | money unit

34

MACRO ECONOMICS

Consumption and Investment Function

Difficulty: Medium | 2026 · Shift 2 · Q34

Given below are two statements : one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A) : Life cycle consumption theory help to link consumption and saving behaviour to demographic consideration.

Reason (R) : Economies with different age mixtures have different overall marginal properties to save and consume.

In the light of the above statements, choose the most appropriate answer from the options given below :

A. Both (A) and (R) are correct and (R) is the correct explanation of (A)

B. Both (A) and (R) are correct but (R) is not the correct explanation of (A)

C. (A) is correct but (R) is not correct

D. (A) is not correct but (R) is correct

EXPLANATION

Official key: A

The life-cycle hypothesis says people arrange consumption around the resources and needs they expect at different ages. Many save for retirement while working and use some of those savings after they retire. This makes the age distribution relevant to an economy's consumption and saving, as the assertion says.

The reason explains how. A marginal propensity to consume is the amount spent from one extra unit of income. A person who spreads a one-time receipt over 40 remaining years would add less to annual spending than someone who spreads it over 10 years, under the simple model with zero interest. The saving responses also differ because the unspent share is saved. An economy with more income going to one age group can therefore have a different aggregate propensity to consume or save.

- **B:** The age-related spending responses explain the demographic link. Changing the weights of groups with different responses can change the economy-wide response.
- **C:** Different remaining planning horizons can lead people to spend different fractions of the same extra payment. Combining them in different proportions can affect total spending from extra income.
- **D:** Both consumption and saving may vary with age. A theory that explains those individual patterns allows us to connect their aggregate totals to the population's age mix.

KEYWORDS: life cycle hypothesis | age structure | marginal propensity to consume | marginal propensity to save | consumption smoothing

35

STATISTICAL METHODS IN ECONOMICS

Probability Distribution Sampling

Difficulty: Easy | 2026 · Shift 2 · Q35

Given below are two statements : one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A) : Sample mean $(\bar{X})$ is a consistent estimator of the population mean (μ).

Reason (R) : The values of the point estimator tend to become closer to the population parameter as the sample size becomes larger.

In the light of the above statements, choose the most appropriate answer from the options given below :

A. Both (A) and (R) are correct and (R) is the correct explanation of (A)

B. Both (A) and (R) are correct but (R) is not the correct explanation of (A)

C. (A) is correct but (R) is not correct

D. (A) is not correct but (R) is correct

EXPLANATION

Official key: A

An estimator is consistent if it concentrates around the true population parameter as sample size grows. For any fixed positive error margin, the probability of exceeding that margin must tend to zero.

For independent observations with common mean μ and finite variance σ^2, the sample mean satisfies

$$E(\bar{X}) = \mu, \qquad \mathrm{Var}(\bar{X}) = \frac{\sigma^2}{n}.$$

The centre is the population mean and the spread shrinks as n grows. The law of large numbers therefore gives $\bar{X} \to \mu$ in probability.

The reason describes this increasing concentration for the sample mean, so it explains why the assertion calls it consistent.

- **B:** Becoming increasingly concentrated around the population mean is the defining meaning of consistency, directly linking the reason to the assertion.
- **C:** The reason is the valid large-sample property here. It concerns probability of closeness, rather than promising that every realized larger sample is closer.
- **D:** The sample mean is consistent under these random-sampling conditions, as its concentration around μ shows.

KEYWORDS: consistent estimator | sample mean | law of large numbers | convergence in probability

36

MATHEMATICAL METHODS IN ECONOMICS

Functions of one and several real variables; Single and Multi-variable optimization

Difficulty: Easy | 2026 · Shift 2 · Q36

Given below are two statements : one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A) : $\frac{dy}{dx}$ is called the derivative of y with respect to x. The process of finding $\frac{dy}{dx}$ is called differentiation.

Reason (R) : $\frac{dy}{dx}$ is the equation for the slope of a curve at any point (x, y) on the curve.

In the light of the above statements, choose the most appropriate answer from the options given below :

A. Both (A) and (R) are correct and (R) is the correct explanation of (A)

B. Both (A) and (R) are correct but (R) is not the correct explanation of (A)

C. (A) is correct but (R) is not correct

D. (A) is not correct but (R) is correct

EXPLANATION

Official key: A

For $y = f(x)$, the quotient

$$\frac{f(x+h) - f(x)}{h}$$

is the slope between two graph points. When its limit exists as h tends to zero, it gives the derivative dy/dx. The two points approach one another, and this limiting rate is the tangent's slope at the point.

The assertion names this quantity the derivative and the operation of finding it differentiation. The reason supplies its geometric meaning, so both are correct and the reason explains the quantity being described.

- **B:** The tangent-slope interpretation directly connects the derivative notation with the rate that differentiation finds.
- **C:** At a point where the derivative exists, it gives the tangent's slope. The reason has the standard geometric interpretation.
- **D:** The notation dy/dx denotes the derivative, and finding it is differentiation, as the assertion states.

KEYWORDS: derivative | tangent slope | difference quotient

37

INDIAN ECONOMY

International Trade Theories

Difficulty: Easy | 2026 · Shift 2 · Q37

Given below are two statements : one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A) : The level of intra-industry trade can be measured as : $T = 1 - \frac{|X-M|}{X+M}$ where

T = Intra-industry trade index

X = Value of export of a particular industry

M = Value of import of a particular industry

Reason (R) : The value of T ranges from 0 to 1. T = 0 when a country only exports or only imports the good. On the other hand, its exports and imports of a good are equal.

In the light of the above statements, choose the most appropriate answer from the options given below :

A. Both (A) and (R) are correct and (R) is the correct explanation of (A)

B. Both (A) and (R) are correct but (R) is not the correct explanation of (A)

C. (A) is correct but (R) is not correct

D. (A) is not correct but (R) is correct

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: A

NTA keyed A. The index equals 0 if imports or exports alone are positive, and equals 1 when positive exports and imports are equal. It is undefined when both are zero. The printed reason omits the value 1 in its final sentence. The endpoints follow from the formula in the assertion.

KEYWORDS: intra industry trade | grubel lloyd index | exports and imports

38

INDIAN ECONOMY

Colonial economy: Railways and Industry

Difficulty: Medium | 2026 · Shift 2 · Q38

Given below are two statements : one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A) : Railway in colonial India facilitated industrialization in inter-war period.

Reason (R) : Railway primarily served the needs of british trade and raw materials extraction rather than domestic industrial development.

In the light of the above statements, choose the most appropriate answer from the options given below :

A. Both (A) and (R) are correct and (R) is the correct explanation of (A)

B. Both (A) and (R) are correct but (R) is not the correct explanation of (A)

C. (A) is correct but (R) is not correct

D. (A) is not correct but (R) is correct

EXPLANATION

Solution note: NTA keyed A. B follows a narrower reading of the causal claim. The explanation shows both readings.

Official key: A

The broader causal reading behind A is that colonial priorities helped build the rail network, which later supported Indian industry. B requires a more direct explanation of the industrial benefit.

Separate **what railways helped to do** from **the main purpose colonial policy served**.

The assertion is correct. During the interwar period, railways helped Indian industry by connecting production centres with inputs and markets. Railway purchases also created demand for coal, iron and steel, supporting industries such as steelmaking.

The reason is also correct as a statement of colonial priorities: the network primarily supported British commercial interests and the movement of raw materials. However, that priority does not explain the domestic industrial benefit. That benefit arose through transport connections and demand for industrial supplies, even though domestic industrial development was not the main policy objective.

- **A:** It treats colonial commercial priorities as the explanation for the domestic industrial effect. The effect instead needs the transport and industrial-demand links.
- **C:** The colonial trade and raw-material priority is historically supported, so the reason should not be rejected.
- **D:** An export-oriented network could still support domestic industry. Its colonial purpose does not make the industrial effect false.

KEYWORDS: colonial railways | industrial linkages | colonial trade | interwar industrialisation

39 INDIAN ECONOMY

Taxation

Difficulty: Easy | 2026 · Shift 2 · Q39

Given below are two statements : one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A) : Fiscal Federalism in India allows both the Union and State Governments to levy taxes.

Reason (R) : The Indian constitution provides a detailed division of taxation power between the union and the states.

In the light of the above statements, choose the most appropriate answer from the options given below :

A. Both (A) and (R) are correct and (R) is the correct explanation of (A)

B. Both (A) and (R) are correct but (R) is not the correct explanation of (A)

C. (A) is correct but (R) is not correct

D. (A) is not correct but (R) is correct

EXPLANATION

Official key: A

Fiscal federalism concerns how public responsibilities and finances are divided across levels of government. In India, the Constitution assigns taxation powers to both the Union and the States, making the assertion true.

The reason is also true and explains the assertion. Article 246 and the Seventh Schedule allocate legislative subjects between the Union and State Lists. For example, corporation tax belongs to the Union List, while agricultural-income taxes belong to the State List. Article 246A additionally provides the special allocation of GST powers.

These are constitutional powers to levy taxes within specified fields, not an unrestricted right for either level to impose every tax.

- **B:** The constitutional allocation is precisely why both levels possess taxing authority; the reason is explanatory.
- **C:** The division of taxation powers is expressly provided by the Constitution, so the reason is true.
- **D:** States have constitutionally assigned tax fields alongside the Union, making the assertion true as well.

KEYWORDS fiscal federalism | tax assignment | seventh schedule

40

MICRO ECONOMICS

Price and Output determination in Market

Difficulty: Medium | 2026 · Shift 2 · Q40

Sequence the evolution of competition concepts (Earliest to latest) :

A. Smith's competition

B. Marshall partial equilibrium

C. Perfect competition

D. Chamberlin product differentation

E. Robinson imperfect competition

Choose the correct answer from the options given below :

A. E, A, B, C, D

B. D, A, B, C, E

C. A, B, C, D, E

D. A, B, D, C, E

EXPLANATION

Official key: C

The choices follow a common sequence of landmarks in the analysis of competition.

1. **Smith's competition (A), 1776.** In *The Wealth of Nations*, Adam Smith described how competition moves market prices towards a natural price over time.
2. **Marshall's partial equilibrium (B), 1890.** Alfred Marshall's *Principles of Economics* analysed how demand and supply determine price in a particular market. The analysis holds conditions in other markets fixed.
3. **Perfect competition (C).** This became a formal benchmark in which individual firms take price as given. Frank Knight's *Risk, Uncertainty and Profit* set out its conditions in 1921, before the two 1933 books in this sequence.
4. **Chamberlin's product differentiation (D), 1933.** Edward Chamberlin's *The Theory of Monopolistic Competition* showed how sellers can compete through distinct varieties while having some control over price.
5. **Robinson's imperfect competition (E), 1933.** Joan Robinson's *The Economics of Imperfect Competition* analysed pricing and output when firms have market power. Robinson recalled that Chamberlin's book appeared a few months before hers.

This gives the sequence **A, B, C, D, E**, choice C.

- **A:** Robinson's study of imperfect competition appeared in 1933. Smith had already described competitive price adjustment in 1776.
- **B:** Chamberlin's theory of differentiated products came after the early analysis of competition by Smith and the development of single-market equilibrium by Marshall.
- **D:** The perfect-competition benchmark was already developed before Chamberlin's 1933 treatment of differentiated sellers. Knight's 1921 book gives a clear example.

KEYWORDS: classical competition | partial equilibrium | perfect competition | product differentiation | imperfect competition

41

MICRO ECONOMICS

General Equilibrium, Efficiency and Welfare

Difficulty: Medium | 2026 · Shift 2 · Q41

Arrange the following welfare economies foundation in chronological order

A. Pareto optimality

B. Bentham's utilitarianism

C. Bergson-Samuelson social welfare function

D. Pigouvian welfare economics

E. Arrow's impossibility theorem

Choose the correct answer from the options given below :

A. A, B, C, D, E

B. B, A, C, D, E

C. B, A, E, C, D

D. B, A, D, C, E

EXPLANATION

Official key: D

(B) Jeremy Bentham, 1789. *An Introduction to the Principles of Morals and Legislation* sets out the principle of utility. Bentham judges actions by their effects on the happiness of the people affected.

(A) Vilfredo Pareto, 1906. *Manuale di economia politica* describes the efficiency idea behind Pareto optimality. At a Pareto optimum, helping one person requires making somebody else worse off.

(D) Arthur Cecil Pigou, 1920. *The Economics of Welfare* examines cases in which the gains and costs to society differ from those faced by the person making a decision. Pollution is a familiar example.

(C) Abram Bergson, 1938, and Paul Samuelson, 1947. Bergson introduced the social welfare function in his 1938 article. Samuelson developed the approach in *Foundations of Economic Analysis*. A welfare function ranks social outcomes according to stated value judgments.

(E) Kenneth Arrow, 1950–1951. Arrow presented the impossibility result in a 1950 article and in *Social Choice and Individual Values* in 1951. With at least three alternatives, no rule can turn every set of individual rankings into a consistent social ranking while satisfying all of his conditions, including unanimity and no dictator.

The order from oldest to latest is B, A, D, C and E.

- **A:** It puts Pareto before Bentham, whose work appeared in the eighteenth century. It also puts the Bergson–Samuelson function before Pigou's 1920 book.
- **B:** The first two entries are in order. Pigou's book predates both Bergson's 1938 article and Samuelson's 1947 book, so Pigou comes before the welfare function.
- **C:** Arrow's impossibility result came after Pigou's work and the Bergson–Samuelson function. It belongs at the end of the sequence.

KEYWORDS: benthamite utilitarianism | pareto efficiency | pigouvian welfare economics | bergson samuelson social welfare function | arrow impossibility theorem

42 INDIAN ECONOMY

Taxation

Difficulty: Easy | 2026 · Shift 2 · Q42

Sequence the following according to the Pigouvian externalities correction :

A. Tax equates to marginal external damage

B. Identify the external cost

C. Welfare improve after correction

D. Measure marginal external damage

E. Compute marginal social cost

Choose the correct answer from the options given below :

A. B, E, D, A, C

B. B, D, E, A, C

C. B, D, A, E, C

D. B, D, A, C, E

EXPLANATION

Official key: B

To correct a negative externality, first establish the harm to outsiders and then determine how much additional harm an extra unit causes. That gives the first two stages: **B, identify the external cost**, followed by **D, measure marginal external damage**.

Next comes **E, compute marginal social cost**:

$$\text{Marginal social cost} = \text{Marginal private cost} + \text{Marginal external damage}.$$

This calculation provides the social-efficiency benchmark. **A** then sets the per-unit Pigouvian tax equal to external marginal damage at the efficient output. The tax makes private production decisions account for that harm. **C**, welfare improvement after correction, is the resulting outcome in the standard model.

The appropriate order is **B, D, E, A, C**.

- **A:** Calculates social cost before the marginal external damage needed to construct it has been measured.
- **C:** Calibrates the tax before establishing the social-cost benchmark used to identify efficient output.
- **D:** Leaves social-cost calculation until after the tax and its claimed welfare outcome, reversing the intended analytical sequence.

KEYWORDS: pigouvian tax | negative externality | marginal external cost | social marginal cost

43

MACRO ECONOMICS

Open Economy Models

Difficulty: Easy | 2026 · Shift 2 · Q43

Make the correct sequence of the Balance of Payment (BoP) adjustment under flexible exchange rates :

A. Trade deficit occurs

B. Currency depreciates

C. Export rise and import falls

D. Current account improves

E. BOP moves towards equilibrium

Choose the correct answer from the options given below :

A. B, A, C, D, E

B. B, C, A, D, E

C. A, B, D, C, E

D. A, B, C, D, E

EXPLANATION

Official key: D

The standard flexible-rate adjustment runs **A → B → C → D → E**.

A trade deficit increases the demand for foreign currency relative to the supply generated by exports. With the exchange rate allowed to adjust, the domestic currency depreciates. Domestic goods become cheaper to foreign buyers, while imports become dearer to domestic buyers. Export volumes then rise and import volumes fall. When those quantity responses are strong enough, the trade and current-account balance improves, reducing the external imbalance.

This is the usual textbook sequence after trade quantities have adjusted. Prices and contract commitments can make the actual response take time.

- **A:** It puts depreciation before the trade deficit that initiates the adjustment in this sequence.
- **B:** It puts the favorable export and import response before the initial deficit.
- **C:** It puts current-account improvement ahead of the trade-volume changes that generate it in the stated mechanism.

KEYWORDS: flexible exchange rate | currency depreciation | trade balance | current account adjustment

44

MACRO ECONOMICS

National Income Accounting

Difficulty: Easy | 2026 · Shift 2 · Q44

Sequence the steps in the value added method for GDP estimation :

A. Identification of producing units

B. Estimation of output

C. Deduction of intermediate consumption

D. Calculation of GVA

E. Summation of sectoral GVAs

Choose the correct answer from the options given below :

A. A, B, D, C, E

B. B, A, D, C, E

C. A, B, E, C, D

D. A, B, C, D, E

EXPLANATION

Official key: D

The value-added method counts the new value created at each stage of production. Intermediate consumption is the value of inputs used up in making output, such as flour used by a bakery. Deducting it prevents the same input value being counted again at successive stages.

Start by identifying the producing units (A), then estimate their output (B). Deduct intermediate consumption (C) to calculate each unit's gross value added (D):

$$\text{GVA} = \text{value of output} - \text{intermediate consumption}.$$

Finally, add the sectoral GVAs (E). The order is A, B, C, D, E. When GVA is measured at basic prices, taxes on products less subsidies on products are added to the total to obtain GDP at market prices.

- **A:** Calculating GVA requires deducting intermediate consumption. It cannot precede that deduction.
- **B:** The producing units must be identified before their output is estimated. This sequence also calculates GVA before deducting inputs.
- **C:** Sectoral GVAs can be summed only after intermediate consumption has been deducted and the individual GVAs calculated.

KEYWORDS: value added method | intermediate consumption | gross value added | double counting

45

MACRO ECONOMICS

Money and Inflation

Difficulty: Easy | 2026 · Shift 2 · Q45

Sequence the steps in calculating the Consumer Price Index (CPI) :

A. Select base year

B. Select consumer basket

C. Collect price data

D. Compute cost of basket

E. Calculate Index (CPI)

Choose the correct answer from the options given below :

A. A, B, C, D, E

B. A, C, B, D, E

C. A, C, D, B, E

D. A, B, E, D, C

EXPLANATION

Official key: A

The sequence is **A → B → C → D → E**. In the basic fixed-basket calculation, the base year provides the comparison point. The consumer basket specifies the goods, services, and quantities to be priced. Collect prices for those items in the base year and the comparison period, then compute what the same basket costs in each.

The final calculation expresses the comparison-period cost as a percentage of the base-year cost.

$$\text{CPI} = \frac{\text{cost of the basket in the comparison period}}{\text{cost of the same basket in the base year}} \times 100.$$

For example, if the basket costs ₹1,000 in the base year and ₹1,100 in the comparison period, the index is 110. The basket's price has risen by 10%.

- **B:** The basket identifies which items and quantities the price data must cover. It therefore comes before the targeted price collection.
- **C:** The cost of a basket cannot be computed until its items and quantities have been specified.
- **D:** Price data and the two basket costs are inputs to the final index calculation, so the index cannot be calculated first.

KEYWORDS: consumer price index | fixed basket price index | base year | price level

STATISTICAL METHODS IN ECONOMICS

46 Mean, Mode, Median, Dispersion, Skewness and deviations

Difficulty: Easy | 2026 · Shift 2 · Q46

Choose the correct formula to compute Coefficient of Variation :

A. $\frac{\sigma}{\bar{x}} \times 100$

B. $\frac{\bar{x}}{\sigma} \times 100$

C. $\frac{\bar{x} \times \sigma^2}{100}$

D. $\frac{\sigma^2}{\bar{x}} \times 100$

EXPLANATION

Official key: A

The **coefficient of variation** measures dispersion relative to the mean. Divide the standard deviation, σ, by the arithmetic mean, $\bar{x}$, and multiply by 100 to express the ratio as a percentage.

$$CV = \frac{\sigma}{\bar{x}} \times 100.$$

The standard deviation and mean have the same measurement units, so those units cancel. This allows relative variability to be compared across groups with different mean levels. For instance, a CV of 20% means the standard deviation is one-fifth of the mean.

- **B:** This reverses the ratio. At a fixed mean, a larger standard deviation should raise the relative dispersion, whereas this expression would fall.
- **C:** Multiplying the mean by the variance does not standardise the spread. Dividing that product by 100 also fails to convert the standard-deviation-to-mean ratio into a percentage.
- **D:** Variance has squared measurement units. Dividing it by the mean leaves a measurement unit, so the ratio is not the unit-free coefficient of variation.

KEYWORDS: coefficient of variation | standard deviation | arithmetic mean

47 INDIAN ECONOMY

Public Economics

Difficulty: Easy | 2026 · Shift 2 · Q47

Sequence the steps in public debts evolution in India :

A. Borrowings for wars

B. Borrowing for infrastructures

C. Monetization of debt

D. Consolidation and debt management

E. Fiscal responsibility Act

Choose the correct answer from the options given below :

A. A, E, D, B, C

B. A, C, D, E, B

C. A, E, C, B, D

D. A, B, C, D, E

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: D

The official sequence is **A → B → C → D → E**. Read it as a sequence of selected milestones.

- **A. War borrowing.** The East India Company borrowed from the public to finance military campaigns in the eighteenth century.
- **B. Infrastructure borrowing.** In 1867, borrowing began for railway construction and public works such as canals.
- **C. Automatic debt monetisation.** A 1955 arrangement used ad hoc Treasury bills to restore the central government's cash balance, allowing deficits to be financed through the RBI.
- **D. Market-oriented debt management.** Market-rate government-security auctions began in 1992. Ways and Means Advances replaced ad hoc Treasury bills in April 1997.
- **E. Fiscal-responsibility legislation.** Parliament enacted the Fiscal Responsibility and Budget Management Act in 2003.

The labels describe overlapping activities. The dates establish the order of these particular milestones.

KEYWORDS: public debt history | debt monetisation | government securities market | fiscal responsibility and budget management

48

INDIAN ECONOMY

International Trade Theories

Difficulty: Medium | 2026 · Shift 2 · Q48

Sequence the following trade theories in chronological order (oldest to latest) :

A. Absolute cost advantage

B. Leontief paradox

C. Heckscher - Ohlin theory

D. Rybcznski theorem

E. Product life cycle theorem

Choose the correct answer from the options given below :

A. A, C, B, D, E

B. A, B, C, D, E

C. A, C, D, B, E

D. A, E, C, B, D

EXPLANATION

Official key: A

Place the contributions by their standard historical dates:

- **A. Absolute cost advantage — 1776:** associated with Adam Smith's *The Wealth of Nations* and specialization in goods produced more efficiently.
- **C. Heckscher–Ohlin theory — early twentieth century:** Heckscher's original contribution appeared in 1919 and Ohlin's major book in 1933; the theory links trade to factor endowments.
- **B. Leontief paradox — 1953:** Leontief reported that US exports were less capital-intensive than import replacements, contrary to the straightforward factor-proportions prediction for a capital-abundant country.
- **D. Rybczynski theorem — 1955:** examines output changes after a change in factor endowment at constant goods prices.
- **E. Product life-cycle model — 1966:** Vernon explains how a product's maturation changes the location of production and trade.

Hence **A, C, B, D, E**. In particular, Leontief's 1953 result comes before Rybczynski's 1955 theorem.

- **B:** Puts Leontief's paradox before the Heckscher–Ohlin theory whose prediction it challenged.
- **C:** Reverses the 1953 Leontief finding and the 1955 Rybczynski theorem, placing the later contribution first.
- **D:** Places Vernon's 1966 model before the earlier factor-proportions theory and its mid-century developments.

KEYWORDS: absolute advantage | heckscher ohlin model | leontief paradox | rybczynski theorem | product cycle model

49

INDIAN ECONOMY

Agriculture and Rural Economy

Difficulty: Easy | 2026 · Shift 2 · Q49

Sequence the major technological innovation in Indian Agriculture :

A. Ploughs

B. Irrigation by canals

C. Introduction of High yield seeds (HYV)

D. Fertilizers

E. Drone in agriculture

Choose the correct answer from the options given below :

A. B, A, D, E, C

B. B, A, D, C, E

C. A, B, C, D, E

D. E, D, A, B, C

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: B

NTA keyed canals, ploughs, fertilisers, high-yielding varieties and drones. There is no common first-use or widespread-adoption milestone in the wording, so the relative order of canals and ploughs cannot be established from it. The English and Hindi versions also use different examples for item E. Treat B as the recorded exam answer.

KEYWORDS: agricultural technology | canal irrigation | fertiliser production | hyv programme | kisan drones

50

MATHEMATICAL METHODS IN ECONOMICS

Determinants Matrix

Difficulty: Easy | 2026 · Shift 2 · Q50

Arrange the correct order to solve a linear system $AX = B$ using matrix inversion :

A. Verify the determinants of A is non zero

B. Compute the adjoint

C. Compute A^{-1}

D. Multiply $A^{-1}B$ to get X

E. Set up the coefficient Matrix A and constant Matrix B

Choose the correct answer from the options given below :

A. E, A, B, C, D

B. A, B, C, D, E

C. E, B, A, C, D

D. E, B, C, A, D

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: A

With the coefficient matrix A and right-hand side B in place, check that $\det(A) \neq 0$, find the adjugate, form $A^{-1} = \text{adj}(A)/\det(A)$, and multiply $A^{-1}B$ to get X. This gives the official sequence E, A, B, C, D. It is also possible to compute the adjugate before checking the determinant. The determinant must be checked before forming the inverse.

KEYWORDS: matrix inverse | matrix adjugate | matrix determinant | linear equations

51

INDIAN ECONOMY

Colonial economy: Agriculture

Difficulty: Medium | 2026 · Shift 2 · Q51

Arrange the following in a chronologically stating the oldest to latest :

A. Colonel Baird Smith's Report on famine

B. Fourth famine inquiry commssion

C. The Orissa famine commission

D. Sir James Lyall commission

E. The Indian famine commission (Lord Mac Donnell)

Choose the correct answer from the options given below :

A. A, E, B, C, D

B. A, B, C, D, E

C. A, C, D, E, B

D. B, A, C, D, E

EXPLANATION

Solution note: NTA keyed A. The historical dates support the sequence in C.

Official key: A

The inquiry names refer to reports from different periods. Place the dated bodies in order:

Item	Historical identification
A	Baird Smith's report on the 1860–61 famine, submitted in 1861
C	The inquiry into the Orissa famine of 1866, reported in 1867
D	Lyall's Indian Famine Commission, 1898
E	MacDonnell's Indian Famine Commission, 1901
B	The later Famine Inquiry Commission appointed in 1944, reporting in 1945

The fourth major inquiry is the Woodhead body appointed in 1944 after the 1943 crisis. It follows the major commissions of 1880, 1898 and 1901. The chronological order is A, C, D, E, B.

- **A:** It puts MacDonnell's 1901 commission before the Orissa inquiry of 1866–67. That reverses their historical order.
- **B:** It places the 1944 inquiry immediately after the 1861 report, ahead of the much earlier Orissa, Lyall and MacDonnell inquiries.
- **D:** It puts the 1944 inquiry before Baird Smith's 1861 report. The later inquiry should come last.

KEYWORDS: famine commissions | famine relief policy | colonial famines

52

MICRO ECONOMICS

Price and Output determination in Market

Difficulty: Easy | 2026 · Shift 2 · Q52

Select the correct combinations in a perfectly competitive (PC) market :

A. Each firm is price taker

B. Long run equilibrium yields zero economic profit

C. At equilibrium, price equals average and marginal cost

D. Firm produces at the minimum points of average cost in long run equilibrium

E. All products are not homogenous

Choose the correct answer from the options given below :

A. A, B, C and D Only

B. A, B and C Only

C. B, C, D and E Only

D. A, B, C and E Only

EXPLANATION

Official key: A

A is true. Each competitive firm sells a product that buyers can get from other sellers on the same terms. One firm is too small to change the market price and takes that price as given.

B is true in the standard long-run model. If firms earn more than the normal return, others enter. If firms cannot cover all their economic costs, some leave. Entry and exit lead to zero economic profit.

C is true in that long-run equilibrium. A firm that continues operating chooses output where price equals marginal cost. Zero economic profit also means price equals average total cost.

D is true. Marginal cost equals average cost at the minimum of the usual U-shaped average cost curve. With both equal to price at the long-run equilibrium, the firm produces at that minimum.

E is false. Product homogeneity is a standard assumption. Buyers regard units from different sellers as identical.

The correct set is A, B, C and D, giving choice A.

- **B:** Long-run economic profit is zero at the output where price equals marginal cost and average cost. That point occurs at minimum average cost, so the production scale in statement D matters.
- **C:** Competitive sellers cannot individually choose a price above the market price for the same product. Buyers can purchase identical units from another seller.
- **D:** Free entry and exit push the standard competitive firm towards the minimum-average-cost scale in long-run equilibrium. Differences among sellers' varieties are characteristic of differentiated-product markets.

KEYWORDS: perfect competition | long run competitive equilibrium | zero economic profit | minimum average cost | homogeneous product

53

MICRO ECONOMICS

Consumer Theory or Behavior

Difficulty: Easy | 2026 · Shift 2 · Q53

Select the correct combination only :

A. The slope of budget line depends on the ratio of prices of two goods

B. At the equilibrium, indifference curve is tangent to the budget line

C. At the equilibrium, indifference curve is concave to the origin

D. A right angle (L shaped) indifference curve implies perfect substitute goods

E. For perfect complements, the consumer always consume goods in a fixed proportions

Choose the correct answer from the options given below :

A. A, B, D and E Only

B. A, B and E Only

C. C and E Only

D. C and D Only

EXPLANATION

Official key: B

- **Statement A:** On the budget line, $p_X X + p_Y Y = m$. Its signed slope is $-p_X/p_Y$, so the ratio of prices controls how much Y one additional unit of X costs.
- **Statement B:** For the usual smooth interior equilibrium, both goods are purchased. The preferred affordable bundle is at a tangency: the rate at which the consumer is willing to trade the goods equals the rate given by prices. A corner or the kink of a perfect-complements curve need not satisfy tangency.
- **Statement C:** In the standard model with convex preferences over two goods, the indifference curve is convex to the origin rather than concave. Equilibrium by itself does not imply concavity.
- **Statement D:** A right angle represents perfect complements. Extra units of one good alone do not help once the other good is used up. Perfect substitutes instead give straight indifference curves.
- **Statement E:** Perfect complements deliver value in fixed proportions, such as one left shoe with one right shoe. With positive prices, buying one extra shoe without its match wastes money.

The correct combination is A, B and E.

- **A:** A straight line would describe a constant tradeoff between perfect substitutes. The right angle in the included claim says extra units of one item alone are useless, which describes complements.
- **C:** The income limit changes the budget line's intercepts without changing its price-ratio slope. Leaving that property out and calling the standard equilibrium curve concave gives the wrong combination.
- **D:** The usual interior optimum uses a convex indifference curve, and its slope is compared with the budget slope. A right angle neither establishes concavity nor indicates perfect substitutes.

KEYWORDS: budget line | tangency condition | convex preferences | perfect complements | perfect substitutes

54

MICRO ECONOMICS

Consumer Theory or Behavior

Difficulty: Easy | 2026 · Shift 2 · Q54

Select the correct combination :

A. According to law of diminishing marginal utility, as a consumer consumes more units of a goods, total utility always decreases

B. If marginal utility becomes zero, total utility becomes maximum

C. A normal good yields downward sloping demand because marginal utility diminishes as consumption increases

D. An inferior good contradicts the concept of diminishing marginal utility

E. Income effect and substitution effects together explains the law of demand for a normal good

Choose the correct answer from the options given below :

A. B, C and E Only

B. A and D Only

C. A, B and E Only

D. B, C and D Only

EXPLANATION

Official key: A

Marginal utility is the extra utility from an additional unit. Total utility adds up what the units provide. Keep the extra gain separate from the total.

- **Statement A:** A falling marginal utility means each extra unit adds less than the last. As long as that addition is positive, total utility still rises. So A is false.
- **Statement B:** In the usual diminishing-marginal-utility case, total utility rises while marginal utility is positive and stops rising when the extra gain reaches zero. If marginal utility turns negative next, total utility is at its maximum at that point.
- **Statement C:** In the classical explanation, hold the marginal utility of money fixed. If later units bring less extra satisfaction, the consumer will pay less per additional unit, giving a downward sloping demand curve. Being a normal good means demand rises with income; that classification by itself does not tell us how marginal utility changes.
- **Statement D:** Inferiority is about the response to higher income at fixed prices. The utility from one extra unit can still diminish as consumption increases. D is false.
- **Statement E:** A lower price makes a normal good cheaper relative to other goods and increases real purchasing power. Substitution favours the cheaper good, and greater purchasing power raises demand for a normal good. The two effects support the usual downward slope.

On the classical interpretation used here, B, C and E are the correct combination.

- **B:** Each successive unit can add less utility and still add something. Also, whether income raises or lowers purchases does not determine how utility changes as more units are consumed.
- **C:** The declining marginal gain does not make total utility fall while that gain is still positive. The claim of a fall in total utility at every step is incorrect.
- **D:** Higher income reducing purchases of a good is compatible with extra units yielding smaller utility gains. Inferiority does not contradict diminishing marginal utility.

KEYWORDS: diminishing marginal utility | total utility | normal good | inferior good | income effect | substitution effect

55

MACRO ECONOMICS

National Income Accounting

Difficulty: Easy | 2026 · Shift 2 · Q55

Investment expenditure in an economy is financed through _____.

A. Private Savings

B. Government Savings

C. Foreign Savings

D. Capital Savings

E. Borrowed Savings

Choose the correct answer from the options given below :

A. A, B, C Only

B. A, C Only

C. D, B, C Only

D. A, C, D, E Only

EXPLANATION

Official key: A

The sources in the economy-wide saving and investment accounts are classified by sector.

- **Private saving (A)** is income that households and businesses set aside, including earnings that firms retain.
- **Government saving (B)** is public income left after current outlays. A government with positive saving can provide funds for investment.
- **Foreign saving (C)** is the net amount the economy draws on from the rest of the world when domestic investment exceeds national saving.

In the open-economy accounting identity, domestic investment equals private saving plus government saving plus foreign saving. Capital saving and borrowed saving are not additional sectors in that breakdown.

- **B:** Households, firms and overseas investors can all supply funds. Government revenue left after current outlays also contributes, so the list is incomplete.
- **C:** Capital is what investment builds up. Capital saving is not a separate source that can replace saving by households and businesses.
- **D:** A loan is a way to channel finance to the borrower. Counting borrowed funds as a separate category of saving would confuse the method with the sectors that supply the funds.

KEYWORDS: private saving | government saving | foreign saving | saving investment identity

56

MACRO ECONOMICS

Money and Inflation

Difficulty: Easy | 2026 · Shift 2 · Q56

Money has the following functions :

A. Measure of inflation

B. Medium of exchange

C. Store of value

D. Measure of interest rate

E. Measures of competitiveness in the economy

Choose the correct answer from the options given below :

A. A, B and C Only

B. A, B, C and D Only

C. B and C Only

D. A, B, C, D and E

EXPLANATION

Official key: C

The functions listed correctly are **B, medium of exchange**, and **C, store of value**. Money serves as a medium of exchange when a buyer pays a seller for a good or service. It serves as a store of value when someone holds it to make purchases later. Inflation can reduce the purchasing power carried forward.

A **unit of account** is another standard function of money. It lets people quote prices and record values in a common denomination. It is absent from this list.

- **A:** Inflation is a rate of increase in a price index. Monetary units quote individual prices, but money itself is not the measure of that rate.
- **B:** An interest rate measures a return or borrowing cost relative to the principal over a period. Quoting the principal in money does not make measuring interest rates a function of money.
- **D:** Competition concerns firms' conduct and the alternatives available to buyers. Money helps express prices and payments, but it does not measure the economy's competitiveness.

KEYWORDS: functions of money | medium of exchange | store of value | unit of account

57

MACRO ECONOMICS

Consumption and Investment Function

Difficulty: Medium | 2026 · Shift 2 · Q57

Select the correct statements related with permanent income hypothesis :

A. It explains consumer behaviour

B. It emphasises that people experience random and temporary changes in their income overtime

C. According to it current income is sum of permanent income and transitory income

D. It compliments absolute income hypothesis

E. It compliments life cycle income hypothesis

Choose the correct answer from the options given below :

A. A, B, C, D Only

B. A, B, D, E Only

C. A, B, C, E Only

D. A, B, C Only

EXPLANATION

Official key: C

Milton Friedman's permanent income hypothesis explains how households decide what to consume, so statement A holds. It starts from the idea that income received today need not reflect what a household can usually expect. A crop loss or a one-time bonus can create the temporary changes described in statement B.

Friedman divides current income into permanent income, the part expected to persist, and transitory income, the temporary deviation. Adding those components reproduces current income, so statement C holds.

The permanent income and life-cycle hypotheses give related accounts of forward-looking spending. The life-cycle approach emphasizes changes such as retirement, while Friedman makes it possible to distinguish lasting income from unexpected or temporary receipts. This is the complementarity in statement E. Statement D is false under this comparison. The absolute income hypothesis uses current income as the main guide to spending, a treatment Friedman's distinction challenges.

- **A:** A one-time gain can raise current income without changing normal earning capacity. The permanent-income model predicts broadly different spending responses to those two changes, so it challenges an account based mainly on current income.
- **B:** A temporary receipt counts in current income even if it changes regular spending very little. The split of current income into the two components therefore belongs in the correct combination.
- **D:** Spending plans also draw on expected resources after an immediate change in pay. This shared emphasis on planning beyond the current period is what makes the permanent-income and life-cycle approaches complementary.

KEYWORDS: permanent income hypothesis | permanent income | transitory income | absolute income hypothesis | life cycle hypothesis

58

STATISTICAL METHODS IN ECONOMICS

Mean, Mode, Median, Dispersion, Skewness and deviations

Difficulty: Easy | 2026 · Shift 2 · Q58

Consider following questions for measures of central tendency :

A. Mean is affected by extreme values

B. Median is 50th percentile

C. Median is a positional average

D. Mode is a mathematical average

E. For symmetrical data $\bar{X} = Z > M$

Choose the correct answer from the options given below :

A. A, B, C and D Only

B. A, B and C Only

C. D and E Only

D. A, B, D and E Only

EXPLANATION

Official key: B

A is true. The arithmetic mean divides the sum of all values by their number. An extreme value changes that sum and can move the mean substantially.

B and C are true. The median marks the 50th percentile of the ordered observations. At least half are at or below it and at least half are at or above it. Its definition depends on ordered position, so it is called a positional average.

D is false. The mode is the value occurring most often. It is selected by frequency and belongs with positional averages in the usual textbook classification. Mathematical averages, such as the arithmetic mean, combine the numerical values through a calculation.

E is false. Here $\bar{X}$ denotes the mean, Z the mode and M the median. For symmetric data, the mean and median coincide, so the stated strict inequality already fails. In the usual single-peaked symmetric benchmark, all three coincide.

$$\bar{X} = M = Z.$$

- **A:** It adds the false classification of the frequency-based mode as a mathematical average.
- **C:** It accepts both false claims. Mode is determined by frequency, and symmetry does not put the mean above the median.
- **D:** It leaves out the valid positional definition of the median while including the strict inequality that conflicts with equality of the symmetric mean and median.

KEYWORDS: arithmetic mean | median | mode | symmetric distribution | positional average

59

STATISTICAL METHODS IN ECONOMICS

Correlation

Difficulty: Easy | 2026 · Shift 2 · Q59

Choose the correct combinations :

A. Correlation shows linear relation

B. Correlation = Causation

C. Zero correlation = Independence

D. Correlation unchanged by linear scaling

E. Spearman uses rank to calculate correlation

Choose the correct answer from the options given below :

A. A, B, C and D Only

B. B, C, D and E Only

C. A, C and D Only

D. A, C, D and E Only

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: D

NTA keyed D. Each choice includes statement C, which incorrectly equates zero correlation with independence. If X takes -1, 0 and 1 with equal probabilities, X and its square have zero correlation even though X determines the square. Pearson correlation measures linear association, and Spearman correlation uses ranks. A positive rescaling preserves Pearson correlation, while a negative rescaling of one variable reverses its sign.

KEYWORDS: pearson correlation | correlation and causation | statistical independence | zero correlation | scale invariance | spearman rank correlation

60

MATHEMATICAL METHODS IN ECONOMICS

Linear Programming Probability

Difficulty: Easy | 2026 · Shift 2 · Q60

Choose the correct answer :

A. Linear programming problems (LPP) have an objective function

B. LPP never allows negative values of decision variable

C. Optimal solution lies at corner point

D. There is ususally no feasible solution in LPP

E. Constraints must be non-linear

Choose the correct answer from the options given below :

A. A, C, D Only

B. A, B, D and E Only

C. A, C, E Only

D. A and C Only

EXPLANATION

Official key: D

A is correct. A linear programme has an objective function specifying the quantity to maximise or minimise.

B is incorrect. Nonnegative decision variables are common when the variables measure physical quantities. But a general linear programme can allow a variable to be negative, for example when it represents a net change or a position relative to a reference point. A sign restriction must come from the model.

C states the usual corner-point result. When a finite optimum exists in the standard graphical feasible region, at least one corner point is optimal. Other points along an edge can also be optimal.

D is incorrect. Feasibility depends on whether some decision vector satisfies all constraints. Linear programming does not ordinarily rule out feasible choices.

E is incorrect. The objective and restrictions in a linear programme are linear. Nonlinear restrictions belong to a different kind of optimization problem.

- **A:** It adds the unsupported claim that there is usually no feasible solution.
- **B:** It adds both a universal nonnegativity requirement and nonlinear constraints. Neither is required by general linear programming.
- **C:** It adds nonlinear constraints, contradicting the defining linear structure.

KEYWORDS: linear programming formulation | objective function | nonnegativity constraints | vertex optimality | feasible solution

61

INDIAN ECONOMY

Public Economics

Difficulty: Easy | 2026 · Shift 2 · Q61

Consider the following statements :

A. Revenue deficit indicates that government's revenue receipts are insufficient to cover revenue expenditure

B. Fiscal deficit includes borrowing and other liabilities

C. Primary Deficit = Fiscal Deficit - Interest payments

D. Budget Deficit = Total Expenditure - Total receipts

E. Monetized deficit involves borrowing from commercial banks only

Choose the correct answer from the options given below :

A. A, B, C Only

B. A, B, D, E Only

C. A, B, C, E Only

D. A, B, C, D Only

EXPLANATION

Official key: D

A is true: a revenue deficit means revenue expenditure exceeds revenue receipts, leaving a shortfall on the revenue account.

B describes fiscal deficit's financing. Fiscal deficit is total expenditure minus non-borrowing receipts; the resulting gap is met through borrowings and other liabilities. Those borrowings finance the deficit rather than reduce it as non-borrowing revenue.

C is true: subtracting interest from fiscal deficit gives primary deficit. D is also true: the conventional budget deficit compares total expenditure with total receipts.

E is false. Here monetisation means additional net financing supplied by the RBI to the Central Government. Borrowing only from commercial banks does not define central-bank monetary financing. Thus A, B, C and D are correct.

- **A:** It omits D, although total expenditure minus total receipts is the conventional budget-deficit identity.
- **B:** It includes the false commercial-bank-only claim E and omits the correct primary-deficit identity C.
- **C:** It includes E and omits D. Commercial-bank borrowing is not the definition of monetisation, while D correctly states the all-receipts budget gap.

KEYWORDS: revenue deficit | fiscal deficit | primary deficit | budgetary deficit | monetised deficit

62

INDIAN ECONOMY

Colonial economy: Macro Trends

Difficulty: Medium | 2026 · Shift 2 · Q62

Consider the following statements about Indian economy during colonial period :

A. Per capita income showed no sustained increase between 1860 to 1947

B. Agriculture share in GDP declined marginally but its workforce share remained high

C. Industrial output growth remained below 2% for most of the colonial period

D. Service Sector had grown faster after 1920

E. Population growth accerlated after 1921 census

Choose the correct answer from the options given below :

A. A, B, C Only

B. A, D, E Only

C. A, B, C, D, E

D. A, B, D, E Only

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: C

NTA keyed **C**, which accepts all five statements. The evidence supports some of the statements more clearly than others.

- **A. Per capita income.** Estimates for 1900–1946 put annual trend growth of net domestic product per person at about -0.01%. That supports near stagnation over that interval. The estimate begins in 1900, while the statement begins in 1860.
- **B. Agriculture.** Between 1900–01 and 1929–30, agriculture's share of output fell at constant prices. Agriculture still employed about 76% of the workforce in 1929–30. Its high employment share is clear, while the size of the output-share decline depends on the period and price basis.
- **C. Industry.** In Broadberry and Gupta's series, annual industrial output growth was about 0.48% in 1900–01 to 1920–21 and 2.56% in 1920–21 to 1946–47. The chosen periods affect whether the description “below 2% for most of the period” holds.
- **D. Services.** In the same comparison, annual services growth slowed from about 1.97% to 1.30%. This comparison conflicts with the statement that growth accelerated after 1920.
- **E. Population.** India's recorded population changed by -0.31% in 1911–1921 and +11.00% in 1921–1931. This supports faster growth after the 1921 census.

KEYWORDS: colonial economic growth | per capita income | sectoral output shares | agricultural employment | population growth

63

INDIAN ECONOMY

New Economic Policy

Difficulty: Medium | 2026 · Shift 2 · Q63

The 1991 industrial policy adopted a new approach to public enterprises. The priority area of this policy was :

A. Essential infrastructure

B. Exploration and exploitation of oil and mineral resources

C. Technology development

D. Defense equipments

E. Building manufacturing capabilities

Choose the correct answer from the options given below :

A. A, B Only

B. A, B, C Only

C. A, D, E, C Only

D. A, B, C, D, E

EXPLANATION

Official key: D

The 1991 policy reduced the public sector's exclusive domain while retaining priorities for public enterprises in essential, strategic and technologically important activities. A smaller reserved domain did not mean that every public enterprise was to be withdrawn.

All five listed areas fit the policy's priorities:

- **Essential infrastructure:** goods and services needed for the wider industrial economy.
- **Oil and minerals:** exploration and extraction of important natural resources.
- **Technology development:** capabilities important for long-term development where private investment was inadequate.
- **Defence equipment:** products with a strong strategic role.
- **Manufacturing capabilities:** capacity in crucial long-term development areas, alongside technology development.

Oil and mineral resources must be included, as must manufacturing capabilities. Only D contains both, together with the other priorities.

- **A:** It leaves out technology, strategic defence production and manufacturing capabilities, all covered by the policy.
- **B:** It still leaves out defence equipment and manufacturing capabilities. The policy's priorities extended beyond infrastructure, resources and technology alone.
- **C:** It leaves out exploration and exploitation of oil and mineral resources, which were explicitly included.

KEYWORDS: industrial policy 1991 | public enterprises | strategic industries | technological capabilities

64

MICRO ECONOMICS

General Equilibrium, Efficiency and Welfare

Difficulty: Easy | 2026 · Shift 2 · Q64

Match List - I with List - II match concepts with explanation :

List - I	List - II
A. Edgeworth Box	I. No one better off without making some one worse off
B. Contact Curve	II. Efficient use of resources in production
C. Production Efficiency	III. Trade possibility for 2 consumers
D. Pareto Efficiency	IV. All efficient allocation

Choose the correct answer from the options given below :

A. A-III, B-IV, C-I, D-II

B. A-III, B-IV, C-II, D-I

C. A-I, B-II, C-III, D-IV

D. A-IV, B-III, C-II, D-I

EXPLANATION

Solution note: The printed "Contact Curve" refers to the contract curve.

Official key: B

(A) Edgeworth box → III. The box shows the ways two people can divide fixed quantities of two goods. Given their starting bundles, it can also show where trade would benefit them.

(B) Contract curve → IV. Read "Contact Curve" here as "contract curve." It collects the efficient allocations in the box, where the two people have exhausted the scope for gains from trade.

(C) Production efficiency → II. Resources are used efficiently in production when the economy cannot produce more of one output without producing less of another, given its inputs and technology.

(D) Pareto efficiency → I. No feasible change makes anyone better off while leaving everyone else at least as well off.

- **A:** It swaps the two efficiency definitions. Production efficiency concerns what can still be produced with the inputs. Pareto efficiency concerns whether a change could improve someone's welfare without a loss for others.
- **C:** A two-consumer trade diagram describes exchange, while efficient resource use describes production. The no-gains-without-loss test defines Pareto efficiency and identifies which allocations form the contract curve.
- **D:** It switches the box and its efficient subset. The whole box shows feasible divisions, while the contract curve contains only the efficient ones.

KEYWORDS: edgeworth box | contract curve | production efficiency | pareto efficiency

65

MICRO ECONOMICS

Consumer Theory or Behavior

Difficulty: Easy | 2026 · Shift 2 · Q65

Match List - I (Author) with List - II (Theory) :

List - I	List - II
A. Marshal	I. Indifference curve
B. Hicks and Allen	II. Revealed preference theory
C. Samuelson	III. Kinked demand curve
D. Sweezy	IV. Consumer surplus (modern form)

Choose the correct answer from the options given below :

A. A-IV, B-I, C-III, D-II

B. A-I, B-II, C-III, D-IV

C. A-IV, B-I, C-II, D-III

D. A-IV, B-III, C-II, D-I

EXPLANATION

Official key: C

Alfred Marshall (A–IV) developed the familiar consumer-surplus treatment in *Principles of Economics* (1890). It compares what buyers would be willing to pay with what they actually pay.

John Hicks and Roy Allen (B–I) developed indifference-curve analysis in their 1934 work on value theory. A curve groups bundles the consumer likes equally, so preferences can be described without assigning measurable units of satisfaction.

Paul Samuelson (C–II) laid the foundation for revealed preference in 1938. The bundle the consumer buys can be compared with affordable alternatives the consumer passes up.

Paul Sweezy (D–III) used a kinked demand curve in his 1939 analysis of oligopoly. A firm may expect rivals to match a price cut but to leave their prices unchanged when it raises its price. Demand then reacts differently on the two sides of the current price.

These associations give A–IV, B–I, C–II and D–III.

- **A:** Samuelson's approach starts from observed purchases within a budget. The kink comes from how competing firms react to price changes, which is Sweezy's subject.
- **B:** Marshall's surplus analysis concerned the gap between willingness to pay and price. The use of indifference curves to describe a ranking of bundles belongs with Hicks and Allen in this list.
- **D:** Hicks and Allen use curves to compare a consumer's bundles. They are not the curves showing a firm's sales response to changes in its price under oligopoly.

KEYWORDS: consumer surplus | indifference curve | revealed preference | kinked demand curve | oligopoly

66

MICRO ECONOMICS

Price and Output determination in Market

Difficulty: Easy | 2026 · Shift 2 · Q66

Match List - I with List - II.

List - I	List - II
A. Price Discrimination	I. One firm due to falling average cost
B. Learner Index	II. Legal economics
C. Barrier to entry	III. Measures monoly power
D. Natural monopoly	IV. Selling same product at different price

Choose the correct answer from the options given below :

A. A-IV, B-III, C-I, D-II

B. A-IV, B-III, C-II, D-I

C. A-IV, B-II, C-III, D-I

D. A-I, B-II, C-III, D-IV

EXPLANATION

Solution note: The printed "Learner Index" refers to the Lerner index.

Official key: B

- **Price discrimination (A–IV).** A seller charges different prices for the same product, for reasons other than differences in the cost of serving the buyers.
- **Lerner index (B–III).** The index measures market power by the markup over marginal cost as a share of price, $(P - \mathrm{MC})/P$. At a competitive price equal to marginal cost, it is zero.
- **Barriers to entry (C–II).** These are obstacles that make it harder for new firms to enter a market. Some are legal, such as a licence that is required to operate. Others can come from cost or technology. Legal restrictions can therefore protect existing firms by limiting entry.
- **Natural monopoly (D–I).** A single firm can serve the market at lower cost than several firms. One way this occurs is when average cost falls over the output range needed to serve the market.
- **A:** Falling average cost can favour one producer over several. Legal barriers involve restrictions on who can enter, a different reason an industry may have few sellers.
- **C:** The Lerner index uses price and marginal cost to measure a markup. A barrier to entry is a condition that impedes new competitors.
- **D:** Charging different buyers different prices describes price discrimination. Falling average cost explains how a single firm may be the least-cost supplier.

KEYWORDS: price discrimination | lerner index | barriers to entry | natural monopoly

67

MACRO ECONOMICS

Open Economy Models

Difficulty: Easy | 2026 · Shift 2 · Q67

Match List - I with List - II.

List - I	List - II
A. IS curve	I. Money market equilibrium
B. LM curve	II. Balance of payment equilibrium
C. BP curve	III. Monetary policy ineffective
D. Fixed exchange rate Mundell Fleming Model	IV. Goods market equilibrium

Choose the correct answer from the options given below :

A. A-I, B-IV, C-III, D-II

B. A-I, B-IV, C-II, D-III

C. A-IV, B-II, C-I, D-III

D. A-IV, B-I, C-II, D-III

EXPLANATION

Official key: D

The three curves collect combinations of income and the interest rate that clear different markets.

- **IS (A–IV)** represents goods-market equilibrium. Planned spending equals output, equivalently planned investment equals saving in the elementary closed-economy form.
- **LM (B–I)** represents money-market equilibrium. Desired money holdings equal the supplied stock of money.
- **BP (C–II)** represents external payments equilibrium. Current and nonreserve financial transactions balance without requiring reserve financing.
- **Fixed-rate Mundell–Fleming model (D–III)** gives the standard monetary-policy ineffectiveness result. With perfect capital mobility, an attempted monetary expansion puts downward pressure on interest and the currency. Defending the peg withdraws the extra money through reserve sales, so output returns to its original level.
- **A:** It swaps the goods and money markets. It also assigns an entire fixed-rate policy result to the BP curve.
- **B:** The BP and policy matches are correct, but IS clears the goods market and LM clears the money market.
- **C:** It gives external equilibrium to LM and money equilibrium to BP, reversing their defining conditions.

KEYWORDS: is lm bp model | goods market equilibrium | money market equilibrium | balance of payments equilibrium | fixed exchange rate | monetary policy effectiveness

68

MACRO ECONOMICS

Open Economy Models

Difficulty: Easy | 2026 · Shift 2 · Q68

Match List - I with List - II.

List - I	List - II
A. Absolute Purchasing Power Parity (PPP)	I. (Nominal pirce) × (foreign prices/domestic price)
B. Relative Purchasing Power Parity (PPP)	II. Determined by market forces
C. Real exchange rate	III. Same basket costs across countries
D. Flexible exchange rate	IV. Exchange rate changes equal inflation differential

Choose the correct answer from the options given below :

A. A-III, B-IV, C-I, D-II

B. A-IV, B-III, C-I, D-II

C. A-IV, B-III, C-II, D-I

D. A-III, B-IV, C-II, D-I

EXPLANATION

Official key: A

The four concepts distinguish **basket price levels**, **price changes**, **price adjustment**, and **market determination**.

- **Absolute PPP (A–III)** says the same basket has an equal price in the two countries once both prices are expressed in a common currency.
- **Relative PPP (B–IV)** links the percentage change in the exchange rate to the inflation difference. Approximately, a country with inflation 3 percentage points above its trading partner's experiences 3% currency depreciation.
- **Real exchange rate (C–I)** adjusts the nominal currency quote for the two price levels. If E is domestic currency per foreign unit, the price of the foreign basket in domestic currency is EP^*. Dividing by the domestic basket price P gives EP^*/P.
- **Flexible exchange rate (D–II)** is allowed to respond to currency demand and supply, so the market determines the exchange price.
- **B:** Absolute PPP compares basket price levels. Relative PPP compares inflation and exchange-rate changes. This choice swaps the two.
- **C:** Besides swapping the PPP meanings, it treats the real exchange rate as a market regime. A real rate is a price-adjusted measure and can be calculated under either a fixed or flexible regime.
- **D:** The inflation and basket matches are right, but the nominal-rate price adjustment belongs to the real rate. Market determination describes the flexible regime.

KEYWORDS: absolute purchasing power parity | relative purchasing power parity | real exchange rate | flexible exchange rate

69

MACRO ECONOMICS

Money and Inflation

Difficulty: Medium | 2026 · Shift 2 · Q69

Match List - I with List - II.

List - I	List - II
A. High powered money (H)	I. $1+c/1+r$ and $m \times H$
B. Reserve Ratio (r)	II. Public preference for cash vs deposits
C. Currency deposit ratio (c)	III. Currency + bank reserve
D. Money multiplier (m) and Broad money (M)	IV. Fraction of deposits bank holds as reserves

Choose the correct answer from the options given below :

A. A-III, B-I, C-IV, D-II

B. A-III, B-IV, C-II, D-I

C. A-III, B-IV, C-I, D-II

D. A-I, B-II, C-IV, D-III

EXPLANATION

Solution note: The original wording is preserved. The solution explains the issue and the intended exam answer.

Official key: B

NTA keyed B. The monetary base is currency plus bank reserves, the reserve ratio is reserves divided by deposits, and the currency ratio is currency divided by deposits. With $c = C/D$ and $r = R/D$, the money multiplier is $m = (1+c)/(c+r)$ and broad money in this model is $M = mH$. The expression printed in List II is malformed. The other three matches identify the intended option.

KEYWORDS: money multiplier | currency deposit ratio | reserve ratio | monetary base

70

STATISTICAL METHODS IN ECONOMICS

Correlation

Difficulty: Easy | 2026 · Shift 2 · Q70

Match possible value of correlation (r) coefficient (List - I) and interpretion (List - II) :

List - I	List - II
A. $r = 0$	I. Perfect positive correlation
B. $r = 1$	II. Perfect negative correlation
C. $r = -1$	III. Positive high correlation
D. $r = 0.75$	IV. Zero correlation

Choose the correct answer from the options given below :

A. A-IV, B-I, C-II, D-III

B. A-IV, B-III, C-II, D-I

C. A-IV, B-II, C-III, D-I

D. A-IV, B-III, C-I, D-II

EXPLANATION

Official key: A

The **sign** gives the direction of a linear association, and the **magnitude** indicates how closely observations follow a straight line.

Value	Interpretation	Match
A. $r = 0$	No linear correlation	IV
B. $r = 1$	Every observation lies on an increasing straight line	I
C. $r = -1$	Every observation lies on a decreasing straight line	II
D. $r = 0.75$	A substantial positive association, with some scatter around the line	III

The endpoints $+1$ and -1 are perfect correlations. The positive value 0.75 is below the perfect endpoint. A value of zero concerns linear association and still allows a nonlinear pattern.

- **B:** It calls 0.75 perfect and gives the weaker positive label to 1. Only 1 is perfect positive correlation.
- **C:** It assigns a negative direction to 1 and a positive direction to -1, reversing their signs.
- **D:** It also assigns positive meaning to -1 and negative meaning to 0.75, despite their signs.

KEYWORDS: pearson correlation | linear association | correlation interpretation

71

MATHEMATICAL METHODS IN ECONOMICS

Integration of functions

Difficulty: Easy | 2026 · Shift 2 · Q71

Match the answer from List - I with List - II after applying integration :

List - I	List - II
A. x^4	I. $\frac{x^5}{5}+C$
B. $\frac{1}{x^4}$	II. $\frac{x^{-3}}{(-3)}+C$
C. $\sqrt{x}$	III. $\frac{-2}{x^{0.5}}+C$
D. $\frac{1}{\sqrt{x^3}}$	IV. $\frac{x^{1.5}}{1.5}+C$

Choose the correct answer from the options given below :

A. A-I, B-II, C-III, D-IV

B. A-II, B-I, C-III, D-IV

C. A-I, B-II, C-IV, D-III

D. A-II, B-I, C-IV, D-III

EXPLANATION

Official key: C

Rewrite reciprocals and square roots as powers of x. Then apply

$$\int x^n\,dx=\frac{x^{n+1}}{n+1}+C \quad (n\ /=-1).$$

For the square-root expressions, use $x>0$.

Integrand	Apply the power rule	Match
A. x^4	$x^5/5+C$	I
B. $1/x^4=x^{-4}$	$x^{-3}/(-3)+C$	II
C. $\sqrt{x}=x^{1/2}$	$x^{3/2}/(3/2)+C$	IV
D. $1/\sqrt{x^3}=x^{-3/2}$	$x^{-1/2}/(-1/2)+C=-2/x^{1/2}+C$	III

In each row the exponent rises by one. Dividing by that new exponent supplies the coefficient whose derivative returns the original power.

- **A:** It gives the decreasing negative power to $\sqrt{x}$. Integrating $x^{1/2}$ instead produces the positive exponent $3/2$.
- **B:** It swaps the integrals of x^4 and x^{-4}. The former gives a fifth power, while the latter gives a negative third power.
- **D:** It has the square-root matches right but retains the same positive-versus-negative power swap for the first two rows.

KEYWORDS: power rule integration | fractional exponent | negative exponent | indefinite integral

72

MATHEMATICAL METHODS IN ECONOMICS

Functions of one and several real variables; Single and Multi-variable optimization

Difficulty: Easy | 2026 · Shift 2 · Q72

Match the partial derivatives in context of $Z = AK^{\alpha}L^{\beta}$ (List - I with List - II).

List - I	List - II
A. Z_K	I. $A\beta K^{\alpha}L^{\beta-1}$
B. Z_L	II. $A\alpha\beta K^{\alpha-1}L^{\beta-1}$
C. Z_{KL}	III. $A\beta\alpha K^{\alpha-1}L^{\beta-1}$
D. Z_{LK}	IV. $A\alpha K^{\alpha-1}L^{\beta}$

Choose the correct answer from the options given below :

A. A-IV, B-III, C-II, D-I

B. A-I, B-II, C-III, D-IV

C. A-I, B-IV, C-III, D-II

D. A-IV, B-I, C-II, D-III

EXPLANATION

Solution note: Items II and III are algebraically identical. The official mapping uses D.

Official key: D

Treat A, α and β as constants. For a partial derivative, differentiate only the selected input and hold the other input fixed. Applying the power rule gives

- **A–IV:** $Z_K = A\alpha K^{\alpha-1}L^{\beta}$.
- **B–I:** $Z_L = A\beta K^{\alpha}L^{\beta-1}$.
- **C–II:** Differentiating Z_K with respect to L gives $Z_{KL} = A\alpha\beta K^{\alpha-1}L^{\beta-1}$.
- **D–III:** Differentiating Z_L with respect to K gives $Z_{LK} = A\beta\alpha K^{\alpha-1}L^{\beta-1}$.

The mixed derivatives are equal because $\alpha\beta = \beta\alpha$. The matches give option D. Computing Z_L alone is a short route: only D pairs it with I.

- **A:** It gives a mixed derivative for Z_L. A first derivative with respect to L leaves the power of K unchanged.
- **B:** It gives the labour derivative for Z_K. Differentiation with respect to K must bring down α and reduce the power of K.
- **C:** It swaps the two first partials. Reducing the power of L belongs to Z_L, while reducing the power of K belongs to Z_K.

KEYWORDS: partial derivatives | mixed partial derivatives | cobb douglas function | power rule

73

INDIAN ECONOMY

Colonial economy: Agriculture

Difficulty: Easy | 2026 · Shift 2 · Q73

Match List - I with List - II.

List - I	List - II
A. Low use of fertilisers	I. Bullock ploughs and wood implements
B. Lack of irrigation	II. Rain dependent agriculture collapsed in droughts
C. Femine vulnerability	III. Very low adoptions of modern input
D. Primitive tools	IV. Parrential water scarcity

Choose the correct answer from the options given below :

A. A-IV, B-I, C-III, D-II

B. A-III, B-IV, C-I, D-II

C. A-III, B-IV, C-II, D-I

D. A-IV, B-III, C-II, D-I

EXPLANATION

Official key: C

Low fertiliser use (A–III). Fertilisers are an agricultural input. Using very little of them is an example of low adoption of modern inputs.

Lack of irrigation (B–IV). Irrigation supplies water to fields when rainfall is inadequate. Limited irrigation can leave crops facing persistent water shortages.

Famine vulnerability (C–II). Rain-dependent farming is exposed to drought. A failed harvest can reduce food supplies and farmers' incomes, increasing vulnerability to hunger.

Primitive tools (D–I). Bullock ploughs and wooden implements identify the traditional equipment described by this label.

- **A:** It assigns farming equipment to lack of irrigation. Ploughs describe tools, while irrigation concerns water supply.
- **B:** It assigns ploughs to famine vulnerability and drought-related crop collapse to tools. The famine link is the failed rain-dependent harvest.
- **D:** Fertiliser use concerns inputs, while irrigation concerns the supply of water. Those two descriptions have been exchanged.

KEYWORDS: fertiliser use | irrigation | rainfed agriculture | famine vulnerability | agricultural technology

74

INDIAN ECONOMY

Public Economics

Difficulty: Easy | 2026 · Shift 2 · Q74

Match List - I with List - II.

List - I	List - II
A. Deficit financing	I. Borrowing from domestic bank and public sector
B. External debt	II. Printing money to finance deficit
C. Crowding out effect	III. Borrowing from foreign sources
D. Internal debt	IV. Impact of public expenditure on private investment

Choose the correct answer from the options given below :

A. A-II, B-IV, C-III, D-I

B. A-II, B-III, C-IV, D-I

C. A-I, B-IV, C-III, D-II

D. A-III, B-I, C-IV, D-II

EXPLANATION

Official key: B

The matches distinguish a financing method, the location of lenders and an effect on private spending.

Deficit financing, in its traditional narrow Indian usage, refers to monetary financing of a government gap, commonly described as printing money. This gives A–II. It differs from selling bonds to existing domestic or foreign lenders.

External debt is owed to lenders outside the economy, giving B–III. Internal debt is raised from domestic lenders, including domestic banks and other resident investors, giving D–I.

Crowding out occurs when government spending or borrowing reduces private investment, for example by raising demand for loanable funds and interest rates. It is the negative effect on private investment described by C–IV.

- **A:** It swaps external debt and crowding out. Foreign borrowing identifies a debt source, while the effect on private investment is a different mechanism.
- **C:** It assigns domestic borrowing to money creation and money creation to internal debt. It also swaps the external-debt and private-investment descriptions.
- **D:** It assigns foreign borrowing to deficit financing, domestic borrowing to external debt and money creation to internal debt.

KEYWORDS: deficit financing | external debt | internal debt | crowding out | monetary financing

75

INDIAN ECONOMY

Economy and State in the Imperial Context

Difficulty: Easy | 2026 · Shift 2 · Q75

Match List - I with List - II.

List - I	List - II
A. Home charges	I. Payments for wars, pensions, administration cost
B. Military expenditure	II. Regressive tax on essential commodity
C. Land revenue settlement	III. Financial drain from India
D. Salt tax	IV. Heavy burden on peasants

Choose the correct answer from the options given below :

A. A-III, B-I, C-IV, D-II

B. A-III, B-IV, C-I, D-II

C. A-IV, B-III, C-II, D-I

D. A-I, B-II, C-IV, D-III

EXPLANATION

Official key: A

Home Charges–financial drain (A–III). Official obligations paid in Britain transferred Indian revenues abroad. This is their distinctive financial-drain association.

Military expenditure–wars, pensions and administration (B–I). The relevant costs include war spending, military pensions and the administration of the forces. The description groups these imperial expenditure burdens together.

Land revenue settlement–peasant burden (C–IV). Revenue demands fell on the agrarian economy and could impose heavy payment obligations on cultivators.

Salt tax–regressive essential-commodity tax (D–II). Salt is a basic necessity. A tax on it can take a larger share of a poor household's income than of a rich household's income; this is what regressive means.

The salt-tax and land-revenue links identify A, and the other two pairs agree.

- **B:** It assigns the peasant burden to military expenditure and the war/pension category to land settlement. Land revenue is the direct agrarian burden here.
- **C:** It assigns the essential-commodity tax to land settlement. That description identifies the salt tax.
- **D:** It assigns the regressive commodity tax to military expenditure. Military spending is expenditure, while the salt tax is a revenue measure.

KEYWORDS: home charges | colonial military expenditure | land revenue | salt tax | regressive taxation

Coverage at a glance.

75 questions · 90 practice minutes · Correct answers earn 4 marks, wrong answers lose 1 mark, and unanswered questions score 0.

Subject	Questions
Micro Economics	19
Indian Economy	21
Macro Economics	20
Statistical Methods in Economics	7
Mathematical Methods in Economics	8

NTA final answer key

1 · C	2 · B	3 · A	4 · C	5 · C	6 · B	7 · A	8 · A	9 · D	10 · B
11 · B	12 · A	13 · C	14 · A	15 · A	16 · B	17 · A	18 · C	19 · A	20 · D
21 · B	22 · C	23 · C	24 · C	25 · D	26 · A	27 · B	28 · A	29 · A	30 · D
31 · C	32 · C	33 · B	34 · A	35 · A	36 · A	37 · A	38 · A	39 · A	40 · C
41 · D	42 · B	43 · D	44 · D	45 · A	46 · A	47 · D	48 · A	49 · B	50 · A
51 · A	52 · A	53 · B	54 · A	55 · A	56 · C	57 · C	58 · B	59 · D	60 · D
61 · D	62 · C	63 · D	64 · B	65 · C	66 · B	67 · D	68 · A	69 · B	70 · A
71 · C	72 · D	73 · C	74 · B	75 · A					

Your score uses the NTA final key. The solutions flag questions with ambiguous wording or a disputed answer.

Topic breakdown.

Question counts in this practice resource, not predicted exam weightages.

Production Theory	3
Consumer Theory or Behavior	7
Income and Output Determination	4
Money and Inflation	5
Monetary and Fiscal Policy of India	1
Mean, Mode, Median, Dispersion, Skewness and deviations	3
Functions of one and several real variables; Single and Multi-variable optimization	3
Public Economics	5
Economy and State in the Imperial Context	2
Probability Distribution Sampling	1
Taxation	2
Colonial economy: Agriculture	2
Colonial economy: Macro Trends	1
Integration of functions	1
Price and Output determination in Market	6
International Trade Theories	4
Consumption and Investment Function	4
National Income Accounting	3
Simple Regression Model	1
Linear Programming Probability	2
Determinants Matrix	2
Agriculture and Rural Economy	3
General Equilibrium, Efficiency and Welfare	3
Colonial economy: Railways and Industry	1
Open Economy Models	3
Correlation	2
New Economic Policy	1

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