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01

PUBLIC ECONOMICS

Public Budget and Budget Multiplier

Difficulty: Easy | June 2026 · Paper II · Q51

Which of the following deficits indicates the total borrowing requirement of the government?

A. Fiscal deficit

B. Revenue deficit

C. Primary deficit

D. Monetary deficit

EXPLANATION

Correct answer: A — Fiscal deficit

Fiscal deficit is the standard measure of the government's total borrowing requirement. It equals total expenditure minus revenue receipts and non-debt capital receipts. Revenue deficit looks only at the revenue account. Primary deficit subtracts interest payments from fiscal deficit, so it is a narrower concept. Monetary deficit is not the standard budget indicator asked for here.

Why the other choices do not work

- **B:** Revenue deficit is not the total financing gap.
- **C:** Primary deficit excludes interest payments.
- **D:** Monetary deficit is not the usual borrowing-requirement measure.

Takeaway: Total borrowing requirement is indicated by fiscal deficit.

KEYWORDS fiscal deficit | government borrowing requirement | non debt receipts

02

INDIAN ECONOMY

Rural Development - Issues, Challenges and Policy Responses

Difficulty: Easy | June 2026 · Paper II · Q52

Which of the following is the focal point of Unnat Bharat Abhiyan (UBA)?

A. Addressing local rural needs

B. Supporting only the MSME sector

C. Implementing tax reform

D. Promoting exports of electronic goods

EXPLANATION

Correct answer: A — Addressing local rural needs

Unnat Bharat Abhiyan connects higher educational institutions with villages so that faculty and students can understand rural realities and help evolve locally appropriate solutions. Its focus is therefore on addressing local rural needs through knowledge, technology and community-linked intervention.

Why the other choices do not work

- **B:** UBA is not limited to MSME-sector support.
- **C:** Tax reform changes revenue rules or administration, whereas UBA links higher educational institutions with villages to develop locally appropriate rural solutions.
- **D:** It is not an electronic-goods export-promotion scheme.

Takeaway: UBA = higher education institutions working with villages on local rural-development needs.

KEYWORDS: unnat bharat abhiyan | higher education village engagement | local rural needs | community linked innovation

03

MONEY AND BANKING

Commercial Banking

Difficulty: Easy | June 2026 · Paper II · Q53

Which of the following limits the credit creation of Commercial Banks?

A. Fixed and Demand Deposit

B. Debts

C. Reserves with Central Bank

D. Cash in hand

A. A and B Only

B. B and C Only

C. C and D Only

D. A and D Only

EXPLANATION

Correct answer: C — C and D Only

Commercial banks create credit by lending against a deposit base, but the process is constrained by liquidity that cannot be lent out. Balances maintained with the central bank satisfy reserve requirements, while cash in hand must be available for withdrawals. These are statements C and D. Deposits provide funding for credit creation, and the unqualified reference to debts does not identify either immediate liquidity constraint.

Why the other choices do not work

- **A:** Fixed and demand deposits support the lending base, and generic debts are not the two reserve constraints on credit creation.
- **B:** Central-bank reserves are a genuine limit, but this pair substitutes debts for cash kept ready to meet withdrawals.
- **D:** Cash in hand constrains lending, yet deposits are a source of loanable funds; the pair also omits required balances with the central bank.

Takeaway: Credit expansion is limited by both balances held with the central bank and cash retained for customer withdrawals.

KEYWORDS: bank credit creation | cash reserves | central bank reserves | deposit multiplier

04

GROWTH AND DEVELOPMENT ECONOMICS

Models of Economic Growth: Harrod-Domar, Solow, Robinson and Kaldor

Difficulty: Hard | June 2026 · Paper II · Q54

Match List-I with List-II

List - I (Author)	List - II (Book)
A. E. D. Domar	I. Contribution to the Theory of Economic Growth
B. N. Kaldor	II. Essays on Economic Stability and Growth
C. R. M. Solow	III. The Accumulation of Capital
D. Joan Robinson	IV. Expansion and Employment

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

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

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

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

EXPLANATION

Correct answer: C — A-IV, B-II, C-I, D-III

Evsey Domar's *Expansion and Employment* examines how investment expands both spending and productive capacity. Nicholas Kaldor's *Essays on Economic Stability and Growth* collects his work on fluctuations and growth. Robert Solow's *A Contribution to the Theory of Economic Growth* is an article, not a book: it develops growth analysis with substitutable factors. Joan Robinson's *The Accumulation of Capital* studies accumulation and distribution. Thus Domar–IV, Kaldor–II, Solow–I and Robinson–III give C.

Why the other choices do not work

- **A:** Assigns Robinson's capital-accumulation work to Solow and Solow's growth article to Robinson, exchanging their distinct contributions.
- **B:** Attributes Expansion and Employment to Solow; that work concerns Domar's investment-led expansion of demand and capacity.
- **D:** Gives Robinson Domar's title and Domar Robinson's title; the common concern with investment does not make the authors interchangeable.

KEYWORDS: evsey domar | nicholas kaldor | robert solow | joan robinson | growth theory books

05

INDIAN ECONOMY

Economic Growth in India: Pattern and Structure

Difficulty: Hard | June 2026 · Paper II · Q55

Arrange the following states in descending order of population according to Census 2011.

A. Arunachal Pradesh B. Uttarakhand C. Goa D. Meghalaya

A. B, C, A, D

B. B, D, C, A

C. A, B, C, D

D. D, C, B, A

EXPLANATION

Correct answer: B — B, D, C, A

Census 2011 records 1,00,86,292 people in Uttarakhand, 29,66,889 in Meghalaya, 14,58,545 in Goa and 13,83,727 in Arunachal Pradesh. Uttarakhand is therefore largest, followed by Meghalaya, Goa and Arunachal Pradesh. Therefore the descending order is B, D, C, A.

Why the other choices do not work

- **A:** It places Goa before Meghalaya and Arunachal before Meghalaya.
- **C:** It incorrectly starts with Arunachal Pradesh.
- **D:** Both Meghalaya and Goa are placed before Uttarakhand, although Uttarakhand has the largest population among these four.

Takeaway: For these four Census 2011 states: Uttarakhand > Meghalaya > Goa > Arunachal Pradesh.

KEYWORDS census 2011 | state population ranking | uttarakhand population | meghalaya population | goa arunachal population

06

MACRO ECONOMICS

Demand for Money

Difficulty: Medium | June 2026 · Paper II · Q56

Match List-I with List-II

List - I	List - II
A. Restatement of Quantity Theory of Money	I. Baumol
B. Cash Balance Approach	II. Tobin
C. Inventory Theorem	III. Friedman
D. Portfolio Optimization Theory	IV. Marshall

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

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

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

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

EXPLANATION

Correct answer: D — A-III, B-IV, C-I, D-II

Milton Friedman restated the quantity theory as a theory of demand for money as an asset. Alfred Marshall's Cambridge approach focuses on the fraction of nominal income people wish to hold as cash. William Baumol treats transaction balances as an inventory: cash withdrawals incur costs, while idle cash forgoes interest. James Tobin explains portfolio allocation between safe money and risky interest-bearing assets. These distinctions imply A-III, B-IV, C-I and D-II.

Why the other choices do not work

- **A:** Swaps Baumol and Tobin: managing withdrawal costs explains transactions balances, whereas Tobin's diversification argument concerns risk and asset allocation.
- **B:** Assigns the Cambridge cash-balance approach to Tobin and the inventory model to Friedman, confusing three different foundations of money demand.
- **C:** Places Marshall with the inventory model and Baumol with Cambridge cash balances, reversing the cash-income ratio and withdrawal-cost mechanisms.

KEYWORDS: friedman quantity theory | marshall cash balance | baumol inventory model | tobin portfolio theory

07

GROWTH AND DEVELOPMENT ECONOMICS

Models of Economic Growth: Harrod-Domar, Solow, Robinson and Kaldor

Difficulty: Medium | June 2026 · Paper II · Q57

Which of the following assumption is NOT similar in Harrod and Domar Model?

A. Both models are based on Keynesian investment equality as condition of steady growth

B. The knife edge equilibrium is necessary in both the models

C. Both accept income rise $Y = S/C_r$

D. Both Models are based on the principle of Accelerator

EXPLANATION

Correct answer: D — Both Models are based on the principle of Accelerator

Harrod uses accelerator reasoning: planned investment is related to the increase in output required to maintain a desired capital–output ratio. Domar instead compares investment's two effects: extra investment increases demand through the multiplier, while investment itself adds productive capacity. Thus attributing the same accelerator mechanism to both models is the incorrect comparison.

Both connect saving and investment to steady growth. With consistent notation, their balanced-growth conditions can be expressed as $g = s/v$, where s is the saving ratio and v the required capital–output ratio. Similar growth conditions do not imply identical behavioural mechanisms.

The source's option C does not define its symbols adequately. The intended common growth relation is the saving ratio divided by a capital–output ratio; that interpretation supports D as the model-comparison answer, but does not make the printed income equation a generally valid identity.

Why the other choices do not work

- **A:** Saving must finance investment along the maintained steady-growth path in both models; this is their shared Keynesian foundation.
- **B:** Both require demand growth to remain consistent with expanding capacity; departures create the familiar knife-edge growth problem.
- **C:** The source notation is underspecified. Under the intended saving-ratio/capital–output-ratio interpretation it refers to the shared growth condition, but it should not be memorised as a universal income identity.

KEYWORDS: harrod domar model | knife edge equilibrium | accelerator principle | saving investment equality

08

STATISTICS AND ECONOMETRICS

Descriptive Statistics - Measures of Central Tendency and Dispersion, Correlation, Index Numbers

Difficulty: Medium | June 2026 · Paper II · Q58

Match List-I with List-II

List - I	List - II
A. Area under Normal Curve above mean	I. $\beta_1 = 0$
B. Square of Standard Deviation	II. 50%
C. Symmetric Distribution	III. $\frac{\sigma}{X} \times 100$
D. Coefficient Of Variation	IV. Variance

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

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

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

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

EXPLANATION

Correct answer: A — A-II, B-IV, C-I, D-III

A symmetric normal curve has 50% of its area above the mean; variance is σ^2, the square of standard deviation; a symmetric distribution has zero third-moment skewness, represented by $\beta_1 = 0$; and $CV = (\sigma/\bar{X}) \times 100$.

Why the other choices do not work

- **B:** Coefficient Of Variation is paired with Variance, but it belongs with $\frac{\sigma}{X} \times 100$ (III).
- **C:** Symmetric Distribution is paired with Variance, but it belongs with $\beta_1 = 0$ (I).
- **D:** Coefficient Of Variation is paired with $\beta_1 = 0$, but it belongs with $\frac{\sigma}{X} \times 100$ (III).

Takeaway: Normal-area, variance, symmetry and coefficient-of-variation definitions fix the four matches.

KEYWORDS: normal distribution | variance | skewness beta 1 | coefficient of variation

09

INDIAN ECONOMY

Reforms in Land, Labour and Capital Markets

Difficulty: Medium | June 2026 · Paper II · Q59

Which of the following have contributed to the expansion of the gig economy in India?

A. Growth of online businesses B. Preference for flexible or work-from-home arrangements C. Demand for project-specific consultants D. Increase in regular organized-sector employment

A. A, B and C only

B. C and D only

C. B only

D. A and D only

EXPLANATION

Correct answer: A — A, B and C only

The gig economy expands when work is mediated through online businesses and digital platforms, when workers and firms prefer flexible or remote arrangements, and when organisations demand project-specific consultants or task-based services. These make statements A, B and C correct. Statement D is not a direct or defining gig-economy driver in this classification: regular organised employment describes a different employment relationship. Its growth can nevertheless coexist with, or indirectly support demand for, gig work. Flexibility or working remotely alone does not make a regular employee a gig worker.

Why the other choices do not work

- **B:** This combination omits online intermediation and flexible contracting. Regular employment is not the direct gig-work mechanism asked for, although indirect links are possible.
- **C:** Flexible or work-from-home arrangements do support gig work, but online-platform growth and demand for project-specific consultants are independent drivers as well, so B alone is incomplete.
- **D:** It pairs the valid platform-business factor with regular organised employment, but misses the flexible contracting and project-specific demand emphasized by the question.

Takeaway: Gig work grows through digital platforms, flexibility and project-based contracting.

KEYWORDS: india gig economy | online platform business | flexible work arrangements | project specific consulting | nonstandard employment

10

MICRO ECONOMICS

Theory of Production and Costs

Difficulty: Medium | June 2026 · Paper II · Q60

Which one of the following is NOT true about the product line?

A. The product line, passes through the origin if all factors are variable

B. If only one factor is variable, the product line is a straight line parallel to the axis of the variable factor

C. When K is constant then K/L ratio diminishes along the product line

D. The product line has downward slope from left to right

EXPLANATION

Practice-key note: Koutsoyiannis Modern Microeconomics second edition p78 defines product lines as technically possible output-expansion paths independent of factor prices. Its examples start at the origin when both inputs vary and are parallel to the variable-input axis with one fixed. For fixed K, increasing L reduces K/L. D is not a general property.

Correct answer: D — The product line has downward slope from left to right

The question uses the product-line convention in Koutsoyiannis's production analysis: a path showing technically possible expansion from one output isoquant to another, drawn independently of input prices. It is not necessarily the firm's cost-minimizing expansion path. In the textbook's all-variable-input construction the path begins at the origin. With capital fixed and labour increasing, it is horizontal, parallel to the labour axis, and K/L falls.

Thus a downward slope is not a general property of a product line, making D the intended exclusion. A downward-sloping input path is not automatically an isoquant either: it stays on one isoquant only when output remains constant. Geometry alone does not establish that condition.

Why the other choices do not work

- **A:** The all-variable-input path in the cited construction begins from the origin, so it is not the intended false property.
- **B:** Keeping one coordinate fixed leaves a straight path parallel to the axis of the changing input.
- **C:** For fixed positive capital, adding labour increases the denominator and lowers the capital–labour ratio.

Takeaway: Distinguish a technical output-expansion path from a constant-output contour and from an economically chosen least-cost path.

KEYWORDS: product line | isoquant | variable factors | capital labour ratio

11

INDIAN ECONOMY

Economic Growth in India: Pattern and Structure

Difficulty: Medium | June 2026 · Paper II · Q61

Which of the following statements are true?

A. The Fiscal Responsibility and Budget Management Act relates to foreign trade. B. Make in India was launched to promote manufacturing in India. C. Start-up India and Stand-up India seek to strengthen the ecosystem for entrepreneurship, innovation, and sustainable economic growth. D. Pradhan Mantri Kisan Samman Nidhi provides income support of ₹6,000 per year to eligible farmer families.

A. B, C and D only

B. A, B and C only

C. A and C only

D. C and D only

EXPLANATION

Correct answer: A — B, C and D only

Statement A is false because the Fiscal Responsibility and Budget Management Act concerns fiscal discipline, deficit management and budgetary responsibility; it is not a foreign-trade law. Statement B is true because Make in India was launched to promote manufacturing and investment in India. Statement C is true: Start-up India supports the start-up and innovation ecosystem, while Stand-up India facilitates bank credit for greenfield enterprises promoted by SC/ST and women entrepreneurs. Statement D is true because PM-KISAN provides income support of ₹6,000 per year to eligible farmer families.

Why the other choices do not work

- **B:** FRBM governs fiscal discipline rather than foreign trade, and the option also loses the valid PM-KISAN income-support statement.
- **C:** The same fiscal-versus-trade confusion remains, while Make in India and PM-KISAN are both wrongly excluded.
- **D:** Make in India is correctly associated with promoting domestic manufacturing and investment, so a combination limited to C and D is incomplete.

Takeaway: FRBM is fiscal, not trade; the other three programme descriptions are correct.

KEYWORDS: frbm fiscal discipline | make in india | startup india | standup india | pm kisan income support

12

INTERNATIONAL ECONOMICS

Theories of International Trade

Difficulty: Easy | June 2026 · Paper II · Q62

The Comparative Cost Advantage theory of International Trade was propounded by :

A. J.S. Mill

B. Adam Smith

C. Heckscher Ohlin

D. David Ricardo

EXPLANATION

Correct answer: D — David Ricardo

David Ricardo formulated comparative advantage in terms of relative labour costs. Adam Smith emphasized absolute advantage; J. S. Mill developed reciprocal demand; and Heckscher–Ohlin explained trade through factor endowments.

Why the other choices do not work

- **A:** Mill is associated with reciprocal demand and the determination of international values.
- **B:** Smith's trade principle is absolute advantage.
- **C:** Heckscher and Ohlin explain trade from relative factor abundance.

Takeaway: Comparative cost advantage is Ricardo's theory.

KEYWORDS: comparative advantage | david ricardo | relative cost | classical trade theory

13

MICRO ECONOMICS

Theory of Consumer Behaviour

Difficulty: Easy | June 2026 · Paper II · Q63

Indifference curves are generally not used to explain which of the following?

A. Explaining changes in tastes and preferences

B. Explaining the effects Of taxes, transfer payment and subsidies

C. Explaining the theory of Index Number

D. Explaining the Business Cycles

EXPLANATION

Correct answer: D — Explaining the Business Cycles

Indifference-curve analysis is used to study consumer choice, tax/subsidy effects and cost-of-living or index-number questions. Business-cycle fluctuations are an aggregate macroeconomic phenomenon, not a standard application of indifference curves.

Why the other choices do not work

- **A:** Changes in preferences can be represented by changes in the consumer's indifference map.
- **B:** Taxes, transfers and subsidies shift the budget constraint and can be analysed with indifference curves.
- **C:** True cost-of-living and index-number comparisons use indifference-curve reasoning.

Takeaway: Indifference curves are tools of consumer choice, not business-cycle theory.

KEYWORDS: indifference curve | consumer choice | tax and subsidy effects | index numbers

14 PUBLIC ECONOMICS

Public Budget and Budget Multiplier

Difficulty: Easy | June 2026 · Paper II · Q64

Gender Budget explains that :

A. A separate budget for female

B. Gender discrimination budget

C. A technique for gender empowerment

D. A separate budget from union budget

Choose the correct answer from the options given below.

A. A and B Only

B. C Only

C. C and D Only

D. B and C Only

EXPLANATION

Correct answer: B — C Only

Gender budgeting examines how public revenue and expenditure affect women and men and uses the ordinary budget process to advance gender equality. It is neither a separate women-only budget nor a discriminatory allocation exercise. Statement C alone captures its purpose.

- **Statement A is incorrect:** Gender budgeting does not create an autonomous budget exclusively for women.
- **Statement B is incorrect:** Its purpose is to identify and reduce gender disadvantage, not create discriminatory allocations.
- **Statement C is correct:** It uses fiscal policy and expenditure analysis to promote gender equality and empowerment.
- **Statement D is incorrect:** Gender-budget statements are integrated with the government's regular budget process.

Why the other choices do not work

- **A:** Both A and B misdescribe the exercise as a separate or discriminatory budget, while omitting its equality objective.
- **C:** It includes the correct statement C but adds D, which wrongly places gender budgeting outside the regular budget.
- **D:** It includes C but also B, which reverses the purpose of gender-responsive budgeting.

Takeaway: Gender budgeting integrates a gender lens into the regular budget to support empowerment and equality.

KEYWORDS: gender budgeting | gender responsive budget | women empowerment | public expenditure analysis

15

STATISTICS AND ECONOMETRICS

Linear Regression Models and Their Properties - BLUE

Difficulty: Medium | June 2026 · Paper II · Q65

Arrange the following steps of Econometric Methodology (first to last) :

A. Statement of Theory

B. Obtaining the data

C. Hypothesis testing

D. Specification of statistical/econometric Model

E. Specification of Mathematical Model

A. A,D,E,C,B

B. B,A,C,E,D

C. B,C,A,E,D

D. A,E,D,B,C

EXPLANATION

Correct answer: D — A,E,D,B,C

Econometric work begins with a theory, translates it into a mathematical model, specifies an estimable statistical/econometric model, obtains data, and then tests the hypotheses. The sequence is A, E, D, B, C.

Why the other choices do not work

- **A:** The mathematical relationship is specified before a stochastic disturbance is added to make an econometric model. This sequence also puts hypothesis testing before obtaining data.
- **B:** The prescribed workflow begins with theory and model specification; starting with data and then moving directly to hypothesis testing reverses those preparatory steps.
- **C:** A test needs a specified statistical model and data. Here hypothesis testing appears before either the mathematical or econometric model has been formulated.

Takeaway: Theory → mathematical model → econometric model → data → hypothesis testing.

KEYWORDS: econometric methodology | model specification | data collection | hypothesis testing

16
PUBLIC ECONOMICS
Public Expenditure

Difficulty: Hard | June 2026 · Paper II · Q66

Match List-I with List-II

List - I	List - II
A. Optimal Income Taxation	I. Dalton
B. Maximum Social Welfare Theory	II. A. P. Lerner
C. Functional Finance	III. Peter Pyhrr
D. Zero Based Budget	IV. F. Ramsey

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

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

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

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

EXPLANATION

Practice-key note: C is the intended association by the other three matches. Ramsey's result concerns commodity taxation; the source label "Optimal Income Taxation" is inaccurate.

Correct answer: C — A-IV, B-I, C-II, D-III

The best-fit matching code is C. Dalton–I, Lerner–II and Pyhrr–III determine it, but the remaining label needs care: the source says "Optimal Income Taxation", whereas Ramsey is associated with optimal commodity taxation.

Frank Ramsey's optimal commodity-tax analysis asks how to raise revenue while limiting the welfare loss from distortionary taxes. Hugh Dalton's maximum social advantage principle compares the marginal social benefit of public spending with the marginal social sacrifice of taxation. Abba Lerner's functional finance evaluates fiscal policy by its effects on employment and stability. Peter Pyhrr's zero-based budgeting requires activities and expenditure to be justified afresh rather than simply extending last year's budget. These associations produce A-IV, B-I, C-II and D-III.

Ramsey's commodity-tax problem should be distinguished from James Mirrlees's optimal income-tax analysis, which explicitly addresses incentives and information about earning ability.

Why the other choices do not work

- **A:** Allocates functional finance to Ramsey, although Lerner is the author associated with judging budgets by their macroeconomic effects.
- **B:** Assigns zero-based budgeting to Ramsey, confusing tax-design theory with Pyhrr's expenditure-justification method.
- **D:** Interchanges Dalton and Lerner: maximum social advantage concerns marginal fiscal benefits and sacrifices, while functional finance centres on employment and stability.

KEYWORDS: ramsey optimal taxation | dalton maximum social advantage | lerner functional finance | pyhrr zero based budgeting

17

INDIAN ECONOMY

Poverty, Inequality and Unemployment

Difficulty: Medium | June 2026 · Paper II · Q67

In the Census classification used to calculate work participation, main and marginal workers are counted. Marginal workers are those who worked for which duration during the reference year?

A. Less than 9 months

B. Less than 6 months

C. Less than 3 months

D. Less than 2 months

EXPLANATION

Correct answer: B — Less than 6 months

In the Census worker classification, a marginal worker worked for less than six months during the reference year; a main worker worked for six months or more. Work-participation calculations use both groups.

Why the other choices do not work

- **A:** Less than nine months is not the Census threshold separating main and marginal work.
- **C:** Three months is too restrictive; the category covers work below six months.
- **D:** Two months is likewise not the official dividing line.

Takeaway: Marginal workers have worked for less than six months in the reference year.

KEYWORDS: marginal workers | main workers | work participation rate | census worker classification

18

INDIAN ECONOMY

Foreign Trade: Structure and Direction, BOP, Flow of Foreign Capital and Trade Policies

Difficulty: Hard | June 2026 · Paper II · Q68

Arrange the following Acts from latest to earliest by year of enactment.

A. Monopolies and Restrictive Trade Practices Act B. Foreign Exchange Regulation Act C. Foreign Exchange Management Act D. Competition Act

A. A, C, B, D

B. A, B, C, D

C. D, B, C, A

D. D, C, B, A

EXPLANATION

Correct answer: D — D, C, B, A

The question asks for the Acts from latest to earliest. The Competition Act, 2002 is the latest: despite the year in its short title, it received presidential assent on 13 January 2003. The Foreign Exchange Management Act came earlier in 1999, replacing the older foreign-exchange-control framework. The Foreign Exchange Regulation Act dates to 1973. The Monopolies and Restrictive Trade Practices Act is the oldest of the four, from 1969. Thus the correct order is D, C, B, A.

Why the other choices do not work

- **A:** It begins with the oldest Act, MRTP.
- **B:** This sequence begins with the 1969 MRTP Act and then moves through FERA 1973, FEMA 1999 and Competition Act 2002, exactly reversing the requested latest-to-earliest direction.
- **C:** After correctly starting with the Competition Act 2002, it puts FERA 1973 ahead of the newer FEMA 1999 even though FEMA replaced the earlier foreign-exchange regime.

Takeaway: The Competition Act (assent in 2003) is later than FEMA 1999, FERA 1973 and MRTP 1969.

KEYWORDS: economic legislation chronology | competition act 2002 | foreign exchange management act 1999 | foreign exchange regulation act 1973 | mrtp act 1969

19

MACRO ECONOMICS

Consumption Function

Difficulty: Hard | June 2026 · Paper II · Q69

Match List-I with List-II

List - I	List - II
A. Life Cycle Hypothesis	I. Milton Friedman
B. Drift Theory	II. Franco Modigliani
C. Ratchet Effect	III. Arthur Smithies and Tobin
D. Permanent Income Hypothesis	IV. Duesenberry

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

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

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

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

EXPLANATION

Correct answer: C — A-II, B-III, C-IV, D-I

Franco Modigliani's life-cycle hypothesis relates consumption to lifetime resources, allowing saving during working life and dissaving in retirement. The Smithies–Tobin drift account explains shifts in the short-run consumption function that help reconcile short-run and long-run consumption patterns. James Duesenberry's ratchet effect means consumption does not fall proportionately when income retreats from a previously attained peak. Milton Friedman's permanent-income hypothesis separates expected sustainable income from transitory receipts. Consequently the associations are A-II, B-III, C-IV and D-I.

Why the other choices do not work

- **A:** Gives the life-cycle account to Friedman; smoothing over a life history and distinguishing permanent from transitory income are related but separately attributed theories.
- **B:** Assigns the drift account to Modigliani, whose characteristic mechanism is consumption planning over the working and retirement phases of life.
- **D:** Swaps the permanent-income and ratchet explanations: Friedman separates income components, while Duesenberry emphasises resistance to reducing established consumption.

KEYWORDS: life cycle hypothesis | drift hypothesis | ratchet effect | permanent income hypothesis

20

STATISTICS AND ECONOMETRICS

Descriptive Statistics - Measures of Central Tendency and Dispersion, Correlation, Index Numbers

Difficulty: Hard | June 2026 · Paper II · Q70

If Mode is 11, Mean 8, the difference of the two Quartiles is 8 and the sum of the two Quartiles is 22, then the Coefficient of Skewness will :be

A. + 0.5

B. - 0.5

C. + 0.25

D. - 0.25

Choose the correct answer from the options given below.

A. A and B only

B. A Only

C. B and C Only

D. C Only

EXPLANATION

Practice-key note: B uses the empirical mode–median–mean approximation, which is not an identity for arbitrary distributions.

Correct answer: B — A Only

Use the customary empirical approximation $Mode \approx 3Median - 2Mean$. Substitution gives $11 \approx 3Median - 16$, so the estimated median is 9. Bowley's quartile coefficient then equals $\frac{Q_3+Q_1-2Median}{Q_3-Q_1} = \frac{22-18}{8} = 0.5$.

The positive sign follows because the median lies below the midpoint of the two quartiles. Only statement A gives this value. The mode–median–mean relation is an approximation for suitable distributions, not an identity that determines every distribution's median.

Why the other choices do not work

- **A:** Combines the positive result with -0.5, even though the numerator is 4 and the quartile difference is positive.
- **C:** Includes -0.5 and +0.25; neither equals the ratio of the numerator 4 to the denominator 8.
- **D:** Selects +0.25, which would require dividing the numerator 4 by 16 instead of the supplied quartile difference 8.

KEYWORDS: bowley skewness | mean median mode relation | quartiles | coefficient of skewness

21

MACRO ECONOMICS

Demand for Money

Difficulty: Medium | June 2026 · Paper II · Q71

Which of the following is not true about the superiority of Baumol's Inventory Theoretical approach over Keynes approach?

A. Baumol analyses the transaction demand for real balances thereby emphasizes the absence of money illusion

B. It integrate the transaction demand for money with the capital approach by taking assets and their interest and non interest costs into account

C. It has dichotomy between transaction and speculative demand for money

D. It has the merit of demonstrating the interest elasticity of the transactions demand for money

EXPLANATION

Correct answer: C — It has dichotomy between transaction and speculative demand for money

Baumol treats transactions balances as an inventory choice, uses real balances, introduces the opportunity cost of interest-bearing assets and derives interest elasticity. Retaining a rigid transactions/speculative dichotomy is a limitation of the older Keynesian presentation, not an advantage of Baumol's approach.

Why the other choices do not work

- **A:** Working with real balances is a genuine improvement because it excludes money illusion.
- **B:** The inventory model explicitly compares money with interest-bearing assets and their transaction costs.
- **D:** Its square-root solution demonstrates that transactions balances respond to the interest rate.

Takeaway: Baumol makes transactions demand interest-sensitive through an inventory-theoretic asset choice.

KEYWORDS: baumol inventory model | transactions demand for money | interest elasticity | real balances

22

MACRO ECONOMICS

Inflation and Phillips Curve Analysis

Difficulty: Medium | June 2026 · Paper II · Q72

Which of the following is NOT a cause for Structural Inflation?

A. Wage Increase

B. Import Substitution

C. Nature of Tax System

D. Export Promotion

EXPLANATION

Practice-key note: Best-fit D under the broad structuralist interpretation explained below; official NTA key unverified.

Correct answer: D — Export Promotion

Best fit under the broad structuralist interpretation explained below; this is not an official-key claim.

Structural inflation links persistent price pressure to bottlenecks that prevent supply and institutions from adjusting to development. Examples include food shortages, limited foreign-exchange earnings and an inelastic tax base.

Export promotion can earn the foreign exchange needed to import scarce food, machinery and intermediate inputs. In this comparison, it is best understood as a way to ease the external constraint. That makes D the best fit among the four choices.

Why the other choices do not work under this interpretation

- **A:** Wage increases can propagate inflation when pay rises faster than productivity, particularly when wage gains spread from high-productivity to slower-productivity sectors. This is a transmission mechanism within a broad structuralist account, even though a wage increase by itself is usually classified as cost-push inflation.
- **B:** Import substitution can create price pressure when protected domestic industries have high costs and still require scarce imported inputs. Rising industrial incomes can also increase demand faster than food and other supplies expand.
- **C:** A narrow or inelastic tax base and weak collection can leave development spending dependent on monetary deficit financing. The tax system can therefore contribute to structural inflation.

Exam distinction: The comparison includes both underlying bottlenecks and mechanisms that transmit their effects. Export promotion is the best-fit remedy in that comparison; this is not a claim that every export expansion must lower domestic prices.

KEYWORDS: structural inflation | foreign exchange bottleneck | export promotion | import substitution | tax system inelasticity

23

STATISTICS AND ECONOMETRICS

Linear Regression Models and Their Properties - BLUE

Difficulty: Medium | June 2026 · Paper II · Q73

Appropriate statistics to examine goodness of fit of a two variable regression model is :

A. F- statistic

B. t -statistic

C. Chi square - statistic

D. z- statistic

Choose the correct answer from the options given below.

A. A, B and D Only

B. B and C Only

C. A and C Only

D. A and B Only

EXPLANATION

Correct answer: D — A and B Only

For simple linear regression with an intercept, the overall F test asks whether the single slope is zero. The two-sided t test of that slope asks the same question; under the classical normal-error assumptions, $F = t^2$ with numerator degrees of freedom equal to one. Thus the relevant statistics are A and B.

These are tests of statistical significance. Goodness of fit is usually summarised by R^2, the proportion of sample variation explained. A large sample can make a small explanatory effect statistically significant, so significance must not be confused with a close fit.

Why the other choices do not work

- **A:** Adds a z test, whereas the finite-sample normal-error regression with estimated error variance uses a t distribution for its slope statistic.
- **B:** Includes chi-square and leaves out the overall F test; chi-square goodness-of-fit testing is a different procedure from this regression significance comparison.
- **C:** Pairs F with chi-square instead of the slope t test, losing the one-regressor equivalence between the two regression tests.

KEYWORDS: f test | t test | simple linear regression | overall significance

24

MICRO ECONOMICS

Market Structures, Competitive and Non-Competitive Equilibria and Their Efficiency Properties

Difficulty: Easy | June 2026 · Paper II · Q74

If $AR = 15 - Q$, then the value of marginal revenue will be:

A. $-20Q$

B. $15Q$

C. $15 - 2Q$

D. $-20/Q$

EXPLANATION

Correct answer: C — $15 - 2Q$

If average revenue is $AR = P = 15 - Q$, total revenue is $TR = PQ = 15Q - Q^2$. Differentiating gives $MR = 15 - 2Q$.

Why the other choices do not work

- **A:** $-20Q$ has neither the intercept nor slope obtained from differentiating total revenue.
- **B:** $15Q$ is part of total revenue, not marginal revenue.
- **D:** No reciprocal term arises from the quadratic total-revenue function.

Takeaway: Convert average revenue to total revenue before differentiating for marginal revenue.

KEYWORDS: average revenue | total revenue | marginal revenue | linear demand

25

STATISTICS AND ECONOMETRICS

Statistical Inferences and Hypothesis Testing

Difficulty: Easy | June 2026 · Paper II · Q75

Arrange the following steps in the process of hypothesis testing :

A. Select the level of significance

B. Draw conclusion

C. Set up Null and Alternate Hypothesis

D. Select Test Statistics

A. C,A,D,B

B. C,A,B,D

C. C,B,A,D

D. A,B,C,D

EXPLANATION

Correct answer: A — C,A,D,B

A hypothesis test begins by stating the null and alternative, then choosing the significance level, selecting/computing the test statistic and decision rule, and finally drawing the conclusion. This gives C, A, D, B.

Why the other choices do not work

- **B:** It places conclusion ahead of test statistic, although test statistic must come first.
- **C:** It places conclusion ahead of significance level, although significance level must come first.
- **D:** It draws a conclusion before the hypotheses are stated and before a test statistic is selected. A decision cannot precede the question being tested and the evidence used to test it.

Takeaway: State hypotheses → choose significance → select the test statistic → conclude.

KEYWORDS: hypothesis testing steps | null hypothesis | significance level | test statistic | statistical decision

26

PUBLIC ECONOMICS

Public Revenue: Tax and Non-Tax Revenue, Direct and Indirect Taxes, Progressive and Non-Progressive Taxation, Incidence and Effects of Taxation

Difficulty: Easy | June 2026 · Paper II · Q76

When product tax is imposed as a percentage of price it is referred as?

A. Unit Tax

B. Ad Valorem Tax

C. Profit Tax

D. Specific Tax

EXPLANATION

Correct answer: B — Ad Valorem Tax

An ad valorem tax is assessed as a percentage of the product's value or price. A specific or unit tax instead imposes a fixed amount per physical unit.

Why the other choices do not work

- **A:** A unit tax is a fixed monetary amount per unit, not a percentage of price.
- **C:** Profit tax is levied on profit or income rather than on a product's selling price.
- **D:** Specific tax is another name for a fixed per-unit levy.

Takeaway: Percentage-of-price taxation is ad valorem; fixed-per-unit taxation is specific.

KEYWORDS: ad valorem tax | specific tax | commodity tax | tax base

27 MONEY AND BANKING

Components of Money Supply

Difficulty: Easy | June 2026 · Paper II · Q77

High Powered Money consists of :

A. Currency held by the public

B. Required reserves of commercial banks

C. Excess reserve of commercial banks

D. Currency held by foreigners

Choose the correct answer from the options given below.

A. A, B and C Only

B. B, C and D Only

C. C and D Only

D. A and D Only

EXPLANATION

Correct answer: A — A, B and C Only

High-powered money, or the monetary base, comprises currency outside the banking system and commercial-bank reserves. Total bank reserves include vault cash and balances held at the central bank, subject to the monetary-statistical definitions in use. Required and excess reserves divide that reserve component according to whether balances are needed to meet the minimum requirement. The components listed in A, B and C therefore form the usual textbook decomposition.

Foreign ownership is not a fourth kind of base money. Domestic notes held abroad remain issued domestic currency; counting them again as a separate component would double-count currency already included in the relevant total.

Why the other choices do not work

- **B:** Replaces the public-currency component with a separate foreign-owner category; ownership does not substitute for the currency-versus-reserves distinction.
- **C:** Omits required reserves as well as ordinary public currency, so it cannot represent the monetary base.
- **D:** Leaves out bank reserves altogether and classifies currency twice by the identity of its holder.

KEYWORDS: high powered money | currency with public | required reserves | excess reserves | monetary base

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MICRO ECONOMICS

Market Structures, Competitive and Non-Competitive Equilibria and Their Efficiency Properties

Difficulty: Hard | June 2026 · Paper II · Q78

Match List-I with List-II

List - I	List - II
A. Uncertainty Theory	I. Cournot
B. Duopoly Model	II. Paul Sweezy
C. Edgeworth Diagram used for the first time	III. Pareto
D. Kinked Demand Curve Hypothesis	IV. Von Neumann and Morgenstern

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

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

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

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

EXPLANATION

Correct answer: B — A-IV, B-I, C-III, D-II

John von Neumann and Oskar Morgenstern developed expected-utility analysis of choices under risk in their work on games and economic behaviour. Augustin Cournot's duopoly model studies firms choosing quantities while taking the rival's quantity as given. Vilfredo Pareto is associated with the familiar box form used to analyse exchange, developing the earlier work of Francis Edgeworth. Paul Sweezy's kinked-demand hypothesis explains price rigidity through asymmetric expectations about rivals' responses. These associations yield A-IV, B-I, C-III and D-II.

The historical label “uncertainty theory” is broad: expected utility in this association concerns risky outcomes with specified probabilities.

Why the other choices do not work

- **A:** Attributes the risk-choice framework to Cournot, whose relevant contribution is strategic quantity choice in duopoly.
- **C:** Assigns the exchange-box diagram to Sweezy, confusing a general-equilibrium exchange device with an oligopoly price-rigidity hypothesis.
- **D:** Makes Sweezy the duopoly-model author; Cournot’s quantity competition is distinct from Sweezy’s kinked demand.

KEYWORDS: von neumann morgenstern | cournot duopoly | edgeworth box | pareto | sweezy kinked demand

29

INTERNATIONAL ECONOMICS

Theories of International Trade

Difficulty: Hard | June 2026 · Paper II · Q79

Arrange the following International Trade theories in order of development (earliest to latest) :

A. Factor Endowment Theory

B. Comparative Cost Advantage Theory

C. Haberler Theory of Opportunity Cost

D. Absolute Cost Advantage Theory

A. D,A,C,B

B. B,A,D,C

C. D,B,C,A

D. B,A,C,D

EXPLANATION

Correct answer: C — D,B,C,A

Adam Smith's absolute-advantage argument appeared in 1776, followed by David Ricardo's comparative-cost account in 1817. Gottfried Haberler expressed comparative advantage using opportunity costs in 1930. Dating factor-endowment theory to Bertil Ohlin's 1933 book gives D, B, C, A, so C is the intended answer under that convention.

Heckscher's contribution appeared in 1919, before Haberler's. If “development” means the earliest factor-endowment formulation, the ordering would instead be D, B, A, C, which is absent. The source does not specify the milestone; retain the Ohlin convention when using the proposed exam answer.

Why the other choices do not work

- **A:** Puts Ricardo after both twentieth-century trade contributions, although his comparative-cost account appeared in 1817.
- **B:** Places Smith after Ricardo and Ohlin; the absolute-advantage argument is the earliest milestone in this list.
- **D:** Ends with Smith’s eighteenth-century contribution, reversing its chronological position relative to all three later developments.

KEYWORDS: absolute advantage | comparative advantage | haberler opportunity cost | heckscher ohlin theory

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INDIAN ECONOMY

Centre-State Financial Relations and Finance Commissions of India; FRBM

Difficulty: Hard | June 2026 · Paper II · Q80

Arrange the following Finance Commission chairpersons from earliest to latest appointment.

A. Arvind Panagariya B. K. C. Neogy C. K. Brahmananda Reddy D. N. K. P. Salve

A. B, C, D, A

B. B, C, A, D

C. D, B, C, A

D. D, C, A, B

EXPLANATION

Correct answer: A — B, C, D, A

K. C. Neogy is the earliest because he chaired the First Finance Commission. K. Brahmananda Reddy comes next as chair of the Sixth Finance Commission. N. K. P. Salve chaired the Ninth Finance Commission. Arvind Panagariya is much later, as chair of the Sixteenth Finance Commission. Thus the appointment order from earliest to latest is B, C, D, A.

The sequence runs through the Sixteenth Finance Commission appointment made in December 2023.

Why the other choices do not work

- **B:** It places Panagariya before Salve.
- **C:** It starts with Salve instead of Neogy.
- **D:** It also starts with Salve and incorrectly places Neogy last.

Takeaway: First-Neogy, Sixth-Reddy, Ninth-Salve, Sixteenth-Panagariya.

KEYWORDS: finance commission chairpersons | kc neogy | k brahmananda reddy | nkp salve | arvind panagariya

31

GROWTH AND DEVELOPMENT ECONOMICS

Models of Economic Growth: Harrod-Domar, Solow, Robinson and Kaldor

Difficulty: Medium | June 2026 · Paper II · Q81

Who is the profounder of the following proposition of the growth model?

1. The capital formation depends on the income distribution.
2. The rate at which labour is utilized depends upon the supply of capital and that of labour.

A. Mrs. Joan Robinson

B. Schultz

C. Robert M. Solow

D. L L Pasinetti

EXPLANATION

Correct answer: A — Mrs. Joan Robinson

Joan Robinson's accumulation model makes capital formation depend on income distribution because profits have a higher saving propensity, and employment/labour utilization depends on the relation between capital accumulation and labour supply.

Why the other choices do not work

- **B:** Schultz is associated with human capital and agricultural development, not these accumulation propositions.
- **C:** Solow's model emphasizes factor substitution and exogenous technical progress rather than this distribution mechanism.
- **D:** Pasinetti refined distribution-and-growth theory, but the two quoted propositions describe Robinson's model.

Takeaway: Distribution, accumulation and labour utilization are central propositions of Joan Robinson's growth model.

KEYWORDS: joan robinson growth model | capital accumulation | income distribution | labour utilisation

32

MACRO ECONOMICS

IS-LM Model Approach

Difficulty: Medium | June 2026 · Paper II · Q82

If Investment-Saving (IS) curve is less elastic, then:

A. Monetary policy will be less effective

B. Monetary policy will be more effective

C. Taxation policy will be less effective

D. Taxation policy will be more effective

EXPLANATION

Correct answer: A — Monetary policy will be less effective

In the usual IS–LM diagram, a less elastic IS curve is steeper: planned spending responds only weakly to a change in the interest rate. A monetary expansion can still shift LM and lower the rate, but the small spending response produces only a limited increase in equilibrium output. Monetary policy is therefore less effective.

The question does not provide enough information to infer the effectiveness of taxation policy from the IS slope alone. That effect also depends on why the curve has this slope and on parameters such as the expenditure multiplier.

Why the other choices do not work

- **B:** Greater monetary effectiveness requires a flatter IS curve, where interest-sensitive spending converts a rate change into a larger output response.
- **C:** A claim about taxation cannot be derived solely from the stated IS elasticity.
- **D:** The same identification problem applies; a steeper IS curve by itself does not establish the size of a tax-policy multiplier.

Takeaway: A steeper IS curve weakens the output response to a monetary-policy-induced change in the interest rate.

KEYWORDS: is curve elasticity | monetary policy effectiveness | is lm model | steep is curve

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ENVIRONMENTAL ECONOMICS AND DEMOGRAPHY

Theories of Population

Difficulty: Hard | June 2026 · Paper II · Q83

Match List-I with List-II

List - I	List - II
A. Michael Thomas Sadler	I. Population Density
B. Henry George	II. Labour Wage Link
C. D. Ricardo	III. Higher Protein intake reduces Fecundity
D. Castro	IV. Human Tendency to provide subsistence for the increased number of people

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

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

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

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

EXPLANATION

Correct answer: D — A-I, B-IV, C-II, D-III

Michael Thomas Sadler proposed an inverse association between population density and fecundity. Henry George argued that social and productive development could enlarge subsistence as population increased. David Ricardo connected labour supply and wages to subsistence conditions. Josué de Castro advanced a nutritional account linking higher protein intake with lower fecundity. Accordingly Sadler matches density, George the subsistence response, Ricardo the wage link, and de Castro the protein hypothesis: A-I, B-IV, C-II and D-III.

These are historical population doctrines. In particular, the nutritional claim should be learned as de Castro's hypothesis, not as a universally established biological law.

Why the other choices do not work

- **A:** Gives the protein hypothesis to Henry George rather than de Castro; George's argument concerns productive capacity and subsistence.
- **B:** Assigns density to Ricardo, replacing his wage-and-subsistence mechanism with Sadler's proposed density relationship.
- **C:** Links Ricardo to George's subsistence-expansion argument and assigns density to de Castro, confusing both pairs of historical accounts.

KEYWORDS: sadler population theory | henry george population | ricardian wages | josue de castro fecundity

34

MONEY AND BANKING

Central Bank

Difficulty: Medium | June 2026 · Paper II · Q84

Which of the followings are the parts of Foreign Exchange Reserve in India?

A. Foreign Currency Asset

B. Gold

C. Foreign Currency and Securities held by Cooperative Banks and bodies

D. Foreign Currency held by Commercial Banks

A. A and B Only

B. B and C Only

C. C and D Only

D. A and D Only

EXPLANATION

Correct answer: A — A and B Only

India's official foreign-exchange reserves comprise foreign currency assets, monetary gold, Special Drawing Rights (SDRs), and the reserve-tranche position in the International Monetary Fund (IMF). The item lists the first two of these as A and B. Foreign currency owned by commercial banks or cooperative institutions remains on those institutions' balance sheets and is not automatically part of the reserves held and reported by RBI.

Why the other choices do not work

- **B:** It correctly includes monetary gold but replaces RBI's foreign currency assets with currency and securities owned by cooperative institutions.
- **C:** Both components in this pair belong to banks or cooperative bodies rather than to RBI's official reserve portfolio.
- **D:** Foreign currency assets belong in the total, but commercial banks' own holdings do not; this pair also leaves out monetary gold.

Takeaway: Classify a reserve asset by who holds it: RBI's foreign currency assets and gold are official reserves, while bank-owned foreign currency is not.

KEYWORDS: india foreign exchange reserves | foreign currency assets | monetary gold | reserve bank of india

35

GROWTH AND DEVELOPMENT ECONOMICS

Theories of Economic Development: Adam Smith, Ricardo, Marx, Schumpeter, Rostow, Balanced and Unbalanced Growth, Big Push Approach

Difficulty: Medium | June 2026 · Paper II · Q85

Which of the following statement is/are true?

A. Schumpeter's development theory is based on three economic factors like circular flow, innovation and crises

B. The doctrine of Balanced Growth requires balance in Demand, Supply and Sectorial Balance

C. The actual growth rate in Harrod Model is determined by two factors that is saving-income ratio and capital-output ratio

D. Big Push approach is given by Ricardo

A. A, B, C, D

B. B, C and D Only

C. A, B and C Only

D. D only

EXPLANATION

Correct answer: C — A, B and C Only

Schumpeter describes innovation as disrupting an economy's circular flow and producing development and cyclical disturbance. Balanced-growth theory advocates coordinated expansion across complementary sectors, so their supplies and demands support one another. In Harrod's accounting relation, actual growth is $g = s/v_a$, with s the saving ratio and v_a the actual incremental capital–output ratio. These establish A, B and C.

The Big Push belongs to Paul Rosenstein-Rodan. It argues that coordinated investment can overcome indivisibilities and demand complementarities; it is not Ricardo's theory.

Why the other choices do not work

- **A:** Includes the attribution of the Big Push to Ricardo, although the coordination argument is Rosenstein-Rodan's contribution.
- **B:** Retains that incorrect Big Push attribution and drops Schumpeter's valid link between innovation and cyclical development.
- **D:** Selects only the Ricardo attribution, excluding the three correctly described growth and development propositions.

KEYWORDS: schumpeter development | balanced growth | harrod actual growth | rosenstein rodan big push

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MACRO ECONOMICS

Multiplier and Accelerator

Difficulty: Easy | June 2026 · Paper II · Q86

What is the formula of Super Multiplier?

A. $K = \frac{1}{1-MPC-MPI}$

B. $K = \frac{1}{1-MPC+MPI}$

C. $K = \frac{1}{1-MPC-MEC}$

D. $K = \frac{1}{1-MPC+MEC}$

EXPLANATION

Correct answer: A — $K = \frac{1}{1-MPC-MPI}$

The marginal propensity to consume (MPC) is the extra consumption generated by an additional unit of income. The marginal propensity to invest (MPI) similarly measures induced investment. In the simple expenditure relation $Y = A_0 + (MPC + MPI)Y$, solving for income gives the super multiplier $K = 1/(1 - MPC - MPI)$.

Both spending responses reinforce the initial autonomous expenditure change. A finite positive multiplier requires $MPC + MPI < 1$ in this formulation. The marginal efficiency of capital (MEC), by contrast, concerns the expected return on investment; it is not the induced-spending coefficient used here.

Why the other choices do not work

- **B:** Adding MPI in the denominator treats induced investment as a leakage, although additional investment expenditure reinforces demand.
- **C:** Substitutes the marginal efficiency of capital for the marginal propensity to invest; a return measure cannot take the place of this income-response coefficient.
- **D:** Both uses the wrong investment concept and assigns it a leakage sign, contradicting the expenditure feedback in the model.

KEYWORDS: super multiplier | marginal propensity to consume | marginal propensity to invest | induced investment

37

ENVIRONMENTAL ECONOMICS AND DEMOGRAPHY

Coase Theorem

Difficulty: Medium | June 2026 · Paper II · Q87

Key assumptions of Coase theorem are :

A. Zero transaction costs and two agents to each bargain

B. Competitive market for legal entitlements and perfect knowledge about utility function

C. profit-maximizing producers and expected utility maximizing consumers

D. No wealth effects

Choose the correct answer from the options given below.

A. A, B, C, D

B. A, B and C Only

C. C and D Only

D. D only

EXPLANATION

Practice-key note: A reflects the strong textbook allocation-invariance formulation. The listed two-agent and competitive-market conditions are not universal requirements of every Coase theorem formulation.

Correct answer: A — A, B, C, D

The strong, allocation-invariance version of the Coase result requires costless bargaining over well-defined transferable rights, adequate information, and participants who can reach mutually beneficial agreements. With no wealth effects on valuations, reallocating the initial entitlement changes payments but not the efficient resource allocation. Option A includes the full list intended by this strong textbook formulation; the two-agent and competitive-entitlement-market wording describes that particular idealisation.

Efficiency and invariance are different claims. Bargaining can reach an efficient outcome even when wealth effects make the particular efficient allocation depend on who initially owns the right. Neither exactly two participants nor a competitive market in rights is a universal prerequisite of every version of the theorem.

Why the other choices do not work

- **B:** Drops the absence of wealth effects, which is needed here to keep the resource allocation independent of the initial ownership of rights.
- **C:** Leaves out transaction-cost and information conditions; optimising behaviour alone does not remove barriers to reaching a mutually beneficial bargain.
- **D:** Retains only the wealth-effects condition, although high bargaining costs or unclear rights can still prevent an efficient agreement.

KEYWORDS: coase theorem assumptions | zero transaction costs | legal entitlements | perfect information | no wealth effects

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STATISTICS AND ECONOMETRICS

Simultaneous Equation Models - Recursive and Non-Recursive

Difficulty: Hard | June 2026 · Paper II · Q88

In a Simultaneous equation model the OLS can be applied if :

A. It is a recursive Model

B. Order condition is satisfied

C. Rank condition is satisfied

D. Both order and rank conditions are satisfied

EXPLANATION

Correct answer: A — It is a recursive Model

Equation-by-equation ordinary least squares (OLS) can be consistent in a recursive system: the equations have a triangular ordering, the predetermined variables are exogenous, and disturbances in different equations are contemporaneously uncorrelated. An endogenous variable determined by an earlier equation can then enter a later equation without carrying a component of the later disturbance.

Triangular structure alone is insufficient. If the earlier and later disturbances are correlated, the earlier endogenous variable may be correlated with the later error, violating the OLS exogeneity condition. Identification asks whether structural parameters can be recovered; it does not establish that OLS recovers them consistently.

Why the other choices do not work

- **B:** The order condition counts excluded variables and provides a necessary identification check, but says nothing sufficient about regressor–error orthogonality.
- **C:** The rank condition establishes identification under the model, yet identified simultaneous equations can still have endogenous regressors that invalidate OLS.
- **D:** Satisfying both identification conditions does not eliminate simultaneity bias; an appropriate estimator may still be required.

KEYWORDS: recursive model | simultaneous equations | ols consistency | identification conditions

39

INDIAN ECONOMY

Rural Development - Issues, Challenges and Policy Responses

Difficulty: Easy | June 2026 · Paper II · Q89

In which year was the National Food Security Act enacted by Parliament?

A. 2010

B. 2011

C. 2012

D. 2013

EXPLANATION

Correct answer: D — 2013

The National Food Security Act was enacted by Parliament in 2013. India Code lists it as Act No. 20 of 2013, with the enactment date in September 2013. Therefore 2013 is the correct year.

Why the other choices do not work

- **A:** The parliamentary enactment is Act No. 20 of 2013, so 2010 predates the law by three years.
- **B:** Policy discussion and food-security proposals preceded the statute, but Parliament did not enact the National Food Security Act in 2011.
- **C:** The measure became the National Food Security Act in September 2013, not during the preceding calendar year.

Takeaway: NFSA = Act 20 of 2013.

KEYWORDS national food security act | nfsa 2013 | food security legislation

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INTERNATIONAL ECONOMICS

GATT, WTO and Regional Trade Blocks; Trade Policy Issues

Difficulty: Hard | June 2026 · Paper II · Q90

Match each organization or agreement in List I with its founding or signing year in List II.

List I	List II
A. OECD	I. 1961
B. ASEAN	II. 1985
C. SAARC	III. 1967
D. NAFTA	IV. 1992

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

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

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

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

EXPLANATION

Correct answer: A — A-I, B-III, C-II, D-IV

The Organisation for Economic Co-operation and Development (OECD) began in 1961 as a forum for economic-policy cooperation. The Association of Southeast Asian Nations (ASEAN) was founded in 1967 for regional cooperation. The South Asian Association for Regional Cooperation (SAARC) was established in 1985. The North American Free Trade Agreement (NAFTA) was signed in 1992 to establish a regional free-trade framework; it entered into force in 1994. Because the question asks for founding or signing, its NAFTA date is 1992. These milestones imply A-I, B-III, C-II and D-IV.

Why the other choices do not work

- **B:** Dates OECD to 1985 and NAFTA to 1961, transferring later South Asian and earlier OECD milestones to the wrong institutions.
- **C:** Places ASEAN in 1961 and SAARC in 1992, confusing their founding years with OECD's commencement and NAFTA's signing.
- **D:** Swaps OECD's 1961 beginning with SAARC's 1985 establishment while leaving the other two dates unchanged.

KEYWORDS: international organization chronology | oecd 1961 | asean 1967 | saarc 1985 | nafta 1992

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MATHEMATICAL ECONOMICS

Differential Calculus and Its Applications

Difficulty: Medium | June 2026 · Paper II · Q91

What will be the third derivative of the following rational function?

$Y = g(x) = \frac{x}{1+x}; (x \neq -1)$

A. $-2(1+x)^{-3}$

B. $6(1+x)^{-4}$

C. $-24(1+x)^{-5}$

D. $(1+x)^{-2}$

EXPLANATION

Correct answer: B — $6(1+x)^{-4}$

Rewrite $x/(1+x) = 1-(1+x)^{-1}$. Its derivatives are $(1+x)^{-2}$, $-2(1+x)^{-3}$ and $6(1+x)^{-4}$, so the third derivative is option B.

Why the other choices do not work

- **A:** $-2(1+x)^{-3}$ is the second derivative, so choosing it stops one differentiation before the requested third derivative.
- **C:** $-24(1+x)^{-5}$ is the fourth derivative, so it differentiates once beyond the requested order.
- **D:** $(1+x)^{-2}$ is only the first derivative, leaving two required differentiations undone.

Takeaway: Rewrite the rational function before differentiating successively.

KEYWORDS: third derivative | rational function | power rule | successive differentiation

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MACRO ECONOMICS

Business Cycles

Difficulty: Hard | June 2026 · Paper II · Q92

Arrange the Trade Cycle Theory from earlier to latest :

A. Hicksian Theory

B. Samuelson Model

C. Goodwin Model

D. Cobweb Theory

A. A,C,B,D

B. A,B,C,D

C. D,A,B,C

D. D,B,A,C

EXPLANATION

Correct answer: D — D,B,A,C

The cobweb formulation predates Samuelson's 1939 multiplier–accelerator model. Hicks published *A Contribution to the Theory of the Trade Cycle* in 1950, and Goodwin's nonlinear accelerator model followed in 1951. The sequence is D, B, A, C.

Why the other choices do not work

- **A:** Cobweb models were developed in the early 1930s; placing them after Samuelson's 1939 model reverses that chronology.
- **B:** Hicks's 1950 book cannot precede either the early-1930s cobweb formulation or Samuelson's 1939 contribution.
- **C:** Samuelson's multiplier–accelerator model dates to 1939, eleven years before Hicks's book.

Takeaway: Cobweb → Samuelson → Hicks → Goodwin.

KEYWORDS: cobweb theorem | samuelson trade cycle | hicks trade cycle | goodwin cycle model

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STATISTICS AND ECONOMETRICS

Statistical Inferences and Hypothesis Testing

Difficulty: Easy | June 2026 · Paper II · Q93

In the test-statistics, "P" value is known as :

A. Exact probability of committing a Type I Error

B. Exact probability of committing a Type II Error

C. The lowest significance level at which Hypothesis can be rejected

D. The lowest significance level at which Null hypothesis can be accepted

EXPLANATION

Correct answer: C — The lowest significance level at which Hypothesis can be rejected

A p-value is the smallest significance level at which the observed test result would lead to rejection of the null hypothesis. Equivalently, it is the probability under the null of obtaining a result at least as extreme as the observed one—not the probability that a Type I error actually occurred.

Why the other choices do not work

- **A:** The Type I error rate is the chosen α before observing data; the p-value is not that error probability.
- **B:** A p-value does not measure the probability of a Type II error.
- **D:** It identifies the rejection threshold, not a lowest level for accepting the null.

Takeaway: Reject H_0 at levels α for which $p \leq \alpha$.

KEYWORDS: p value | significance level | null hypothesis | hypothesis rejection

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MICRO ECONOMICS

Game Theory - Non-Cooperative Games

Difficulty: Hard | June 2026 · Paper II · Q94

Match List-I with List-II

List - I	List - II
A. Nash Equilibrium	I. 1952
B. Cournot Model	II. 1897
C. Edgeworth Solution	III. 1981
D. Stackleberg Model	IV. 1838

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

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

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

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

EXPLANATION

Practice-key note: The published image repeats 1952 and 1981. Replacing them with Stackelberg 1934 and Nash 1951 was an editorial correction, not recovery of an ingestion error; no option correctly matches the printed dates.

Most likely intended answer: A — A-III, B-IV, C-II, D-I

The printed dates contain errors; A is the most likely intended mapping, not a fully correct answer as printed. Cournot's quantity-competition model dates to 1838, so B-IV is correct. Edgeworth's cited duopoly contribution dates to 1897, so C-II is correct. Only option A preserves both of these associations.

The other two milestones are Stackelberg's leader–follower model in 1934 and Nash's fuller *Non-Cooperative Games* treatment in 1951, following his equilibrium-existence result in 1950. The source instead provides I = 1952 and III = 1981. If those entries are corrected to I = 1934 and III = 1951, the complete mapping becomes A-III, B-IV, C-II, D-I.

Learn the corrected historical dates. Elimination helps infer the intended response code; it does not make 1952 or 1981 valid dates for these contributions.

Why the other choices are less suitable

- **B:** Keeps Cournot–1838 but loses Edgeworth–1897, so it preserves fewer independently valid associations than A.
- **C:** Assigns nineteenth-century Edgeworth and Cournot contributions to 1952 and 1981, and gives Stackelberg the Cournot date.
- **D:** Keeps Edgeworth–1897 but assigns Nash to 1838 and Cournot to 1981; A preserves both sound nineteenth-century matches.

KEYWORDS: nash equilibrium history | cournot model | edgeworth duopoly | stackelberg model

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PUBLIC ECONOMICS

Public Budget and Budget Multiplier

Difficulty: Medium | June 2026 · Paper II · Q95

Capital receipts of the Union Government do NOT include the following items :

A. Tax Revenue

B. Non Tax Revenue

C. Debts

D. Small Savings

E. Interest Payment

Which of the above items are excluded from capital receipts? Choose the correct answer from the options given below.

A. A, B and E Only

B. C and E Only

C. A, C, D and E Only

D. B and E Only

EXPLANATION

Correct answer: A — A, B and E Only

Capital receipts include borrowings or debt and small-savings collections, along with other capital inflows. Tax revenue and non-tax revenue belong to the revenue account, while interest payment is revenue expenditure rather than a receipt. A, B and E are therefore the items that do not form part of capital receipts.

- **Statement A is correct:** Tax revenue is a revenue receipt.
- **Statement B is correct:** Non-tax revenue is also a revenue receipt.
- **Statement C is incorrect:** Government debt or borrowing is a capital receipt.
- **Statement D is incorrect:** Small-savings collections are treated as capital receipts.
- **Statement E is correct:** Interest payment is revenue expenditure, not a receipt.

Why the other choices do not work

- **B:** Debt is a capital receipt and therefore should not be selected, whereas tax and non-tax revenue are both omitted.
- **C:** It correctly selects tax revenue and interest payment, but wrongly adds debt and small savings and omits non-tax revenue.
- **D:** It correctly identifies non-tax revenue and interest payment but misses tax revenue, another revenue-account item.

Takeaway: Borrowing and small savings are capital receipts; taxes, non-tax income and interest payment are not.

KEYWORDS: capital receipts | revenue receipts | government borrowing | small savings | interest payments

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MACRO ECONOMICS

National Income: Concepts and Measurement

Difficulty: Easy | June 2026 · Paper II · Q96

In the estimation of National Income in India following economic activities are included :

A. Agriculture and Allied Activities

B. Mining

C. Registered Manufacturing

D. Unregistered Manufacturing

Choose the correct answer from the options given below.

A. B, C and D only

B. A, B, C and D

C. A and B Only

D. A, C and D only

EXPLANATION

Correct answer: B — A, B, C and D

All four activities lie within the production boundary used for national-income estimation. Agriculture and allied activities and mining are included as primary-sector production. Registered manufacturing is measured through formal-sector sources, while unregistered manufacturing is estimated through surveys, benchmarks, and related methods rather than excluded merely because firms are informal.

Why the other choices do not work

- **A:** This combination omits agriculture and allied activities, a major component of domestic production.
- **C:** It excludes both registered and unregistered manufacturing even though formal and informal industrial output are included.
- **D:** It leaves out mining, which is part of measured domestic production.

Takeaway: National-income estimation covers all four listed activities, including unregistered manufacturing.

KEYWORDS: national income estimation india | agriculture | mining | registered manufacturing | unregistered manufacturing

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MICRO ECONOMICS

Factor Pricing

Difficulty: Hard | June 2026 · Paper II · Q97

Match List-I with List-II

List - I	List - II
A. Full Cost Pricing Theory	I. A. W. Flux
B. Limit Pricing Theory	II. Clark and Wicksteed
C. Marginal Productivity Theory	III. Hall and Hitch
D. Product Exhaustion Theorem	IV. Joe S. Bain

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

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

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

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

EXPLANATION

Correct answer: A — A-III, B-IV, C-II, D-I

Hall and Hitch's full-cost principle describes pricing by adding a margin to estimated costs. Joe Bain's limit-pricing analysis concerns keeping price low enough to deter entry. John Bates Clark and Philip Wicksteed developed marginal-productivity accounts of factor remuneration. A. W. Flux's contribution to product exhaustion used Euler's theorem: with a differentiable constant-returns production function and competitive marginal-product payments, payments to factors exhaust output. Thus the associations are A-III, B-IV, C-II and D-I.

Product exhaustion requires its returns-to-scale and payment assumptions; it is not a claim that every firm under every market structure distributes output in this way.

Why the other choices do not work

- **B:** Assigns marginal-productivity theory to Flux and limit pricing to Clark and Wicksteed, confusing factor remuneration with entry deterrence.
- **C:** Places factor-productivity distribution with Hall and Hitch, whose full-cost pricing concerns how firms set product prices.
- **D:** Gives full-cost pricing to Bain, exchanging cost-plus pricing with a price chosen to discourage potential competitors.

KEYWORDS: hall hitch full cost | bain limit pricing | clark wicksteed marginal productivity | product exhaustion theorem

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GROWTH AND DEVELOPMENT ECONOMICS

Theories of Economic Development: Adam Smith, Ricardo, Marx, Schumpeter, Rostow, Balanced and Unbalanced Growth, Big Push Approach

Difficulty: Medium | June 2026 · Paper II · Q98

As per Arthur Lewis Model, reinvestment of surplus income over wage results into :

A. Increase in production

B. Increase in Labour productivity

C. Increase in Employment

D. Price Increase

Choose the correct answer from the options given below.

A. A, B and D Only

B. A, C and D only

C. B, c and D Only

D. A, B and C Only

EXPLANATION

Correct answer: D — A, B and C Only

In Lewis's surplus-labour model, capitalist profits are reinvested in productive capacity, expanding modern-sector output and employment. Workers move from low-productivity subsistence activities into more productive employment, so economy-wide labour productivity can rise through reallocation. That is distinct from assuming that capital per worker must rise: capital and employment can expand together without capital deepening.

During the surplus-labour phase, the maintained elastic labour supply limits pressure on the institutional wage. A general price increase is not a necessary consequence of this accumulation mechanism. The supported results are increased output, employment and aggregate productivity.

Why the other choices do not work

- **A:** Adds price inflation and omits employment expansion, although drawing labour into the expanding capitalist sector is central to Lewis's mechanism.
- **B:** Includes an automatic price increase while leaving out productivity gains from shifting workers to more productive activities.
- **C:** Omits the output expansion financed by reinvested surplus and adds inflation, which is not an inevitable result of the model.

KEYWORDS: lewis dual sector model | surplus reinvestment | capital accumulation | employment expansion | labour productivity

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MICRO ECONOMICS

Factor Pricing

Difficulty: Easy | June 2026 · Paper II · Q99

The payment to an input which is in fixed supply in the short run is called?

A. Economic Rent

B. Quasi Rent

C. Normal Rent

D. Location Rent

EXPLANATION

Correct answer: B — Quasi Rent

Quasi-rent is the short-run return to a produced factor whose supply cannot adjust immediately. For a firm operating an existing plant, total revenue less total variable cost contributes towards fixed costs and any economic profit; it is the plant's quasi-rent. Entry or additional capacity can erode this temporary scarcity return over time.

Economic rent has the broader definition of payment above transfer earnings, the minimum needed to retain a factor in its current use. Perfectly inelastic supply can make all earnings rent, but permanent fixed supply is not required for some economic rent to exist.

Why the other choices do not work

- **A:** Economic rent measures earnings above opportunity cost generally; quasi-rent is the more specific term for the temporary return to short-run fixed produced capacity.
- **C:** Normal rent does not identify the short-run surplus over variable costs earned by temporarily fixed plant.
- **D:** Location rent concerns advantages of a site, such as accessibility, rather than temporary inability to expand a produced input.

KEYWORDS: quasi rent | fixed factor | short run supply | economic rent

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MICRO ECONOMICS

Market Structures, Competitive and Non-Competitive Equilibria and Their Efficiency Properties

Difficulty: Easy | June 2026 · Paper II · Q100

According to Hall and Hitch the behaviour of Kinked Demand Curve in the context of price in Oligopolistic market is :

A. Determination of the price and output in oligopolistic market

B. Rigidity of the price in oligopolistic market

C. Rigidity in quantity

D. Price and quantity flexibility

EXPLANATION

Correct answer: B — Rigidity of the price in oligopolistic market

Hall and Hitch used the kinked-demand idea to explain why oligopoly prices remain rigid: firms expect rivals to match price cuts but not price increases, producing a discontinuity in marginal revenue around the prevailing price.

Why the other choices do not work

- **A:** The model takes the prevailing price as given and explains its stability rather than its original determination.
- **C:** The central prediction concerns sticky price, not rigid physical output.
- **D:** The asymmetric rival response makes price less flexible, not generally flexible.

Takeaway: The kink explains price rigidity, not the initial determination of price and output.

KEYWORDS: hall and hitch | kinked demand | oligopoly price rigidity | conjectural reactions

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MACRO ECONOMICS
Business Cycles

Difficulty: Hard | June 2026 · Paper II · Q101

Match List-I with List-II

List - I	List - II
A. Cobweb Theorem	I. Schultz
B. Over Investment Theory	II. Pigou
C. Multiplier-Accelerator Theory of Business Cycle	III. Hayek
D. Psychological Theory	IV. Samuelson

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

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

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

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

EXPLANATION

Correct answer: B — A-I, B-III, C-IV, D-II

Henry Schultz is one of the early contributors associated with the cobweb account, in which production responds to past prices and supply arrives with a lag. Friedrich Hayek's monetary over-investment theory links credit conditions to an unsustainable pattern of investment. Paul Samuelson models the interaction of the consumption multiplier with induced investment through the accelerator. A. C. Pigou emphasises waves of optimism and pessimism in business expectations. Therefore cobweb–Schultz, over-investment–Hayek, multiplier–accelerator–Samuelson and psychological theory–Pigou give A-I, B-III, C-IV and D-II.

Why the other choices do not work

- **A:** Pairs cobweb with Samuelson, confusing a lagged supply-price adjustment mechanism with aggregate multiplier–accelerator interaction.
- **C:** Assigns the multiplier–accelerator model to Pigou, whose listed association is the psychological account based on business expectations.
- **D:** Gives cobweb to Pigou and multiplier–accelerator interaction to Schultz, mixing the expectation, lagged-supply and aggregate-demand mechanisms.

KEYWORDS: cobweb theorem | hayek overinvestment | samuelson multiplier accelerator | pigou psychological theory

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MICRO ECONOMICS

Market Structures, Competitive and Non-Competitive Equilibria and Their Efficiency Properties

Difficulty: Medium | June 2026 · Paper II · Q102

Chamberlin's Solution to the oligopoly problem is similar to the whose one provided by ?

A. Augustin Cournot

B. Paul M Sweegy

C. V. Stackelberg

D. Ira Horowitz

EXPLANATION

Practice-key note: A is the best-fit comparison of model frameworks. Chamberlin and Cournot generally predict different equilibrium outputs; “similar” must not be read as identical solutions.

Correct answer: A — Augustin Cournot

A — Augustin Cournot is the best-fit model comparison. The word “similar” concerns the underlying duopoly framework, not equality of predicted equilibrium outcomes.

Chamberlin begins from the homogeneous-product duopoly setting associated with Augustin Cournot, but changes how firms perceive their interaction. Cournot's firms choose quantities while taking the other's output as given. Chamberlin allows them to recognise mutual dependence and anticipate that aggressive expansion can reduce both firms' profits.

This distinction matters for the outcome. Cournot's non-cooperative quantity equilibrium generally differs from Chamberlin's joint-profit or monopoly-like outcome. The relationship is between the starting frameworks, not an assertion that the two models always produce the same price and output.

Why the other choices do not work

- **B:** Paul Sweezy’s kinked-demand hypothesis focuses on asymmetric reactions to price changes and price rigidity; it is not the duopoly framework Chamberlin modifies here.
- **C:** Stackelberg introduces an explicit leader and follower in sequential quantity choice, whereas Chamberlin’s comparison starts with the Cournot setting.
- **D:** The specified starting point is the familiar Cournot homogeneous-product duopoly; an attribution to Ira Horowitz does not identify that model.

KEYWORDS: chamberlin oligopoly | cournot duopoly | mutual interdependence | joint profit maximisation

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GROWTH AND DEVELOPMENT ECONOMICS

Models of Economic Growth: Harrod-Domar, Solow, Robinson and Kaldor

Difficulty: Medium | June 2026 · Paper II · Q103

The Harrod model of economic growth has following assumptions :

A. Diminishing Return to Scale

B. The level of ex-ante aggregate saving is a constant proportion of aggregate income

C. The overall effect of Technical Progress is neutral

D. The Capital-output and Labor-output ratio are flexible

Choose the correct answer from the options given below.

A. A and B Only

B. C and D Only

C. B and C Only

D. A, B, C and D

EXPLANATION

Correct answer: C — B and C Only

Harrod's standard formulation takes planned saving as a fixed share of income and uses a fixed required capital–output coefficient. The neutral-technical-progress assumption in this comparison preserves the relevant growth relationships. Thus B and C apply; flexible input-output coefficients are not part of this fixed-coefficient formulation.

Returns to scale and factor substitution are different properties. A constant-returns Leontief production function has fixed input proportions, yet doubling both inputs doubles output. It is therefore incorrect to infer diminishing returns to scale merely from the absence of substitution.

Why the other choices do not work

- **A:** Adds diminishing returns to scale, which does not describe the maintained constant-returns fixed-coefficient growth specification.
- **B:** Combines neutral technical progress with flexible input-output ratios, contradicting the required fixed capital coefficient.
- **D:** Includes both diminishing returns to scale and flexible ratios, neither of which belongs to the specified Harrod formulation.

KEYWORDS: harrod growth model | saving income ratio | neutral technical progress | fixed capital output ratio

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STATISTICS AND ECONOMETRICS

Linear Regression Models and Their Properties - BLUE

Difficulty: Medium | June 2026 · Paper II · Q104

Match List-I with List-II

List - I	List - II
A. Cronbach Test	I. Reliability of data
B. Goldfeld Quandt Test	II. Heteroscedasticity
C. F-Test	III. Stationary of a Series
D. Augmented Dickey-Fuller Test	IV. Overall Significance of Regression

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

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

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

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

EXPLANATION

Correct answer: B — A-I, B-II, C-IV, D-III

Cronbach's alpha summarises the internal consistency of a multi-item scale; reliability is its relevant association. Goldfeld–Quandt compares regression error variances across ordered subsamples to detect heteroskedasticity. The overall F test assesses whether the regression's slope coefficients are jointly zero. The augmented Dickey–Fuller (ADF) procedure tests a unit-root null against a stationary alternative, with the deterministic terms specified as part of the test. These give A-I, B-II, C-IV and D-III.

Failure to reject an ADF unit-root null is not proof of stationarity. Test direction matters as much as remembering the test's name.

Why the other choices do not work

- **A:** Assigns stationarity testing to Cronbach's alpha, confusing scale consistency across items with time-series persistence.
- **C:** Matches the F test with reliability instead of joint regression significance, and sends Goldfeld–Quandt to stationarity instead of variance instability.
- **D:** Associates Cronbach with regression significance and F with scale reliability, exchanging two different diagnostic purposes.

KEYWORDS: cronbach alpha | goldfeld quandt test | f test | augmented dickey fuller test

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INDIAN ECONOMY

Rural Development - Issues, Challenges and Policy Responses

Difficulty: Medium | June 2026 · Paper II · Q105

Arrange the following schemes according to year of initiation (earliest to latest) :

A. Community Development Programme

B. Integrated Rural Development Programme

C. Jawahar Rojgar Yojna

D. Mahatma Gandhi National Rural Employment Guarantee Act

A. A,D,B,C

B. A,C,B,D

C. A,B,C,D

D. A,B,D,C

EXPLANATION

Correct answer: C — A,B,C,D

The Community Development Programme started in 1952. IRDP followed in selected blocks during 1978–79, with nationwide expansion on 2 October 1980. Jawahar Rozgar Yojana began in 1989, while the employment-guarantee Act was enacted in 2005. Using either IRDP's initial phase or its national rollout leaves the required order unchanged: A, B, C, D.

Why the other choices do not work

- **A:** The 2005 employment-guarantee legislation cannot come before IRDP, which was already operating more than two decades earlier.
- **B:** Jawahar Rozgar Yojana's 1989 launch followed IRDP's expansion; placing JRY first reverses that sequence.
- **D:** The Act of 2005 belongs after JRY, not between IRDP and JRY.

Takeaway: Distinguish IRDP's limited 1978–79 start from its national expansion in 1980; both precede JRY and the employment-guarantee law.

KEYWORDS: community development programme | integrated rural development programme | jawahar rozgar yojana | mgnrega

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MONEY AND BANKING

Commercial Banking

Difficulty: Hard | June 2026 · Paper II · Q106

Arrange the following banking-sector reform committees or working groups in chronological order.

A. Verma Committee B. Raghuram Rajan Committee C. P. J. Nayak Committee D. S. H. Khan Working Group

A. A, B, C, D

B. A, D, B, C

C. A, D, C, B

D. D, A, B, C

EXPLANATION

Correct answer: D — D, A, B, C

The S. H. Khan Working Group was constituted in December 1997 and submitted its final report in May 1998. The M. S. Verma Working Group on weak public-sector banks reported in 1999. The Raghuram Rajan Committee reported in 2008, and the P. J. Nayak Committee on governance of bank boards reported in 2014. The chronological order is therefore D, A, B, C.

Why the other choices do not work

- **A:** It begins with Verma's 1999 report and postpones Khan's 1998 report until after both Rajan and Nayak.
- **B:** It also places Verma before Khan, reversing the first two bodies even though it correctly keeps Rajan before Nayak.
- **C:** It places Verma's 1999 report before Khan's 1998 report and Nayak's 2014 report before Rajan's 2008 report.

Takeaway: By report year, the sequence is Khan 1998 → Verma 1999 → Rajan 2008 → Nayak 2014.

KEYWORDS: banking reform committees | rh khan working group | verma committee | raghuram rajan committee | pj nayak committee

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GROWTH AND DEVELOPMENT ECONOMICS

Economic Growth and Economic Development

Difficulty: Hard | June 2026 · Paper II · Q107

Arrange the following books according to year of publication (Latest to earlier) :

A. Theory of Moral Sentiments

B. The Principles of Political Economy & Taxation

C. Value and Capital

D. General Theory of Employment, Interest and Money

A. D,B,A,C

B. D,B,C,A

C. C,A,D,B

D. C,D,B,A

EXPLANATION

Correct answer: D — C,D,B,A

From latest to earliest: Hicks's *Value and Capital* appeared in 1939, Keynes's *General Theory* in 1936, Ricardo's *Principles* in 1817, and Smith's *Theory of Moral Sentiments* in 1759. This is C, D, B, A.

Why the other choices do not work

- **A:** Keynes's 1936 book is older than Hicks's 1939 book. In a latest-first ordering, placing Hicks last reverses its position.
- **B:** Ricardo's 1817 book cannot precede Hicks's 1939 book in a latest-first sequence; Keynes's 1936 book also belongs after Hicks.
- **C:** Smith's 1759 book is the oldest of the four, so it belongs last rather than between Hicks and Keynes.

Takeaway: Value and Capital → General Theory → Ricardo's Principles → Moral Sentiments.

KEYWORDS: value and capital | general theory | ricardo principles | theory of moral sentiments

58 INTERNATIONAL ECONOMICS

GATT, WTO and Regional Trade Blocks; Trade Policy Issues

Difficulty: Easy | June 2026 · Paper II · Q108

Match List-I with List-II

List-I	List-II
A. Kennedy Round	I. 1964-1967
B. Tokyo Round	II. 1995
C. GATT Round	III. 1973-1979
D. WTO Round	IV. 1948

Choose the correct answer from the options given below:

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

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

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

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

EXPLANATION

Correct answer: B — A-I, B-III, C-IV, D-II

The Kennedy Round ran from **1964 to 1967**, covering tariffs and anti-dumping measures. The Tokyo Round followed in **1973–1979**, extending negotiations to non-tariff barriers alongside tariff reductions.

The **General Agreement on Tariffs and Trade (GATT)** provided multilateral trade rules and began provisional operation in **1948**. The **World Trade Organization (WTO)**, the organisation administering the multilateral trading system, was established on **1 January 1995**. These associations give A-I, B-III, C-IV and D-II.

Why the other choices do not work

- **A:** Assigns 1995 to GATT and 1948 to WTO, reversing the earlier trade agreement and the later organisation.
- **C:** Places the Kennedy Round in 1948 and the Tokyo Round in 1995; both negotiations occurred between those institutional milestones.
- **D:** Gives the Kennedy Round the Tokyo Round's 1973–1979 dates, and puts the Tokyo Round in 1948, before either negotiation took place.

Remember: GATT was signed in **1947**; **1948** marks its provisional operation. GATT and WTO are not themselves named negotiating rounds: their dates here refer to institutional commencement.

KEYWORDS: kennedy round | tokyo round | gatt 1948 | wto 1995 | trade negotiation history

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MATHEMATICAL ECONOMICS

Linear Algebra - Matrices and Vector Spaces

Difficulty: Easy | June 2026 · Paper II · Q109

Given A $= \begin{bmatrix} \begin{bmatrix} 1 & 3 \\ 2 & 8 \\ 4 & 0 \end{bmatrix} \end{bmatrix}$ and B $= \begin{bmatrix} \begin{bmatrix} 5 \\ 9 \end{bmatrix} \end{bmatrix}$; then A×B will be;

A. $\begin{bmatrix} \begin{bmatrix} 32 \\ 82 \\ 20 \end{bmatrix} \end{bmatrix}$

B. $\begin{bmatrix} \begin{bmatrix} 42 \\ 80 \\ 24 \end{bmatrix} \end{bmatrix}$

C. $\begin{bmatrix} \begin{bmatrix} 32 \\ 82 \\ 10 \end{bmatrix} \end{bmatrix}$

D. $\begin{bmatrix} \begin{bmatrix} 82 \\ 32 \\ 44 \end{bmatrix} \end{bmatrix}$

EXPLANATION

Correct answer: A — $\begin{bmatrix} \begin{bmatrix} 32 \\ 82 \\ 20 \end{bmatrix} \end{bmatrix}$

A 3×2 matrix multiplied by a 2×1 vector produces a 3×1 vector. Each output entry is the dot product of one row with the entire input vector:

$1(5) + 3(9) = 32$, $2(5) + 8(9) = 82$, and $4(5) + 0(9) = 20$.

Hence $AB = [32, 82, 20]^T$. Row order is preserved, and the zero in the last row removes only the contribution from the vector's second entry, not the first product.

Why the other choices do not work

- **B:** The first row gives 32, not 42; the second gives 82, not 80; the third gives 20, not 24. None of its entries is the required row dot product.
- **C:** The last row contributes 4 times 5 plus zero times 9, so its final entry must be 20 rather than 10.
- **D:** The first two entries are reversed, and its final 44 cannot come from the third row's single nonzero product, 4 times 5.

KEYWORDS: matrix multiplication | matrix vector product | row dot product

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MACRO ECONOMICS

Demand for Money

Difficulty: Easy | June 2026 · Paper II · Q110

Which of the following proposition of demand for money in Keynesian has a distinct break with classical theory of demand for money?

A. Transaction purpose for demand for money

B. Precautionary purpose for demand for money

C. Speculative demand for money

D. Fiat demand for money

EXPLANATION

Correct answer: C — Speculative demand for money

Keynes's distinctive break with the classical transactions approach was speculative demand for money: agents choose between money and bonds according to interest-rate expectations. Transactions and precautionary balances extend familiar functions, while 'fiat demand' is not the Keynesian motive.

Why the other choices do not work

- **A:** Transactions demand was already compatible with classical quantity/cash-balance reasoning.
- **B:** Precautionary balances are an additional motive but not the decisive theoretical break.
- **D:** Fiat demand is not one of Keynes's three liquidity-preference motives.

Takeaway: Speculative money demand makes portfolio choice and interest expectations central.

KEYWORDS: keynesian money demand | speculative motive | liquidity preference | bond price expectations

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MACRO ECONOMICS

Determination of Output and Employment: Classical and Keynesian Approach

Difficulty: Easy | June 2026 · Paper II · Q111

Which of the following statement relates to Classical Theory of Employment?

A. Money wages and real wages are indirectly related

B. The Ratchet Effect relates to Keynes

C. Money wages and real wages are directly related and proportional

D. The concept of Transition income relates to relative income hypothesis

EXPLANATION

Practice-key note: C is defensible for the wage comparison at a fixed price level. It is not an unconditional claim about the outcome of a monetary expansion.

Correct answer: C — Money wages and real wages are directly related and proportional

The real wage is the nominal or money wage divided by the price level: $w = W/P$. At a fixed positive price level, a given percentage increase in W produces the same percentage increase in w. The direct proportional relationship therefore holds if the price level is held fixed. The source does not state that condition, so C is the intended conditional answer, not an unconditional classical proposition.

This is distinct from classical monetary neutrality. If money wages and prices both rise in the same proportion, the real wage stays unchanged. Holding prices fixed for a comparison must not be confused with assuming that prices remain fixed after a monetary expansion.

Why the other choices do not work

- **A:** With the denominator fixed, increasing the money wage increases rather than decreases purchasing power per unit of labour.
- **B:** The ratchet effect concerns consumption relative to previously attained income and is associated with Duesenberry, not this wage relationship.
- **D:** Transitory income is part of Friedman's permanent-income account; the relative-income hypothesis is a different consumption theory.

KEYWORDS: classical employment theory | money wage | real wage | labour market clearing

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MICRO ECONOMICS

Efficiency Criteria: Pareto-Optimality, Kaldor-Hicks and Wealth Maximization

Difficulty: Hard | June 2026 · Paper II · Q112

Arrange the following Criteria of Social Welfare from latest to earliest :

A. Pareto Optimality Criterion

B. Bergson Criterion

C. Kaldor - Hicks Compensation Criterion

D. Bentham Criterion

A. C,B,A,D

B. B,C,A,D

C. A,C,B,D

D. B,D,C,A

EXPLANATION

Correct answer: A — C,B,A,D

The requested latest-to-earliest order is Kaldor–Hicks, Bergson, Pareto and Bentham. The Kaldor–Hicks compensation criterion dates to 1939, Bergson's social-welfare formulation to 1938, Pareto's efficiency criterion to the early twentieth century, and Bentham's utilitarian principle to the eighteenth century. This gives C, B, A, D.

Why the other choices do not work

- **B:** B, C, A, D reverses the two most recent entries by placing Bergson's 1938 formulation before the 1939 Kaldor–Hicks criterion.
- **C:** A, C, B, D incorrectly treats Pareto's earlier criterion as more recent than both Kaldor–Hicks and Bergson.
- **D:** B, D, C, A moves Bentham's eighteenth-century principle near the front and places Pareto last, reversing the broad historical sequence.

Takeaway: Kaldor–Hicks (1939) → Bergson (1938) → Pareto (early twentieth century) → Bentham (eighteenth century).

KEYWORDS: bergson social welfare function | kaldor hicks compensation | pareto optimality | bentham utilitarianism

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INTERNATIONAL ECONOMICS

GATT, WTO and Regional Trade Blocks; Trade Policy Issues

Difficulty: Medium | June 2026 · Paper II · Q113

Arrange the following organisation in chronological order according to year of establishment (from earlier to latest)

A. ASEAN

B. EU

C. SAARC

D. NAFTA

A. B,C,A,D

B. A,C,B,D

C. A,B,D,C

D. B,A,C,D

EXPLANATION

Correct answer: B — A,C,B,D

ASEAN was established in 1967, SAARC in 1985, the European Union took its current treaty form in 1993, and NAFTA entered into force in 1994. The sequence is A, C, B, D.

Why the other choices do not work

- **A:** ASEAN dates to 1967, eighteen years before SAARC; beginning with the EU also places its 1993 establishment too early.
- **C:** SAARC was established in 1985, before both the EU in 1993 and NAFTA in 1994, rather than after them.
- **D:** The EU was established in 1993, after ASEAN in 1967 and SAARC in 1985, so it cannot start this sequence.

Takeaway: ASEAN → SAARC → EU → NAFTA.

KEYWORDS: asean | saarc | european union | nafta | regional organisations

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INTERNATIONAL ECONOMICS

Tariff and Non-Tariff Barriers to Trade; Dumping

Difficulty: Easy | June 2026 · Paper II · Q114

Tariff has following effects :

A. Increase in domestic prices

B. Decline in consumption

C. Increase in import

D. Increase in productivity

Choose the correct answer from the options given below.

A. A and B Only

B. A, B and D Only

C. B and C Only

D. A, B and C Only

EXPLANATION

Correct answer: A — A and B Only

A tariff raises the domestic price of the imported good and reduces domestic consumption. It normally reduces, not increases, imports. Any productivity effect is contingent and is not a standard direct effect of tariff protection.

- **Statement A is correct:** The tariff drives a wedge between the world and domestic price.
- **Statement B is correct:** The higher consumer price contracts quantity demanded.
- **Statement C is incorrect:** Imports fall as domestic production expands and consumption contracts.
- **Statement D is incorrect:** Protection does not mechanically raise productivity and may weaken competitive pressure.

Why the other choices do not work

- **B:** Protection does not mechanically raise productivity and may weaken competitive pressure—so statement D cannot be part of this combination.
- **C:** The tariff drives a wedge between the world and domestic price—so a valid combination must include statement A.
- **D:** Imports fall as domestic production expands and consumption contracts—so statement C cannot be part of this combination.

Takeaway: The direct partial-equilibrium effects are a higher domestic price and lower consumption/import demand.

KEYWORDS: tariff effects | domestic price | consumption effect | import reduction

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MICRO ECONOMICS

Theory of Consumer Behaviour

Difficulty: Easy | June 2026 · Paper II · Q115

The Range of the price elasticity is :

A. $0 \leq e_p \geq 1$

B. $0 \leq |e_p| \leq \infty$

C. $-1 \leq e_p \geq +1$

D. $1 \leq e_p \geq \infty$

EXPLANATION

Correct answer: B — $0 \leq |e_p| \leq \infty$

The absolute price elasticity of demand can range from zero for perfectly inelastic demand to infinity for perfectly elastic demand: $0 \leq |e_p| \leq \infty$.

Why the other choices do not work

- **A:** As written, the inequalities require $e_p \geq 1$, excluding valid inelastic magnitudes between zero and one.
- **C:** The chain $-1 \leq e_p \geq +1$ also requires $e_p \geq 1$; it does not express a range from minus one to plus one and cannot cover all elasticity magnitudes.
- **D:** Values between zero and one are valid inelastic elasticities and cannot be excluded.

Takeaway: Elasticity magnitude ranges from zero to infinity.

KEYWORDS: price elasticity range | perfectly inelastic demand | perfectly elastic demand | elasticity magnitude

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MICRO ECONOMICS

Theory of Consumer Behaviour

Difficulty: Easy | June 2026 · Paper II · Q116

If the demand function is $Q = 100 - 2P$, then at $P = 25$ the elasticity of demand will be:

A. -1

B. -1.5

C. -2

D. -2.5

EXPLANATION

Correct answer: A — -1

For $Q = 100 - 2P$, $dQ/dP = -2$. At $P = 25$, $Q = 50$, so point elasticity is $e_d = (-2)(25/50) = -1$.

Why the other choices do not work

- **B:** -1.5 would require a different price–quantity ratio.
- **C:** -2 is the slope dQ/dP, not elasticity after scaling by P/Q.
- **D:** -2.5 is not obtained from the supplied demand point.

Takeaway: Point elasticity is slope times the price–quantity ratio.

KEYWORDS: point elasticity | linear demand | unit elasticity | demand slope

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GROWTH AND DEVELOPMENT ECONOMICS

Models of Economic Growth: Harrod-Domar, Solow, Robinson and Kaldor

Difficulty: Medium | June 2026 · Paper II · Q117

Which of the following is/are correct option?

A. Steady State Growth approach given by Robert Solow

B. Golden Age Concept given by Mrs Joan Robinson

C. Golden Rule of Accumulation given by Edmund Phelps

D. Location Theory given by Ricardo

A. A and B Only

B. A, B and C Only

C. D Only

D. A and D Only

EXPLANATION

Correct answer: B — A, B and C Only

Solow's model converges to a steady state; Joan Robinson used the 'Golden Age' benchmark; and Edmund Phelps developed the golden rule of accumulation. Ricardo is not the source of modern location theory.

- **Statement A is correct:** The Solow model's long-run equilibrium is its steady state.
- **Statement B is correct:** Robinson's Golden Age describes balanced accumulation under ideal consistency conditions.
- **Statement C is correct:** Phelps is associated with the golden rule saving/accumulation condition.
- **Statement D is incorrect:** Location theory is associated with writers such as von Thünen, Weber and Lösch, not Ricardo in this form.

Why the other choices do not work

- **A:** Phelps is associated with the golden rule saving/accumulation condition—so a valid combination must include statement C.
- **C:** The Solow model's long-run equilibrium is its steady state—so a valid combination must include statement A.
- **D:** Robinson's Golden Age describes balanced accumulation under ideal consistency conditions—so a valid combination must include statement B.

Takeaway: Solow–steady state, Robinson–Golden Age, Phelps–golden rule.

KEYWORDS: solow steady state | joan robinson golden age | phelps golden rule | capital accumulation

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MATHEMATICAL ECONOMICS

Differential Calculus and Its Applications

Difficulty: Medium | June 2026 · Paper II · Q118

Match List-I with List-II

List - I	List - II
A. First Order Differentiation	I. To find Maxima or Minima
B. Second Order Differentiation	II. To find solution of Input-output model
C. Matrix	III. To find area between point on Non-linear Curve
D. Definite Integration	IV. To find rate of change

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

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

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

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

EXPLANATION

Practice-key note: Adds second-derivative limitations and signed-area interpretation.

Correct answer: B — A-IV, B-I, C-II, D-III

The first derivative measures a function's local rate of change. At a stationary point of a twice-differentiable single-variable function, a positive second derivative identifies a local minimum and a negative one a local maximum; zero makes that test inconclusive. Matrices represent simultaneous relationships, including the linear equations of an input-output model. A definite integral accumulates a signed quantity over an interval and gives geometric area when the sign conditions are handled appropriately. Thus A-IV, B-I, C-II and D-III.

The second derivative classifies a candidate optimum; it does not locate every optimum on its own.

Why the other choices do not work

- **A:** Uses second differentiation as the solution method for an input-output system and matrices as an optimum test, interchanging their characteristic roles.
- **C:** Assigns area accumulation to the first derivative and a rate of change to integration, reversing differentiation and integration.
- **D:** Combines both confusions: second derivatives do not replace matrix solution of a linear system, and integration does not supply the local slope.

KEYWORDS: first derivative | second order condition | input output matrix | definite integral

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INDIAN ECONOMY

Economic Growth in India: Pattern and Structure

Difficulty: Medium | June 2026 · Paper II · Q119

Arrange the following Schemes and Programmes according to their launching year (Earlier to latest) :

A. PM Vishwakarma Yojna

B. One Nation One Subscription

C. PM SVANidhi Yojna

D. PM Poshanshakti Nirman Abhiyan

A. A,B,C,D

B. B,C,D,A

C. D,C,A,B

D. D,C,B,A

EXPLANATION

Correct answer: C — D,C,A,B

C is the best-fit answer when a continuing programme is dated to its original launch. The national school-meal programme underlying PM POSHAN began in 1995. PM SVANidhi began in 2020, PM Vishwakarma in 2023, and One Nation One Subscription was approved in 2024 and became operational in 2025. On that programme-history convention, the order is D, C, A, B.

The naming distinction matters. PM POSHAN under its present name and revised scheme dates to 2021. If the question means that specific launch rather than the predecessor programme, the order is C, D, A, B, which is absent from the choices. The Ministry of Education's history records both the 1995 origin and the later PM POSHAN scheme.

When eliminating options, Vishwakarma precedes One Nation One Subscription. That distinguishes C from D once the school-meal predecessor is placed first. Do not memorise 1995 as the date on which the name PM POSHAN was introduced.

Why the other choices are less suitable

- **A:** Begins with Vishwakarma and ONOS before the earlier street-vendor and school-meal programmes, reversing the major launch periods.
- **B:** Places ONOS first although its 2024 approval and 2025 implementation follow all three other programmes.
- **D:** Keeps the predecessor-school-meal and SVANidhi order but places ONOS before Vishwakarma, reversing their 2024/2025 and 2023 chronology.

KEYWORDS: government scheme chronology | pm svanidhi | pm poshan | pm vishwakarma | one nation one subscription

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INDIAN ECONOMY

Poverty, Inequality and Unemployment

Difficulty: Medium | June 2026 · Paper II · Q120

The study of poverty were made by which of the following ?

A. Y. Alagh

B. S. Tendulkar

C. C. Rangnathan

D. I. J. Ahluwalia

A. A and B Only

B. A and C Only

C. B, C and D Only

D. A, B, C and D

EXPLANATION

Correct answer: D — A, B, C and D

Best-fit interpretation: the source name “C. Rangnathan” is read as the intended C. Rangarajan. That spelling also appears in the published paper. The broad word “study” permits scholarly contributions as well as official measurement work.

The wording includes contributions to the study of poverty, not only chairing an official poverty-estimation committee. Yoginder K. Alagh, Suresh Tendulkar and C. Rangarajan are associated with major official estimation exercises. Isher Judge Ahluwalia’s contribution is different: she co-edited *India’s Economic Reforms and Development*, which contains a dedicated section on poverty and reform. That broader scholarly contribution supports including her under “study”.

Do not infer that all four chaired poverty-line committees. In particular, the rural-poverty and agricultural-performance research associated with Montek Singh Ahluwalia should not be attributed to Isher Judge Ahluwalia.

Why the other choices do not work

- **A:** Alagh and Tendulkar are relevant, but this pair omits Rangarajan’s estimation work and Ahluwalia’s broader contribution to the poverty-policy literature.
- **B:** Tendulkar’s important change in poverty methodology is missing, as is the scholarly contribution included by the wider wording.
- **C:** Alagh’s official poverty-estimation task force makes his omission unjustified, irrespective of the distinction between estimation and wider study.

Takeaway: Separate official poverty-measurement assignments from wider scholarship, and distinguish Isher Judge Ahluwalia from Montek Singh Ahluwalia.

KEYWORDS: india poverty estimation | yk alagh committee | tendulkar committee | rangarajan committee | ij ahluwalia poverty research

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STATISTICS AND ECONOMETRICS

Sampling Methods and Sampling Distribution

Difficulty: Medium | June 2026 · Paper II · Q121

Which of the following is NOT a probability sampling?

A. Multistage Sampling

B. Spot Sampling

C. Double Sampling

D. Area Sampling

EXPLANATION

Correct answer: B — Spot Sampling

Spot or convenience sampling selects units available at a particular place or time and therefore is non-probability sampling. Multistage, double and area sampling can all be implemented with known probabilistic selection rules.

Why the other choices do not work

- **A:** Multistage sampling draws probability samples in successive stages.
- **C:** Double sampling is a two-phase probability design when both phases use probabilistic selection.
- **D:** Area sampling is cluster sampling based on geographic units and can use probability selection.

Takeaway: Spot sampling is convenience-based rather than probability-based.

KEYWORDS: spot sampling | non probability sampling | multistage sampling | area sampling

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INTERNATIONAL ECONOMICS

Gains from Trade, Terms of Trade and Trade Multiplier

Difficulty: Medium | June 2026 · Paper II · Q122

Which of the following factor is NOT associated to Terms of Trade in International Trade?

A. Economic Growth

B. Change in demand of Exports and Imports

C. Tariffs

D. Depreciation

EXPLANATION

Practice-key note: All four listed factors can affect relative export/import prices. Depreciation can affect terms of trade through asymmetric pass-through; no restrictive convention or official key establishes a unique NOT-associated answer.

Most likely intended answer: D — Depreciation

D is only a tentative exam choice by elimination; no option is uniquely correct under the literal wording. Growth can change export supply and import demand. Changes in demand for traded goods can alter their relative prices. Tariffs can influence world trading prices when a country has market power. A, B and C therefore cannot generally be described as unrelated to terms of trade.

Those associations leave D as the likely target of a simplified question, but there is an important limitation. Commodity terms of trade are $T = P_X/P_M$, with export and import prices measured in a common currency. A pure conversion of unchanged prices cancels: $(eP_X)/(eP_M) = P_X/P_M$.

Currency depreciation is not merely that conversion. Export and import prices can respond differently because of price setting and exchange-rate pass-through, changing the terms of trade. Thus D may be selected as a forced exam guess, but "depreciation never affects terms of trade" is not a valid economic lesson.

Why the other choices are less suitable

- **A:** Growth can shift export supply relative to import demand and change international relative prices; this is a recognised terms-of-trade channel.
- **B:** Changes in demand for exports and imports directly alter the relative prices that clear trade markets, so this cannot be the general exclusion.
- **C:** Tariffs can affect foreign export prices and a country's terms of trade under market-power conditions; the effect need not exist in every small-country case.

KEYWORDS: terms of trade | export import demand | tariffs | currency depreciation

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INTERNATIONAL ECONOMICS

Exchange Rate: Concepts and Theories

Difficulty: Medium | June 2026 · Paper II · Q123

Devaluation of Currency has the following effects :

A. Changes relative domestic price

B. Increases the external value of domestic currency

C. Increases the competitiveness of export in foreign market

D. Correct the Balance of Trade, under condition that domestic demand is elastic

Choose the correct answer from the options given below.

A. A, B and D Only

B. B, C and D Only

C. B and C Only

D. A and C Only

EXPLANATION

Correct answer: D — A and C Only

Devaluation lowers the official external value of the domestic currency and changes relative domestic/foreign prices. It makes exports cheaper in foreign currency and more competitive. The statement on correcting the trade balance gives the wrong elasticity condition: the Marshall–Lerner condition concerns the sum of export- and import-demand elasticities.

- **Statement A is correct:** Devaluation changes the domestic-currency prices of traded goods relative to non-traded goods.
- **Statement B is incorrect:** It reduces, rather than increases, the currency's external value.
- **Statement C is correct:** Domestic exports become cheaper to foreign buyers, other things equal.
- **Statement D is incorrect:** Improvement requires sufficiently elastic export and import demands jointly, not merely elastic domestic demand.

Why the other choices do not work

- **A:** Domestic exports become cheaper to foreign buyers, other things equal—so a valid combination must include statement C.
- **B:** Improvement requires sufficiently elastic export and import demands jointly, not merely elastic domestic demand—so statement D cannot be part of this combination.
- **C:** Devaluation changes the domestic-currency prices of traded goods relative to non-traded goods—so a valid combination must include statement A.

Takeaway: Devaluation changes relative prices and export competitiveness; trade-balance improvement requires the Marshall–Lerner condition.

KEYWORDS: currency devaluation | relative prices | export competitiveness | marshall lerner condition

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INTERNATIONAL ECONOMICS

Theories of International Trade

Difficulty: Hard | June 2026 · Paper II · Q124

What is the necessary condition for complete absence of factor-intensity reversal in international trade?

A. Elasticities of substitution for both production functions are same

B. Elasticities of substitution for both production functions are different

C. Price of factors for both production functions are same

D. Quantity ratio for both production functions are different

EXPLANATION

Practice-key note: A uses the regular two-sector CES model over the full positive factor-price domain. The assertion is not a general necessity result for arbitrary technologies.

Correct answer: A — Elasticities of substitution for both production functions are same

For two regular constant-elasticity-of-substitution technologies with interior cost-minimising input choices, each sector's capital–labour ratio takes the form $K/L = a(w/r)^{\sigma}$, with a sector-specific positive coefficient a. If both sectors have the same substitution elasticity σ, the ratio of their capital–labour ratios is constant as the wage–rental ratio changes. Their factor-intensity ranking therefore cannot reverse.

The production-function restriction is essential. Equality of elasticities is a sufficient no-reversal condition in this setting; an unqualified claim that it is necessary for arbitrary technologies or every restricted price domain would go too far.

Over the full positive wage–rental domain, unequal CES exponents make the relative input ratios cross; equal exponents rule this out. Over a restricted price range, unequal exponents need not produce a crossing. This is why the model and domain matter to the source's word "necessary".

Why the other choices do not work

- **B:** Different substitution elasticities allow the two factor-proportion schedules to respond differently to relative prices and potentially cross.
- **C:** Equal factor prices faced by the sectors at one point do not show how their intensity ranking behaves as that common price ratio changes.
- **D:** Different input ratios identify different intensities at a given point but do not prevent their ordering from reversing elsewhere.

KEYWORDS: factor intensity reversal | elasticity of substitution | heckscher ohlin assumptions | factor proportions

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MACRO ECONOMICS

Determination of Output and Employment: Classical and Keynesian Approach

Difficulty: Easy | June 2026 · Paper II · Q125

In Classical Employment Theory, the increase in money supply will :

A. Increase in National Output

B. Increase in Price Level

C. Decrease in Wage Rate

D. Improvement in Technology and Knowledge

Choose the correct answer from the options given below.

A. A and B Only

B. A and D Only

C. C only

D. B only

EXPLANATION

Correct answer: D — B only

In the classical full-employment model, real output is determined by resources, technology and labour-market equilibrium. With real conditions and money velocity unchanged, a larger money stock raises the price level rather than real output. Flexible money wages rise with prices, leaving the real wage W/P unchanged. Technology and knowledge do not improve merely because more nominal money is issued. Only the price-level statement is therefore correct.

Distinguish real output from nominal income: the money value of unchanged production can rise when prices increase.

Why the other choices do not work

- **A:** Adds a rise in real national output even though real productive capacity and full-employment conditions are held unchanged.
- **B:** Claims both output and technology improve, attributing changes in real productive capability to a nominal monetary expansion.
- **C:** A falling wage rate is not the classical neutrality result: money wages rise with the price level while the equilibrium real wage stays constant.

KEYWORDS: classical dichotomy | money supply | price level | monetary neutrality

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INTERNATIONAL ECONOMICS

GATT, WTO and Regional Trade Blocks; Trade Policy Issues

Difficulty: Easy | June 2026 · Paper II · Q126

Which of the followings are functions of World Trade Organisation (WTO)?

A. Administrating Trade Agreement among the nations

B. Monitoring National Trade Policies

C. Mediate in Trade Disputes

D. Technical Assistance and training

A. A, B and C Only

B. A, B and D Only

C. A, B, C and D

D. B and D Only

EXPLANATION

Correct answer: C — A, B, C and D

The WTO administers covered trade agreements, reviews members' trade policies, provides a forum and mechanism for dispute settlement, and delivers technical assistance and training, especially for developing economies. All four statements are functions of the organization.

- **Statement A is correct:** The WTO oversees implementation of its multilateral agreements.
- **Statement B is correct:** Trade Policy Review Mechanism examines members' policies.
- **Statement C is correct:** The Dispute Settlement Body administers trade disputes.
- **Statement D is correct:** Training and technical assistance are part of the WTO's development support.

Why the other choices do not work

- **A:** Training and technical assistance are part of the WTO's development support—so a valid combination must include statement D.
- **B:** The Dispute Settlement Body administers trade disputes—so a valid combination must include statement C.
- **D:** The WTO oversees implementation of its multilateral agreements—so a valid combination must include statement A.

Takeaway: Administration, surveillance, dispute settlement and technical assistance all belong to the WTO mandate.

KEYWORDS: world trade organization | trade agreements | trade policy review | dispute settlement | technical assistance

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GROWTH AND DEVELOPMENT ECONOMICS

Indicators of Economic Development: PQLI, HDI and SDGs

Difficulty: Easy | June 2026 · Paper II · Q127

Human Development Index (HDI) prepared by UNDP has following components :

A. Life Expectancy

B. Literacy

C. Infant Mortality

D. Per-capita Income

Choose the correct answer from the options given below.

A. A, B and C Only

B. B, C and D Only

C. A,B,C and D

D. A, B and D Only

EXPLANATION

Practice-key note: D is the historical pre-2010 HDI interpretation; it does not describe the present education indicators.

Correct answer: D — A, B and D Only

The intended answer D uses the historical, pre-2010 HDI formulation. The question does not specify a date, so it should not be read as a statement of the current methodology.

Before the 2010 methodological change, the Human Development Index (HDI) combined health, education and living standards using life expectancy, an education index including adult literacy and enrolment, and income per person. Therefore life expectancy, literacy and per-capita income belong to the historical formulation, while infant mortality was not a separate component. The appropriate combination is A, B and D.

The later United Nations Development Programme (UNDP) methodology measures education using mean years of schooling for adults and expected years of schooling for children. It uses gross national income per capita for living standards. Literacy should not be presented as a direct education indicator of the current HDI.

Why the other choices do not work

- **A:** Includes infant mortality while excluding per-capita income, replacing the historical living-standards dimension with another health measure.
- **B:** Drops life expectancy, the HDI health indicator, and inserts infant mortality as though it were a separate component.
- **C:** Adds infant mortality to the three relevant historical measures, treating every useful development indicator as an HDI input.

KEYWORDS: human development index | life expectancy | literacy | per capita income

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MICRO ECONOMICS

Theory of Production and Costs

Difficulty: Easy | June 2026 · Paper II · Q128

In the Cobb–Douglas production function $Q = Ax_1^{\alpha}x_2^{\beta}u$, A denotes:

A. Labour Elasticity

B. Capital Elasticity

C. Random Disturbance

D. Efficiency Parameter

EXPLANATION

Correct answer: D — Efficiency Parameter

In $Q = Ax_1^{\alpha}x_2^{\beta}u$, the multiplicative constant A shifts the production function and captures total factor efficiency or technology. The exponents are output elasticities, while u is the disturbance.

Why the other choices do not work

- **A:** Labour elasticity is represented by the relevant exponent, such as α, not by A.
- **B:** Capital elasticity is likewise an exponent such as β under the chosen input ordering.
- **C:** The random disturbance is the multiplicative term u.

Takeaway: In a Cobb-Douglas function, A is the efficiency or technology parameter.

KEYWORDS: cobb douglas production | efficiency parameter | output elasticity | random disturbance

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MICRO ECONOMICS

Market Structures, Competitive and Non-Competitive Equilibria and Their Efficiency Properties

Difficulty: Hard | June 2026 · Paper II · Q129

Arrange the following theory of Limit Pricing from earlier to latest :

A. Franco Modigliani Model

B. Pashigian Model

C. Sylos-Labini Model

D. Bhagwati Model

A. A,C,D,B

B. C,A,D,B

C. C,D,B,A

D. A,D,B,C

EXPLANATION

Practice-key note: Publication chronology is Sylos-Labini 1957, Modigliani 1958, Pashigian 1968, Bhagwati 1970: C,A,B,D. No published response code gives that sequence; textbook chapter order is not chronology.

Most likely intended answer: B — C,A,D,B

B is the closest offered sequence, but the correct publication chronology is C, A, B, D. Sylos-Labini's work appeared in 1957, followed by Modigliani's formalisation in 1958. Pashigian's *Limit Price and the Market Share of the Leading Firm* appeared in 1968, before Bhagwati's *Oligopoly Theory, Entry-Prevention, and Growth* in 1970.

Option B gives C, A, D, B. It correctly places Sylos-Labini first and Modigliani second, and puts both earlier contributions before the later pair. Its sole pairwise ordering error is the reversal of Pashigian and Bhagwati. Five of the six pairwise chronological comparisons are therefore right; every other offered sequence introduces more ordering errors.

That makes B the strongest closest-option selection if an exam response is required. It does not make B the correct historical order. Learn C, A, B, D, and identify the final-pair reversal as the source defect rather than memorising a textbook's chapter order as chronology.

Why the other choices are less suitable

- **A:** Reverses both Sylos-Labini versus Modigliani and Pashigian versus Bhagwati, introducing two chronological pair errors instead of B's one.
- **C:** Places Modigliani last, after both later contributors, and also reverses Pashigian and Bhagwati; it is farther from publication order.
- **D:** Places the earliest contribution, Sylos-Labini, last and also puts Bhagwati before Pashigian, creating several chronological reversals.

KEYWORDS: sylos labini model | modigliani limit pricing | pashigian model | bhagwati limit pricing

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MICRO ECONOMICS

Theory of Production and Costs

Difficulty: Medium | June 2026 · Paper II · Q130

If $TC = Q^3 - 12Q^2 + 60Q$, then what will the quantity, where AC and MC are equal?

A. 4

B. 6

C. 8

D. 10

EXPLANATION

Correct answer: B — 6

Average cost is $AC = TC/Q = Q^2 - 12Q + 60$, while $MC = dTC/dQ = 3Q^2 - 24Q + 60$. Setting them equal gives $2Q^2 - 12Q = 2Q(Q - 6) = 0$. For positive output, $Q = 6$.

Why the other choices do not work

- **A:** At $Q = 4$, average cost is 28 while marginal cost is 12, so the two curves have not met.
- **C:** At $Q = 8$, average cost is 28 and marginal cost is 60; output has already moved past the equality point.
- **D:** At $Q = 10$, average cost is 40 while marginal cost is 120, so this quantity cannot satisfy $AC = MC$.

Takeaway: Marginal cost intersects average cost at the minimum of average cost.

KEYWORDS: average cost | marginal cost | cost minimization | cubic cost function

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MICRO ECONOMICS

Theory of Production and Costs

Difficulty: Medium | June 2026 · Paper II · Q131

Which of the following level of utilization is considered as "Normal" by a firm?

A. The reserve capacity

B. The optimal capacity

C. The excess capacity

D. The load factor

EXPLANATION

Correct answer: B — The optimal capacity

A firm's normal utilization is the output associated with optimal or planned capacity under ordinary operating conditions. Reserve or excess capacity describes unused plant, while the load factor is a utilization ratio rather than the capacity level itself.

Why the other choices do not work

- **A:** Reserve capacity is deliberately unused capacity available for contingencies.
- **C:** Excess capacity is the gap between potential and actual/optimal use, not the normal benchmark.
- **D:** Load factor measures utilization relative to capacity; it is not the named level.

Takeaway: Normal utilization corresponds to optimal planned capacity.

KEYWORDS capacity utilisation | optimal capacity | reserve capacity | normal output

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INDIAN ECONOMY

Economic Growth in India: Pattern and Structure

Difficulty: Hard | June 2026 · Paper II · Q132

Arrange the following schemes or programmes from earliest to latest launch.

A. PM-JANMAN B. SWAYAM Prabha C. Pradhan Mantri Rojgar Protsahan Yojana D. Pradhan Mantri Fasal Bima Yojana

A. D, C, B, A

B. A, D, B, C

C. C, A, D, B

D. D, C, A, B

EXPLANATION

Correct answer: A — D, C, B, A

Pradhan Mantri Fasal Bima Yojana was launched on 18 February 2016, following Cabinet approval in January. Pradhan Mantri Rojgar Protsahan Yojana was launched on 9 August 2016 to encourage employers to create jobs. The February and August launch dates establish the order of these two same-year schemes. SWAYAM Prabha was launched in 2017 as a DTH education-channel initiative. PM-JANMAN is much later, launched in 2023 for Particularly Vulnerable Tribal Groups. Therefore the earliest-to-latest order is D, C, B, A.

Why the other choices do not work

- **B:** PM-JANMAN dates to 2023, seven years after the two 2016 schemes, so it cannot come first.
- **C:** The 2023 tribal-development programme cannot precede crop insurance launched in 2016 or the education channels launched in 2017.
- **D:** SWAYAM Prabha's 2017 launch came before PM-JANMAN in 2023.

Takeaway: PMFBY and PMRPY are 2016, SWAYAM Prabha is 2017, PM-JANMAN is 2023.

KEYWORDS government scheme chronology | pm fasal bima yojana | pm rojgar protsahan yojana | swayam prabha | pm janman

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STATISTICS AND ECONOMETRICS

Linear Regression Models and Their Properties - BLUE

Difficulty: Easy | June 2026 · Paper II · Q133

Which of the following test is NOT used to detect Heteroscedasticity?

A. Park Test

B. Glejser Test

C. Goldfeld Quandt Test

D. Durbin-Watson Test

EXPLANATION

Correct answer: D — Durbin-Watson Test

Park, Glejser and Goldfeld–Quandt are standard heteroskedasticity diagnostics. Durbin–Watson tests first-order serial correlation in regression residuals, so it is the exception.

Why the other choices do not work

- **A:** The Park test relates squared residuals to a scale variable to detect non-constant variance.
- **B:** The Glejser test uses absolute residuals to probe variance patterns.
- **C:** Goldfeld–Quandt compares residual variances across ordered subsamples.

Takeaway: Durbin–Watson diagnoses autocorrelation, not heteroskedasticity.

KEYWORDS heteroskedasticity tests | park test | glejser test | goldfeld quandt test | durbin watson test

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GROWTH AND DEVELOPMENT ECONOMICS

Theories of Economic Development: Adam Smith, Ricardo, Marx, Schumpeter, Rostow, Balanced and Unbalanced Growth, Big Push Approach

Difficulty: Medium | June 2026 · Paper II · Q134

"Only that much labour should be used with capital as will reduce the marginal productivity of labour to zero." This statement is given by which of the following?

A. W.A. Lewis

B. Leibenstein

C. Schumpeter

D. David Ricardo

EXPLANATION

Correct answer: A — W.A. Lewis

W. Arthur Lewis describes surplus labour in the subsistence or traditional sector as having very low, potentially zero, marginal productivity. Over the range where marginal product is zero, some workers can leave without reducing that sector's output. Their employment in the expanding capitalist sector can then raise total production.

The sector matters. A profit-maximising capitalist employer does not normally hire workers until marginal product is zero: with a positive wage, employment is chosen where the value of marginal product equals the wage under competitive conditions. The zero-product statement characterises subsistence-sector surplus labour, not the capitalist firm's hiring rule.

Why the other choices do not work

- **B:** Leibenstein's critical-minimum-effort and efficiency ideas differ from the dual-sector surplus-labour mechanism described here.
- **C:** Schumpeter's development mechanism centres on entrepreneurial innovation and new combinations, rather than withdrawal of zero-product subsistence labour.
- **D:** Ricardo's wage and distribution analysis is not the specific two-sector surplus-labour account associated with this proposition.

KEYWORDS: w arthur lewis | surplus labour | dual sector model | marginal product of labour

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PUBLIC ECONOMICS

Public Debt and Its Management

Difficulty: Medium | June 2026 · Paper II · Q135

Fiscal Deficit of state government in India is financed by which factors?

A. Market Borrowing

B. External Borrowing

C. Loans from Regional Rural Banks

D. Loans from Union Government

A. A and D Only

B. A and C Only

C. D only

D. B and C Only

EXPLANATION

Correct answer: A — A and D Only

Indian state fiscal deficits are financed principally through market borrowing and loans or advances from the Union government. States do not ordinarily borrow externally on their own authority, and loans from regional rural banks are not a standard category of state-deficit finance. Statements A and D are therefore correct.

- **Statement A is correct:** State development loans raised in the market are a major financing source.
- **Statement B is incorrect:** External borrowing is contracted through the Union framework rather than directly by states.
- **Statement C is incorrect:** Regional rural banks do not normally finance state budget deficits.
- **Statement D is correct:** Loans and advances from the Union can finance state deficits.

Why the other choices do not work

- **B:** It correctly includes market borrowing but substitutes RRB loans for valid Union-government loans.
- **C:** Union-government loans are valid, but the option omits market borrowing, the other major source listed.
- **D:** Both direct external borrowing and RRB loans are incorrectly treated as normal state-deficit sources, while the two valid sources are excluded.

Takeaway: State deficits use market loans and Union-government loans, not direct external or RRB borrowing.

KEYWORDS: state fiscal deficit | market borrowing | union government loans | state public debt

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MACRO ECONOMICS

Consumption Function

Difficulty: Medium | June 2026 · Paper II · Q136

According to the Wealth Theory of Consumption of Ando and Modigliani the consumption is the function of :

A. Life time expected income of the consumer

B. Present value of consumer's future income

C. Future value of assets

D. Present value of assets

Choose the correct answer from the options given below.

A. B, C and D Only

B. A, B and C Only

C. A, C and D Only

D. A, B and D Only

EXPLANATION

Correct answer: D — A, B and D Only

The Ando–Modigliani life-cycle wealth formulation makes consumption depend on lifetime resources: current wealth (the present value of assets) and the present value of expected future labour income. Future value of assets is not the relevant present resource measure.

- **Statement A is correct:** Expected lifetime income determines the resources available for consumption smoothing.
- **Statement B is correct:** Future labour income enters as its present value.
- **Statement C is incorrect:** Future asset value must be discounted; an undiscounted future value is not current wealth.
- **Statement D is correct:** The present value of owned assets is non-human wealth.

Why the other choices do not work

- **A:** Expected lifetime income determines the resources available for consumption smoothing—so a valid combination must include statement A.
- **B:** The present value of owned assets is non-human wealth—so a valid combination must include statement D.
- **C:** Future labour income enters as its present value—so a valid combination must include statement B.

Takeaway: Life-cycle consumption depends on lifetime expected income and present values of human and non-human wealth.

KEYWORDS: ando modigliani | life cycle consumption | lifetime income | present value of assets | human wealth

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MICRO ECONOMICS

Market Structures, Competitive and Non-Competitive Equilibria and Their Efficiency Properties

Difficulty: Easy | June 2026 · Paper II · Q137

Which of the following is not an assumption of Monopolistic Competition?

A. Large number of sellers and buyers in the group

B. There is free entry and exit of firms in the group

C. Price of factors and technology are given

D. Sellers' products are not differentiated

EXPLANATION

Correct answer: D — Sellers' products are not differentiated

Monopolistic competition assumes many buyers and sellers, freedom of entry and exit, and product differentiation. Saying sellers' products are not differentiated contradicts the feature that gives each firm a downward-sloping demand curve.

Why the other choices do not work

- **A:** A relatively large number of firms is a standard assumption.
- **B:** Free entry and exit drives long-run economic profit toward zero.
- **C:** Taking factor prices and technology as given is compatible with the standard model.

Takeaway: Product differentiation is essential to monopolistic competition.

KEYWORDS: monopolistic competition | product differentiation | free entry | many sellers

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INTERNATIONAL ECONOMICS

Exchange Rate: Concepts and Theories

Difficulty: Easy | June 2026 · Paper II · Q138

In the Purchasing Power Parity Theory, the Exchange Rate is calculated by the following :

A. $R = E_f \times P_d/P_f$

B. $R = E_f/P_f$

C. $R = P_d/P_f$

D. $R = P_f/P_d$

EXPLANATION

Correct answer: C — $R = P_d/P_f$

With the exchange rate quoted as domestic currency per unit of foreign currency, purchasing-power parity relates it to the domestic price level P_d divided by the foreign price level P_f. Option C gives that ratio directly. The quotation convention matters because reversing the currency quote would also reverse the price-level ratio.

Why the other choices do not work

- **A:** The price-level ratio already gives the PPP exchange rate. Multiplying it by the additional currency term E_f inserts a factor that absolute PPP does not require.
- **B:** Dividing a currency term only by the foreign price index omits the domestic price level required by PPP.
- **D:** This is the reciprocal price-level ratio and corresponds to the opposite exchange-rate quotation.

Takeaway: Under a direct quotation, PPP gives the domestic price level relative to the foreign price level.

KEYWORDS: purchasing power parity | exchange rate | domestic price level | foreign price level

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MICRO ECONOMICS

Theory of Consumer Behaviour

Difficulty: Medium | June 2026 · Paper II · Q139

Which of the following is NOT an assumption of the Revealed Preference Hypothesis

A. Rationality

B. Optimal Choice

C. Transitivity

D. Consistency

EXPLANATION

Correct answer: B — Optimal Choice

Revealed-preference theory imposes rationality, consistency and transitivity conditions on observed choices. 'Optimal choice' describes the outcome of maximizing behaviour but is not one of the named revealed-preference axioms in this list.

Why the other choices do not work

- **A:** Rational choice under a budget constraint is a maintained premise.
- **C:** Transitivity is required for coherent preference ordering.
- **D:** Consistency between choices is central to weak/strong revealed-preference axioms.

Takeaway: The named axiomatic restrictions are rationality, consistency and transitivity.

KEYWORDS: revealed preference hypothesis | rationality | consistency axiom | transitivity

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INDIAN ECONOMY

Industry: Pattern and Structure of Growth, Major Challenges and Policy Responses

Difficulty: Medium | June 2026 · Paper II · Q140

Match List-I with List-II

List - I	List - II
A. Credit Linked Capital Subsidy Scheme	I. Start Up India
B. Production Linked Incentive	II. MSME
C. Funds of Funds	III. Food Products
D. Atal Innovation Mission	IV. Technology Upgradation

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

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

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

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

EXPLANATION

Correct answer: A — A-IV, B-III, C-II, D-I

A gives the supported policy associations: A-IV, B-III, C-II, D-I. The Credit Linked Capital Subsidy Scheme (CLCSS) supports technology upgradation, giving A-IV. The food-processing component of Production Linked Incentive (PLI) supports food products, giving B-III. The Fund of Funds announced for MSMEs in 2020 supports equity financing for that sector, giving C-II. The Startup India Action Plan explicitly includes the Atal Innovation Mission (AIM), supporting D-I.

These are associations, not exclusive definitions. PLI covers several sectors, so it should not be defined as a food-only programme. "Fund of Funds" is also a financing structure used in more than one initiative: the MSME fund is distinct from the Fund of Funds for Startups. AIM has wider innovation and entrepreneurship functions, while still having an explicit place in the Startup India Action Plan.

The clear CLCSS–technology-upgradation link leaves A and B. The food-processing PLI and MSME-fund associations then select A without changing the original question.

Why the other choices are less suitable

- **B:** Keeps CLCSS–technology and AIM–Startup India but assigns the fund to food products and loses the intended food-processing PLI association.
- **C:** Matches CLCSS with Startup India rather than its specific technology-upgradation purpose and assigns the fund to food products.
- **D:** Correctly recognises a possible startup fund association but pairs AIM with food products and PLI with technology upgradation, so the full mapping fails.

KEYWORDS: clcss technology upgradation | food processing pli | msme fund of funds | atal innovation mission | startup india action plan

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INDIAN ECONOMY

Economic Growth in India: Pattern and Structure

Difficulty: Easy | June 2026 · Paper II · Q141

According to the IMF, between 2012 and 2019, after the global economic crisis and the waning of the impact of the immediate stimulus measures taken by the affected countries in its wake, global economic growth at constant prices averaged 3.4 percent. The growth rate was similar in the five-year period between 2014 and 2019. Between 2023 and 2028, the Fund's projected growth for the world economy is around 3.1 percent. Further, data from the World Trade Organization (WTO) show that, in value terms, world trade barely grew in either period (2012-19 or 2014-19). In volume terms, the growth rate averaged 2.4 percent. Despite this insipid backdrop for global economic growth and trade growth, between 2014 and 2019, the compounded annual growth rate of the Indian economy at constant prices was 7.4%. In other words, these data demonstrate the internal strengths of the Indian economy, which bestow on it the ability to grow notwithstanding unfavorable global economic conditions. Therefore, it is eminently possible for the Indian economy to grow in the coming years at a rate above 7 percent on the strength of the financial sector and other recent and future structural reforms. Only the elevated risk of geopolitical conflicts is an area of concern. Priority areas for future reforms include skilling, learning outcomes, health, energy security, reduction in compliance burden for MSMEs, and gender balancing in the labor force. Furthermore, under a reasonable set of assumptions with respect to the inflation differentials and the exchange rate, India can aspire to become a USD 7 trillion economy in the next six to seven years (by 2030). This will be a significant milestone in the journey to delivering a quality of life and standard of living that match and exceed the aspirations of the Indian people.

According to the given passage, which of the following is responsible for attaining 7% growth rate for economy in coming years

A. Recent financial sector and other structural reforms

B. Support of WTO (World Trade Organisation)

C. Demographic Dividend

D. Growth of Manufacturing Sector

EXPLANATION

Correct answer: A — Recent financial sector and other structural reforms

The passage explicitly says India can sustain growth above 7% on the strength of financial-sector and other recent and future structural reforms. It does not assign that projection to WTO support, demographics alone or manufacturing alone.

Why the other choices do not work

- **B:** The WTO data provide global background; the passage does not make WTO support the growth engine.
- **C:** Demographic dividend is not identified as the stated basis for the projection.
- **D:** Manufacturing growth is not singled out as the explanation.

Takeaway: The passage attributes the projected 7%-plus growth to financial and structural reforms.

KEYWORDS: india growth above seven percent | financial sector reforms | structural reforms | economic survey projection

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INDIAN ECONOMY

Economic Growth in India: Pattern and Structure

Difficulty: Easy | June 2026 · Paper II · Q142

According to the IMF, between 2012 and 2019, after the global economic crisis and the waning of the impact of the immediate stimulus measures taken by the affected countries in its wake, global economic growth at constant prices averaged 3.4 percent. The growth rate was similar in the five-year period between 2014 and 2019. Between 2023 and 2028, the Fund's projected growth for the world economy is around 3.1 percent. Further, data from the World Trade Organization (WTO) show that, in value terms, world trade barely grew in either period (2012-19 or 2014-19). In volume terms, the growth rate averaged 2.4 percent. Despite this insipid backdrop for global economic growth and trade growth, between 2014 and 2019, the compounded annual growth rate of the Indian economy at constant prices was 7.4%. In other words, these data demonstrate the internal strengths of the Indian economy, which bestow on it the ability to grow notwithstanding unfavorable global economic conditions. Therefore, it is eminently possible for the Indian economy to grow in the coming years at a rate above 7 percent on the strength of the financial sector and other recent and future structural reforms. Only the elevated risk of geopolitical conflicts is an area of concern. Priority areas for future reforms include skilling, learning outcomes, health, energy security, reduction in compliance burden for MSMEs, and gender balancing in the labor force. Furthermore, under a reasonable set of assumptions with respect to the inflation differentials and the exchange rate, India can aspire to become a USD 7 trillion economy in the next six to seven years (by 2030). This will be a significant milestone in the journey to delivering a quality of life and standard of living that match and exceed the aspirations of the Indian people.

According to the given passage which of the following may hamper the growth rate of India in coming years?

A. Environmental Issues

B. Unfavorable global economic conditions

C. Global Geopolitical Conflicts

D. Increasing dependency on import

EXPLANATION

Correct answer: C — Global Geopolitical Conflicts

The passage says the elevated risk of geopolitical conflict is the area of concern for future growth. It separately argues that India's internal strengths supported growth despite unfavourable global conditions.

Why the other choices do not work

- **A:** Environmental issues are not the risk named in this passage.
- **B:** Unfavourable global conditions form the backdrop that India had already outperformed.
- **D:** Import dependence is not identified as the singled-out concern.

Takeaway: The explicitly named downside risk is geopolitical conflict.

KEYWORDS: geopolitical risk | india growth outlook | external shocks | economic survey passage

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INDIAN ECONOMY

Economic Growth in India: Pattern and Structure

Difficulty: Easy | June 2026 · Paper II · Q143

According to the IMF, between 2012 and 2019, after the global economic crisis and the waning of the impact of the immediate stimulus measures taken by the affected countries in its wake, global economic growth at constant prices averaged 3.4 percent. The growth rate was similar in the five-year period between 2014 and 2019. Between 2023 and 2028, the Fund's projected growth for the world economy is around 3.1 percent. Further, data from the World Trade Organization (WTO) show that, in value terms, world trade barely grew in either period (2012-19 or 2014-19). In volume terms, the growth rate averaged 2.4 percent. Despite this insipid backdrop for global economic growth and trade growth, between 2014 and 2019, the compounded annual growth rate of the Indian economy at constant prices was 7.4%. In other words, these data demonstrate the internal strengths of the Indian economy, which bestow on it the ability to grow notwithstanding unfavorable global economic conditions. Therefore, it is eminently possible for the Indian economy to grow in the coming years at a rate above 7 percent on the strength of the financial sector and other recent and future structural reforms. Only the elevated risk of geopolitical conflicts is an area of concern. Priority areas for future reforms include skilling, learning outcomes, health, energy security, reduction in compliance burden for MSMEs, and gender balancing in the labor force. Furthermore, under a reasonable set of assumptions with respect to the inflation differentials and the exchange rate, India can aspire to become a USD 7 trillion economy in the next six to seven years (by 2030). This will be a significant milestone in the journey to delivering a quality of life and standard of living that match and exceed the aspirations of the Indian people.

What was the average global growth rate between 2012 and 2019?

A. 2.4%

B. 3.1%

C. 3.4%

D. 7.4%

EXPLANATION

Correct answer: C — 3.4%

The passage states that global economic growth at constant prices averaged 3.4% between 2012 and 2019. The other percentages refer to projected future growth, world-trade volume growth or India's own growth.

Why the other choices do not work

- **A:** 2.4% is the passage's average volume growth of world trade.
- **B:** The 3.1% figure concerns projected world growth in 2023–28, whereas the question asks for the historical 2012–19 average.
- **D:** 7.4% is India's 2014–19 compound annual growth rate.

Takeaway: For 2012–19, the passage's global-growth figure is 3.4%.

KEYWORDS: global growth 2012 2019 | imf growth data | economic survey passage

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INDIAN ECONOMY

Economic Growth in India: Pattern and Structure

Difficulty: Easy | June 2026 · Paper II · Q144

According to the IMF, between 2012 and 2019, after the global economic crisis and the waning of the impact of the immediate stimulus measures taken by the affected countries in its wake, global economic growth at constant prices averaged 3.4 percent. The growth rate was similar in the five-year period between 2014 and 2019. Between 2023 and 2028, the Fund's projected growth for the world economy is around 3.1 percent. Further, data from the World Trade Organization (WTO) show that, in value terms, world trade barely grew in either period (2012-19 or 2014-19). In volume terms, the growth rate averaged 2.4 percent. Despite this insipid backdrop for global economic growth and trade growth, between 2014 and 2019, the compounded annual growth rate of the Indian economy at constant prices was 7.4%. In other words, these data demonstrate the internal strengths of the Indian economy, which bestow on it the ability to grow notwithstanding unfavorable global economic conditions. Therefore, it is eminently possible for the Indian economy to grow in the coming years at a rate above 7 percent on the strength of the financial sector and other recent and future structural reforms. Only the elevated risk of geopolitical conflicts is an area of concern. Priority areas for future reforms include skilling, learning outcomes, health, energy security, reduction in compliance burden for MSMEs, and gender balancing in the labor force. Furthermore, under a reasonable set of assumptions with respect to the inflation differentials and the exchange rate, India can aspire to become a USD 7 trillion economy in the next six to seven years (by 2030). This will be a significant milestone in the journey to delivering a quality of life and standard of living that match and exceed the aspirations of the Indian people.

As per the given passage which of the following is not a priority area for future reforms in India :

A. Skilling and Gender balancing in the labour force

B. Reduction in compliance burden for MSME

C. Energy Security

D. Fiscal Reforms

EXPLANATION

Correct answer: D — Fiscal Reforms

The passage lists skilling, learning outcomes, health, energy security, reducing MSME compliance burdens and gender balance in the labour force. Fiscal reforms are not included in that enumerated priority list.

Why the other choices do not work

- **A:** Both skilling and gender balance appear explicitly.
- **B:** Reducing the compliance burden on MSMEs is listed.
- **C:** Energy security is one of the stated priorities.

Takeaway: Fiscal reforms are the only choice absent from the passage's stated future priorities.

KEYWORDS: india reform priorities | skilling | msme compliance | energy security | gender balance

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INDIAN ECONOMY

Economic Growth in India: Pattern and Structure

Difficulty: Easy | June 2026 · Paper II · Q145

According to the IMF, between 2012 and 2019, after the global economic crisis and the waning of the impact of the immediate stimulus measures taken by the affected countries in its wake, global economic growth at constant prices averaged 3.4 percent. The growth rate was similar in the five-year period between 2014 and 2019. Between 2023 and 2028, the Fund's projected growth for the world economy is around 3.1 percent. Further, data from the World Trade Organization (WTO) show that, in value terms, world trade barely grew in either period (2012-19 or 2014-19). In volume terms, the growth rate averaged 2.4 percent. Despite this insipid backdrop for global economic growth and trade growth, between 2014 and 2019, the compounded annual growth rate of the Indian economy at constant prices was 7.4%. In other words, these data demonstrate the internal strengths of the Indian economy, which bestow on it the ability to grow notwithstanding unfavorable global economic conditions. Therefore, it is eminently possible for the Indian economy to grow in the coming years at a rate above 7 percent on the strength of the financial sector and other recent and future structural reforms. Only the elevated risk of geopolitical conflicts is an area of concern. Priority areas for future reforms include skilling, learning outcomes, health, energy security, reduction in compliance burden for MSMEs, and gender balancing in the labor force. Furthermore, under a reasonable set of assumptions with respect to the inflation differentials and the exchange rate, India can aspire to become a USD 7 trillion economy in the next six to seven years (by 2030). This will be a significant milestone in the journey to delivering a quality of life and standard of living that match and exceed the aspirations of the Indian people.

What was Compounded Annual Growth Rate (CAGR) of the Indian Economy at constant prices between 2014 and 2019?

A. 7.4%

B. 3.4%

C. 2.4%

D. 3.1%

EXPLANATION

Correct answer: A — 7.4%

The passage reports a 7.4% compound annual growth rate for the Indian economy at constant prices between 2014 and 2019. The remaining figures refer to global growth or trade.

Why the other choices do not work

- **B:** 3.4% is the average global growth figure for 2012–19.
- **C:** 2.4% is world trade's average volume growth.
- **D:** 3.1% is the projected world growth rate for 2023–28.

Takeaway: India's reported 2014–19 CAGR in the passage is 7.4%.

KEYWORDS: india cagr 2014 2019 | constant price growth | economic survey passage

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ENVIRONMENTAL ECONOMICS AND DEMOGRAPHY

Concepts and Measures: Fertility, Morbidity and Mortality

Difficulty: Easy | June 2026 · Paper II · Q146

Over the one hundred years from 1950 to 2050, the world population grew fastest in the period 1962-1965, when it was increasing on average by 2.1 percent per year. The first billion in world population was achieved in 1804; by 1928, another billion was added; the third billion was added by 1960; the fourth by 1974; and the fifth by 1988. In 2000, the population had passed the 6 billion mark. By 2011, the world had added another billion to the population. The dramatic change in the rate of growth is obvious. In 2020, for the first time since 1950, the rate of population growth declined below 1 percent annually, as per the estimates of UN, World Population Prospects 2022, the world's two most populous regions in 2022 are Eastern and South-East Asia with 2.3 billion population (forming 29% of the world's population) Central and South Asia with 2.1 billion people (forming 26% of the world's population). Sub-Saharan Africa will account for most of the growth of the world's population (The annual Growth rate of the population of sub-Saharan Africa peaked at 3% in 1978 and remained above 2.8% during the 1980s) over the coming decades, while other regions will begin to experience decreasing population numbers. Europe and Northern America have reached the growth rate close to zero in 2020 and 2021.

As per World Population Report 2022, How much of population of world comes from Eastern and South-East Asia along with Central and South Asia?

A. 50%

B. 55%

C. 45%

D. 60%

EXPLANATION

Correct answer: B — 55%

The passage assigns 29% of world population to Eastern and South-Eastern Asia and 26% to Central and Southern Asia. Their combined share is therefore $29\% + 26\% = 55\%$.

Why the other choices do not work

- **A:** A share of 50% is five percentage points below the 55% obtained by adding the two figures in the passage.
- **C:** A share of 45% understates the stated combined total by ten percentage points.
- **D:** A share of 60% is five percentage points above the stated total of 55%; it cannot result from adding 29% and 26%.

Takeaway: The two Asian regional shares given in the passage add to 55% of world population.

KEYWORDS: world population prospects 2022 | asian population share | regional population | percentage addition

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ENVIRONMENTAL ECONOMICS AND DEMOGRAPHY

Concepts and Measures: Fertility, Morbidity and Mortality

Difficulty: Medium | June 2026 · Paper II · Q147

Over the one hundred years from 1950 to 2050, the world population grew fastest in the period 1962-1965, when it was increasing on average by 2.1 percent per year. The first billion in world population was achieved in 1804; by 1928, another billion was added; the third billion was added by 1960; the fourth by 1974; and the fifth by 1988. In 2000, the population had passed the 6 billion mark. By 2011, the world had added another billion to the population. The dramatic change in the rate of growth is obvious. In 2020, for the first time since 1950, the rate of population growth declined below 1 percent annually, as per the estimates of UN, World Population Prospects 2022, the world's two most populous regions in 2022 are Eastern and South-East Asia with 2.3 billion population (forming 29% of the world's population) Central and South Asia with 2.1 billion people (forming 26% of the world's population). Sub-Saharan Africa will account for most of the growth of the world's population (The annual Growth rate of the population of sub-Saharan Africa peaked at 3% in 1978 and remained above 2.8% during the 1980s) over the coming decades, while other regions will begin to experience decreasing population numbers. Europe and Northern America have reached the growth rate close to zero in 2020 and 2021.

With the fall in fertility rate which of the following will not decline?

A. Rate of Population Growth

B. Mortality Rate

C. Life Expectancy

D. Morbidity Rate

EXPLANATION

Practice-key note: C is the demographic-transition interpretation. A fertility decline alone does not determine mortality, morbidity or life expectancy.

Correct answer: C — Life Expectancy

C — Life Expectancy is the intended choice in the demographic-transition interpretation of the passage. This is a comparison of the usual transition pattern, not a consequence deducible from fertility alone.

In the usual demographic-transition account, improved survival raises life expectancy. Fertility later falls as family-size preferences, child survival and economic conditions change. A lower fertility rate does not itself mechanically cause longer life: these are related parts of the transition, with health improvements directly affecting survival.

A younger population can also continue growing after fertility declines because large cohorts enter childbearing ages. Crude death rates depend on age structure, while morbidity measures illness rather than survival. These distinctions explain why demographic indicators should not all be assumed to move together simply because fertility falls.

Why the other choices do not work

- **A:** Population growth generally slows later in the transition as births fall, although momentum can delay the slowdown; it is not the indicator of improved longevity.
- **B:** Mortality refers to deaths and generally falls with improving survival at given ages; an ageing population can complicate the crude death rate.
- **D:** Morbidity measures illness, not length of life; people may live longer with chronic conditions, so it has no necessary upward or downward relation to fertility.

KEYWORDS: fertility decline | life expectancy | demographic transition | population growth

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ENVIRONMENTAL ECONOMICS AND DEMOGRAPHY

Concepts and Measures: Fertility, Morbidity and Mortality

Difficulty: Easy | June 2026 · Paper II · Q148

Over the one hundred years from 1950 to 2050, the world population grew fastest in the period 1962-1965, when it was increasing on average by 2.1 percent per year. The first billion in world population was achieved in 1804; by 1928, another billion was added; the third billion was added by 1960; the fourth by 1974; and the fifth by 1988. In 2000, the population had passed the 6 billion mark. By 2011, the world had added another billion to the population. The dramatic change in the rate of growth is obvious. In 2020, for the first time since 1950, the rate of population growth declined below 1 percent annually, as per the estimates of UN, World Population Prospects 2022, the world's two most populous regions in 2022 are Eastern and South-East Asia with 2.3 billion population (forming 29% of the world's population) Central and South Asia with 2.1 billion people (forming 26% of the world's population). Sub-Saharan Africa will account for most of the growth of the world's population (The annual Growth rate of the population of sub-Saharan Africa peaked at 3% in 1978 and remained above 2.8% during the 1980s) over the coming decades, while other regions will begin to experience decreasing population numbers. Europe and Northern America have reached the growth rate close to zero in 2020 and 2021.

What was the average growth of world population during 1962-1965?

A. 2.1%

B. 2.8%

C. 3.8%

D. 3.1%

EXPLANATION

Correct answer: A — 2.1%

The passage states that world population grew fastest during 1962–1965, at an average annual rate of 2.1%.

Why the other choices do not work

- **B:** The passage associates rates above 2.8% with sub-Saharan Africa during the 1980s, not with world population in 1962–1965.
- **C:** A rate of 3.8% is not reported anywhere in the passage.
- **D:** The passage mentions a 3% peak for sub-Saharan Africa in 1978, not 3.1% for world population during 1962–1965.

Takeaway: The peak average annual world-population growth reported for 1962–1965 is 2.1%.

KEYWORDS: world population growth | population growth peak | 1962 1965 | world population prospects

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ENVIRONMENTAL ECONOMICS AND DEMOGRAPHY

Concepts and Measures: Fertility, Morbidity and Mortality

Difficulty: Easy | June 2026 · Paper II · Q149

Over the one hundred years from 1950 to 2050, the world population grew fastest in the period 1962-1965, when it was increasing on average by 2.1 percent per year. The first billion in world population was achieved in 1804; by 1928, another billion was added; the third billion was added by 1960; the fourth by 1974; and the fifth by 1988. In 2000, the population had passed the 6 billion mark. By 2011, the world had added another billion to the population. The dramatic change in the rate of growth is obvious. In 2020, for the first time since 1950, the rate of population growth declined below 1 percent annually, as per the estimates of UN, World Population Prospects 2022, the world's two most populous regions in 2022 are Eastern and South-East Asia with 2.3 billion population (forming 29% of the world's population) Central and South Asia with 2.1 billion people (forming 26% of the world's population). Sub-Saharan Africa will account for most of the growth of the world's population (The annual Growth rate of the population of sub-Saharan Africa peaked at 3% in 1978 and remained above 2.8% during the 1980s) over the coming decades, while other regions will begin to experience decreasing population numbers. Europe and Northern America have reached the growth rate close to zero in 2020 and 2021.

When did the rate of annual population growth of world declined below 1%?

A. 2011

B. 2021

C. 2020

D. 2022

EXPLANATION

Correct answer: C — 2020

The passage states that in 2020 world population growth fell below 1% annually for the first time since 1950.

Why the other choices do not work

- **A:** 2011 is cited as the year world population reached another billion milestone.
- **B:** 2021 is grouped with near-zero growth in Europe and Northern America, not the first global crossing.
- **D:** 2022 is the report edition/reference year, not the threshold year.

Takeaway: The below-1% threshold was first crossed in 2020 according to the passage.

KEYWORDS: world population growth below one percent | population growth 2020 | world population prospects

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ENVIRONMENTAL ECONOMICS AND DEMOGRAPHY

Concepts and Measures: Fertility, Morbidity and Mortality

Difficulty: Easy | June 2026 · Paper II · Q150

Over the one hundred years from 1950 to 2050, the world population grew fastest in the period 1962-1965, when it was increasing on average by 2.1 percent per year. The first billion in world population was achieved in 1804; by 1928, another billion was added; the third billion was added by 1960; the fourth by 1974; and the fifth by 1988. In 2000, the population had passed the 6 billion mark. By 2011, the world had added another billion to the population. The dramatic change in the rate of growth is obvious. In 2020, for the first time since 1950, the rate of population growth declined below 1 percent annually, as per the estimates of UN, World Population Prospects 2022, the world's two most populous regions in 2022 are Eastern and South-East Asia with 2.3 billion population (forming 29% of the world's population) Central and South Asia with 2.1 billion people (forming 26% of the world's population). Sub-Saharan Africa will account for most of the growth of the world's population (The annual Growth rate of the population of sub-Saharan Africa peaked at 3% in 1978 and remained above 2.8% during the 1980s) over the coming decades, while other regions will begin to experience decreasing population numbers. Europe and Northern America have reached the growth rate close to zero in 2020 and 2021.

How much population of world has been acknowledged by 1988?

A. Four Billion

B. Five Billion

C. Six Billion

D. Seven Billion

EXPLANATION

Correct answer: B — Five Billion

The passage's milestone sequence says the fourth billion was reached by 1974 and the fifth by 1988. Therefore the world population acknowledged by 1988 was five billion.

Why the other choices do not work

- **A:** Four billion had already been reached in 1974.
- **C:** The six-billion mark was passed around 2000.
- **D:** Seven billion was reached by 2011.

Takeaway: The 1988 milestone in the passage is five billion people.

KEYWORDS: world population milestones | five billion population | population 1988

Coverage at a glance.

100 questions · 120 practice minutes · No negative marking

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Public Economics	6
Indian Economy	18
Money and Banking	4
Growth and Development Economics	10
Macro Economics	13
Statistics and Econometrics	10
Micro Economics	18
International Economics	11
Environmental Economics and Demography	7
Mathematical Economics	3

Answer key

1 · A	2 · A	3 · C	4 · C	5 · B	6 · D	7 · D	8 · A	9 · A	10 · D
11 · A	12 · D	13 · D	14 · B	15 · D	16 · C	17 · B	18 · D	19 · C	20 · B
21 · C	22 · D	23 · D	24 · C	25 · A	26 · B	27 · A	28 · B	29 · C	30 · A
31 · A	32 · A	33 · D	34 · A	35 · C	36 · A	37 · A	38 · A	39 · D	40 · A
41 · B	42 · D	43 · C	44 · A	45 · A	46 · B	47 · A	48 · D	49 · B	50 · B
51 · B	52 · A	53 · C	54 · B	55 · C	56 · D	57 · D	58 · B	59 · A	60 · C
61 · C	62 · A	63 · B	64 · A	65 · B	66 · A	67 · B	68 · B	69 · C	70 · D
71 · B	72 · D	73 · D	74 · A	75 · D	76 · C	77 · D	78 · D	79 · B	80 · B
81 · B	82 · A	83 · D	84 · A	85 · A	86 · D	87 · D	88 · C	89 · B	90 · A
91 · A	92 · C	93 · C	94 · D	95 · A	96 · B	97 · C	98 · A	99 · C	100 · B

120 minutes is a Paper II practice allocation; the official examination combines Paper I and Paper II. Accepted practice-key qualifications are preserved in the explanations.

Topic breakdown.

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

Public Budget and Budget Multiplier	3
Commercial Banking	2
Economic Growth in India: Pattern and Structure	9
Descriptive Statistics - Measures of Central Tendency and Dispersion, Correlation, Index Numbers	2
Theory of Production and Costs	4
Theory of Consumer Behaviour	4
Public Expenditure	1
Foreign Trade: Structure and Direction, BOP, Flow of Foreign Capital and Trade Policies	1
Inflation and Phillips Curve Analysis	1
Statistical Inferences and Hypothesis Testing	2
Components of Money Supply	1
IS-LM Model Approach	1
Central Bank	1
Multiplier and Accelerator	1
Simultaneous Equation Models - Recursive and Non-Recursive	1
Differential Calculus and Its Applications	2
Game Theory - Non-Cooperative Games	1
Factor Pricing	2
Linear Algebra - Matrices and Vector Spaces	1
Efficiency Criteria: Pareto-Optimality, Kaldor-Hicks and Wealth Maximization	1
Sampling Methods and Sampling Distribution	1
Exchange Rate: Concepts and Theories	2
Public Debt and Its Management	1
Concepts and Measures: Fertility, Morbidity and Mortality	5
Rural Development - Issues, Challenges and Policy Responses	3
Models of Economic Growth: Harrod-Domar, Solow, Robinson and Kaldor	5
Demand for Money	3
Reforms in Land, Labour and Capital Markets	1
Theories of International Trade	3
Linear Regression Models and Their Properties - BLUE	4
Poverty, Inequality and Unemployment	2
Consumption Function	2
Market Structures, Competitive and Non-Competitive Equilibria and Their Efficiency Properties	6
Public Revenue: Tax and Non-Tax Revenue, Direct and Indirect Taxes, Progressive and Non-Progressive Taxation, Incidence and Effects of Taxation	1
Centre-State Financial Relations and Finance Commissions of India; FRBM	1
Theories of Population	1
Theories of Economic Development: Adam Smith, Ricardo, Marx, Schumpeter, Rostow, Balanced and Unbalanced Growth, Big Push Approach	3
Coase Theorem	1
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National Income: Concepts and Measurement	1
Economic Growth and Economic Development	1
Determination of Output and Employment: Classical and Keynesian Approach	2
Tariff and Non-Tariff Barriers to Trade; Dumping	1
Gains from Trade, Terms of Trade and Trade Multiplier	1
Indicators of Economic Development: PQLI, HDI and SDGs	1
Industry: Pattern and Structure of Growth, Major Challenges and Policy Responses	1

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