

## (SOLUTION) MOCK TEST 4

### 4 Correct Answer : B

#### Answer Justification :

**Justification:** The identities below

$$C + I + G + X - M \equiv C + S + T$$

Cancelling final consumption expenditure C from both sides we get

$$I + G + X - M \equiv S + T$$

In other words  $(I - S) + (G - T) \equiv M - X$  (2.8)

In (2.8),  $G - T$  measures by what amount the government expenditure exceeds the tax revenue earned by it. This is referred to as budget deficit.

$M - X$  is known as the trade deficit – it measures the excess of import expenditure over the export revenue earned by the economy ( $M$  is the outflow from the country,  $X$  is the inflow into the country).

If there is no government, no foreign trade then  $G = T = M = X = 0$ .

Hence (2.8) yields  $I \equiv S$  (2.9)

(2.9) is simply an accounting identity. Out of the GDP, a part is consumed and a part is saved (from the recipient side of the incomes). On the other hand, from the side of the firms, the aggregate final expenditure received by them ( $\equiv$  GDP) must be equal to consumption expenditure and investment expenditure.

The aggregate of incomes received by the households is equal to the expenditure received by the firms because the income method and expenditure method would give us the same figure of GDP. Since consumption expenditure cancels out from both sides, we are left with aggregate savings equal to the aggregate gross investment expenditure.

**Q Source:** Page 23: 12th NCERT: Macroeconomics

### 5 Correct Answer : D

#### Answer Justification :

**Justification:** Option D, Mongolia, is ruled out because these deposits are only found in Southern Hemisphere, apart from being found in India.

**Learning:** Tillite is the sedimentary rock formed out of deposits of glaciers. The Gondawana system of sediments from India is known to have its counter parts in six different landmasses of the Southern Hemisphere.

At the base the system has thick tillite indicating extensive and prolonged glaciation. Counter parts of this succession are found in Africa, Falkland Island, Madagascar, Antarctica and Australia besides India.

Overall resemblance of the Gondawana type sediments clearly demonstrates that these landmasses had remarkably similar histories.

The glacial tillite provides unambiguous evidence of palaeoclimates and also of drifting of continents.

**Q Source:** Page 31: Fundamentals of Physical Geography: 11th NCERT

### 6 Correct Answer : C

#### Answer Justification :

**Justification:** Income is instrumental to human development, but the contribution diminishes as incomes rise.

Also a high income without being translated into other human development outcomes is of less relevance for human development.

Fixing the maximum at \$75,000 means that for countries with GNI per capita greater than \$75,000, only the first \$75,000 contributes to human development. In this way the higher income is prevented from dominating the HDI value.

Currently we have only 4 countries with GNI pc above the cap – Liechtenstein, Kuwait, Qatar and Singapore. The projections based on fairly realistic growth rates have shown that by 2018 not more than five countries will exceed the limit.

<http://hdr.undp.org/en/faq-page/human-development-index-hdi#t292n51>

**Q Source:** Additional Research: Chapter 3: Shankar Ganesh: Economy