CUET 2024 Economics Online Question Paper with Solution

1. ”What to produce” is a central problem that deals with which of the following questions?

1) What technique of production to use?

2) What type of goods to produce?

3) Which income group to produce for?

4) What quantity of goods to produce?

Choose the correct answer from the options given below:

1) (A), (B), and (D) only

2) (B) and (D) only

3) (A) and (D) only

4) (B), (C), and (D) only

Correct Answer:

2) (B) and (D) only

Solution:

The ”what to produce” problem in economics revolves around the choice of goods and services that should be produced in an economy. This decision depends on the types of goods to produce and the quantity required to satisfy market demand. Choices like ”what technique to use” or ”for whom to produce” fall under different economic questions such as ”how to produce” or ”for whom to produce.” Hence, the correct answer is (B) and (D).

Quick Tip

The central economic question ”what to produce” is about selecting the types and quantities of goods and services based on consumer demand and available resources.

---

2. When the price of a good falls from Rs 30 to Rs 25, the consumer continues to purchase the same quantity of the good. What will be the price elasticity of demand for this good?

1) Unitary elastic

2) Perfectly elastic

3) Perfectly inelastic

4) Elastic

Correct Answer:

3) Perfectly inelastic

Solution:

Price elasticity of demand measures how much the quantity demanded changes in response to a price change. If the quantity demanded remains constant despite a change in price, the demand is perfectly inelastic. In this scenario, the price drops from Rs 30 to Rs 25, yet the consumer's quantity demanded remains unchanged. This indicates that the consumer is not responsive to price changes, and the demand is perfectly inelastic.

Quick Tip

In perfectly inelastic demand, the quantity demanded does not respond to price changes at all, which typically occurs with essential goods.

---

3. Ms Stuman's real income rises as a result of a fall in the price of sugar in the market. As a result, she now purchases more quantity of sugar than before. This phenomenon will be termed as:

1) Increase in demand

2) Decrease in demand

3) Expansion in demand

4) Contraction in demand

Correct Answer:

3) Expansion in demand

Solution:

When the price of a good decreases and the quantity demanded increases, the phenomenon is termed "expansion in demand." In this case, Ms Stuman's purchasing power increases as sugar becomes cheaper, leading her to buy more of it. This is distinct from an increase in demand, which typically refers to a shift of the entire demand curve due to factors other than price.

Quick Tip

Expansion in demand occurs due to a movement along the demand curve when the price of a good decreases, leading to higher quantity demanded.

---

4. Match List-I with List-II:

List-I	List-II
(A) Consumer equilibrium	(I) MRS = Ratio of prices
(B) Necessity goods	(II) Unit elastic demand
(C) Total expenditure decreases with increase in price of the good	(III) Inelastic demand
(D) Rectangular hyperbola demand curve	(IV) Elastic demand

Choose the correct answer from the options given below:

1) (A)-(I), (B)-(III), (C)-(IV), (D)-(II)

2) (A)-(II), (B)-(III), (C)-(I), (D)-(IV)

3) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

4) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

Correct Answer:

2) (A)-(II), (B)-(III), (C)-(I), (D)-(IV)

Solution:

The correct matching is as follows:

- Consumer equilibrium refers to unit elastic demand (when the consumer maximizes utility by equating marginal utility per rupee for all goods).
- Necessity goods have inelastic demand because the quantity demanded does not change much with price changes.
- When total expenditure decreases with price increases, it typically means demand is inelastic, as consumers reduce quantity demanded by a proportion smaller than the price increase.
- A rectangular hyperbola demand curve is associated with elastic demand, where total expenditure remains constant despite price changes.

Quick Tip

Matching exercises help reinforce understanding of key concepts like elasticity, consumer behavior, and equilibrium.

---

5. Suppose, a consumer consumes two goods whose MRS = 3, if the price of one good is Rs 30, what can be the price of the other good for the consumer to be in equilibrium?

1) 10

2) 30

3) 60

4) 90

Correct Answer:

1) 10

Solution:

In consumer equilibrium, the Marginal Rate of Substitution (MRS) between two goods equals the ratio of their prices. If MRS = 3, it means the consumer is willing to give up 3 units of one good to gain 1 unit of the other. The price of the first good is Rs 30. Therefore, the price of the second good must be Rs 10, since $\frac{30}{10} = 3$, matching the MRS value.

Quick Tip

The condition for consumer equilibrium is MRS $= \frac{P_1}{P_2}$, meaning the rate at which a consumer is willing to trade between goods must equal the price ratio.

---

6. Identify the correct formula:

1) GDP_{mp}– Depreciation = NNP_{mp} – Net Factor Income from Abroad

2) GDP_{mp} – net indirect taxes = NNP_{fc} + net indirect taxes

3) GNP_{fc} + net indirect taxes = NNP_{fc}

4) NDP_{mp} + Net Factor Income from Abroad = GDP_{fc} – depreciation

Correct Answer:

1) GDP_{mp} – Depreciation = NNP_{mp} – Net Factor Income from Abroad

Solution:

The correct formula is derived from the definition of national income at market prices NNP_{mp} . NNP_{mp} is obtained by subtracting depreciation from GDP_{mp} (Gross Domestic Product at market prices) and then subtracting Net Factor Income from Abroad. This formula highlights how national income is adjusted to account for capital depreciation and international income flows.

Quick Tip

Always remember that GDP_{mp} refers to the market value of all goods and services, and depreciation represents the loss in asset value over time.

---

7. An MRI machine is purchased by a hospital at a price of 27 lakhs with an expected life of 12 years. What will be the value of annual depreciation?

1) 27 lakhs

2) 2.25 lakhs

3) 15 lakhs

4) 1.5 lakhs

Correct Answer:

2) 2.25 lakhs

Solution:

Depreciation is calculated as the cost of an asset divided by its expected life. In this case, the MRI machine costs 27 lakhs and has an expected life of 12 years. The formula for straight-line depreciation is:

$$\text{Depreciation per year} = \frac{\text{Cost of asset}}{\text{Useful life}} = \frac{27 \text{ lakhs}}{12} = 2.25 \text{ lakhs}$$

Thus, the annual depreciation is 2.25 lakhs.

Quick Tip

Straight-line depreciation is a simple method where the cost of an asset is evenly spread over its useful life.

---

8. Identify the correct statements:

(A) Depreciation is a flow concept

(B) Money supply is a stock concept

(C) Investment is a stock concept

(D) Depreciation is an annual allowance for wear and tear of a consumer good

Choose the correct answer from the options given below:

1) (A) and (C) only

2) (A) and (B) only

3) (A), (B), (C), and (D)

4) (B), (C), and (D) only

Correct Answer:

3) (A), (B), (C), and (D)

Solution:

All the statements are correct:

- Depreciation is a flow concept because it measures the value reduction over a period of time.
- Money supply and investment are stock concepts, representing quantities at a specific point in time.
- Depreciation reflects the reduction in value of assets annually, such as machinery or buildings.

Quick Tip

Stock concepts are measured at a specific point in time (e.g., money supply), while flow concepts are measured over a period of time (e.g., depreciation).

9. Match List-I with List-II:

List-I	List-II
(A) Non-monetary exchanges	1) Services of housewives
(B) Old age pensions	2) Factor income from abroad
(C) Dividends received from investment in shares	3) Transfer income
(D) Profits earned by a foreign bank in India	4) Part of domestic income

Choose the correct answer from the options given below:

1) (A)-(1), (B)-(3), (C)-(2), (D)-(4)

2) (A)-(1), (B)-(3), (C)-(3), (D)-(4)

3) (A)-(3), (B)-(4), (C)-(1), (D)-(2)

4) (A)-(1), (B)-(2), (C)-(4), (D)-(3)

Correct Answer:

2) (A)-(I), (B)-(III), (C)-(III), (D)-(IV)

Solution:

- (A) Non-monetary exchanges refer to the services of housewives, which are not part of the formal economy.
- (B) Old age pensions are transfer incomes since they represent redistribution without corresponding production.
- (C) Dividends received from shares are part of factor income from abroad, depending on the source of the investment.
- (D) Profits earned by foreign banks in India are classified as part of domestic income, as they are generated within the country.

Quick Tip

Understanding income flows such as transfer income and factor income is essential for analyzing national income and balance of payments.

10. Which of the following is NOT an example of leakage from the circular flow of income?

1) Savings

2) Taxes

3) Imports

4) Government spending

Correct Answer:

4) Government spending

Solution:

Leakages in the circular flow of income refer to withdrawals of money from the economy, such as savings, taxes, and imports. These reduce the overall economic activity. Government spending, on the other hand, is an injection, meaning it adds money into the economy, stimulating demand.

> Quick Tip
>
> Leakages (e.g., savings, taxes) reduce economic activity, while injections (e.g., government spending) increase it.

---

11. Which of the following is NOT a component of aggregate demand?

1) Investment

2) Consumption

3) Exports

4) Savings

Correct Answer:

4) Savings

Solution:

Aggregate demand consists of four key components: consumption, investment, government spending, and net exports (exports minus imports). Savings, on the other hand, are considered a leakage from the economy as they represent money that is not being spent on goods or services. Hence, savings are not part of aggregate demand.

Quick Tip

Aggregate demand (AD) is the total demand for goods and services in an economy and includes consumption (C), investment (I), government spending (G), and net exports (X - M).

---

12. If MPC $>$ MPS, which of the following statements will be true about the investment multiplier (K)?

1) K $>$ 2

2) K $<$ 2

3) K = 1

4) K = ∞

Correct Answer:

1) K $>$ 2

Solution:

The investment multiplier (K) is defined as $K = \frac{1}{1-MPC}$, where MPC is the marginal propensity to consume and MPS is the marginal propensity to save. Since MPC and MPS sum to 1, a higher MPC implies a lower MPS, leading to a higher multiplier. If MPC ¿ MPS, the multiplier will be greater than 2, meaning that any increase in investment will have a multiplied effect on national income.

Quick Tip

The higher the marginal propensity to consume (MPC), the greater the impact of an increase in investment on total national income.

---

13. Match List-I with List-II:

Choose the correct answer from the options given below:

1) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

2) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

3) (A)-(I), (B)-(III), (C)-(IV), (D)-(II)

4) (A)-(III), (B)-(II), (C)-(IV), (D)-(I)

(A) Average propensity to save	1) Inversely related to the investment multiplier
(B) Average propensity to consume	2) Ratio of change in consumption to change in income
(C) Marginal propensity to save	3) Always less than one
(D) Marginal propensity to consume	4) Can't be zero

Correct Answer:

1) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

Solution:

- (A) Average propensity to save (APS) is inversely related to the investment multiplier because the lower the APS, the higher the MPC, which increases the multiplier.
- (B) Average propensity to consume (APC) is the ratio of total consumption to total income, hence APC $= \frac{C}{Y}$.
- (C) Marginal propensity to save (MPS) is always less than one because it represents the portion of additional income saved, and some part is always consumed.
- (D) Marginal propensity to consume (MPC) can't be zero because any additional income leads to at least some increase in consumption.

Quick Tip

MPC + MPS = 1, where MPC refers to the change in consumption with respect to income, and MPS refers to the change in savings with respect to income.

---

14. Aggregate demand for final goods consists of:

1) Government spending

2) Imports

3) Savings

4) Taxes

Correct Answer:

1) Government spending

Solution:

Aggregate demand represents the total demand for final goods and services in the economy, including consumption, investment, government spending, and net exports (exports minus imports). Imports, savings, and taxes are considered leakages, not part of aggregate demand directly. Therefore, government spending is the correct answer.

> **Quick Tip**
>
> Government spending is a key component of aggregate demand, along with consumption, investment, and net exports.

---

15. Which of the following statements is incorrect?

1) Value of marginal propensity to save ranges from 0 to 1

2) The sum of average propensity to save and marginal propensity to save is always equal to one

3) At the break-even point of the economy, income and consumption are equal

4) Value of average propensity to save rises with increase in income

Correct Answer:

2) The sum of average propensity to save and marginal propensity to save is always equal to one

Solution:

The sum of average propensity to save (APS) and marginal propensity to save (MPS) is not always equal to one. In fact, APS and MPS are distinct concepts: APS refers to the ratio of savings to income, while MPS refers to the change in savings with respect to a change in income. The correct relationship that equals one is between APS and average propensity to consume (APC), or MPS and marginal propensity to consume (MPC).

> **Quick Tip**
>
> Remember that APS + APC = 1 and MPS + MPC = 1. These are the correct relationships between savings and consumption propensities.

---

16. For the purpose of restoring equilibrium in an economy currently operating at over full employment equilibrium, what should be done?

1) Taxes must be reduced

2) Repo rate must be reduced

3) Government expenditure must be reduced

4) Securities must be purchased by the central bank

Correct Answer:

3) Government expenditure must be reduced

Solution:

In an economy operating at over full employment equilibrium, inflationary pressures build up due to excessive demand. To reduce demand and restore equilibrium, the government can reduce its expenditure, which would lead to a contraction in aggregate demand and help control inflation. Reducing taxes or lowering interest rates would only increase demand further, exacerbating the problem.

Quick Tip

Contractionary fiscal policy, such as reducing government spending, is used to cool down an overheated economy.

---

17. Disinvestment by the government is an example of:

1) Capital receipt

2) Revenue receipt

3) Capital expenditure

4) Revenue expenditure

Correct Answer:

1) Capital receipt

Solution:

Disinvestment refers to the sale of government assets, such as its equity in public sector enterprises. The proceeds from such sales are categorized as capital receipts because they represent one-time inflows of capital, rather than recurring revenue or expenditures. Therefore, disinvestment is classified as a capital receipt.

Quick Tip

Capital receipts include proceeds from disinvestment, loan recoveries, and borrowing, which are non-recurring inflows of capital.

---

18. Which of the following is not an example of revenue receipts of the government?

1) Income tax

2) Goods and services tax

3) Recovery of loans

4) Interest received on loans

Correct Answer:

3) Recovery of loans

Solution:

Revenue receipts are recurring receipts that do not create any liability or lead to asset creation. Examples include taxes (like income tax and GST) and interest on loans. Recovery of loans, on the other hand, is considered a capital receipt because it involves the repayment of funds that were previously lent out, resulting in a return of capital, not a regular revenue stream.

Quick Tip

Revenue receipts include taxes and interest earned, while capital receipts involve transactions like loan recovery or disinvestment.

---

19. Arrange the following events in chronological order:

(A) General Theory of Employment, Interest and Money

(B) The Economic Consequences of the Peace

(C) An Enquiry into the Nature and Causes of the Wealth of Nations

(D) The birth date of the great British economist John Maynard Keynes

Choose the correct answer from the options given below:

1) (A), (B), (C), (D)

2) (A), (C), (B), (D)

3) (B), (A), (D), (C)

4) (C), (D), (B), (A)

Correct Answer:

4) (C), (D), (B), (A)

Solution:

The correct chronological order is:

1. (C) Adam Smith's "An Enquiry into the Nature and Causes of the Wealth of Nations" was published in 1776, which laid the foundation for modern economics.
2. (D) John Maynard Keynes was born in 1883.
3. (B) Keynes' "The Economic Consequences of the Peace" was published in 1919, critiquing the Treaty of Versailles.
4. (A) Keynes' "General Theory of Employment, Interest and Money" was published in 1936, revolutionizing economic thought.

Quick Tip

Chronology is key to understanding the progression of economic theories and their impact on policy and practice over time.

---

20. Which of the following is NOT an example of capital expenditure incurred by the government?

1) Expenditure on maintenance of a government school building

2) Repayment of loans by the government

3) Expenditure on construction of a new government hospital

4) Loans given by the government

Correct Answer:

1) Expenditure on maintenance of a government school building

Solution:

Capital expenditure refers to spending on the acquisition or creation of assets (such as building a new hospital) or repayment of liabilities (such as loan repayments). Maintenance costs, on the other hand, are classified as revenue expenditure, as they are recurring and do not create new assets or reduce liabilities.

Quick Tip

Capital expenditure results in asset creation or liability reduction, while revenue expenditure covers operational and maintenance costs.

Question 21. Match List-I with List-II:

List-I	List-II
(A) Autonomous items	(I) Net of visible trade
(B) Accommodating items	(II) Above the line items
(C) Balance of trade	(III) Portfolio investment
(D) Capital account	(IV) Below the line items

Choose the correct answer from the options given below:

1) (A)-(III), (B)-(II), (C)-(I), (D)-(IV)

2) (A)-(II), (B)-(IV), (C)-(I), (D)-(III)

3) (A)-(I), (B)-(II), (C)-(IV), (D)-(III)

4) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

Correct Answer:

2) (A)-(II), (B)-(IV), (C)-(I), (D)-(III)

Solution:

Autonomous items are above the line items (independent of the balance of payments situation). Accommodating items are below the line, used to balance discrepancies in the balance of payments. The balance of trade refers to the net of visible trade (exports minus imports). The capital account includes transactions such as portfolio investments.

Quick Tip

Autonomous items influence the balance of payments directly while accommodating items adjust imbalances.

Question 22. How will the export of machinery be recorded in the balance of payment account of an economy?

1) Current account, debit side

2) Capital account, debit side

3) Current account, credit side

4) Capital account, credit side

Correct Answer:

3) Current account, credit side

Solution:

Exports are recorded in the current account, as they are transactions of goods and services. Since exports bring foreign currency into the economy, they are recorded as credits in the current account.

Quick Tip

Exports are credited to the current account as they represent an inflow of money.

Question 23. The value of the US dollar changes due to the market forces of demand and supply of foreign exchange i.e., from 1 USD = 81 to 2 USD = 161. What will this phenomenon be termed as?

1) Appreciation of rupee

2) Depreciation of rupee

3) Revaluation of rupee

4) Devaluation of rupee

Correct Answer:

2) Depreciation of rupee

Solution:

When the value of the rupee falls compared to the US dollar, it is referred to as depreciation. In this case, more rupees are required to buy the same amount of USD (from 81 to 161 per USD), indicating depreciation of the rupee.

Quick Tip

Currency depreciation means more units of a currency are needed to buy a unit of foreign currency.

Question 24. Bombay-Thane linking railway bridge was established in which year?

1) 1854

2) 1869

3) 1932

4) 1947

Correct Answer:

1) 1854

Solution:

The first railway line in India, connecting Bombay (Mumbai) to Thane, was inaugurated in 1854, marking the start of India's railway system.

Quick Tip

India's railway system began in 1854 with the Bombay-Thane line.

Question 25. Which of the following are the main causes of individual poverty?

(A) Social exclusion

(B) Indebtedness

(C) Economic and political inequality

(D) Unemployment

Choose the correct answer from the options given below:

1) (A), (B), (C), (D)

2) (A), (B), and (C) only

3) (B), (C), and (D) only

4) (A), (B), and (D) only

Correct Answer:

1) (A), (B), (C), (D)

Solution:

All the options listed are major causes of individual poverty. Social exclusion, indebtedness, economic and political inequality, and unemployment are interrelated factors that contribute to poverty.

Quick Tip

Poverty is often a result of multiple social, economic, and political factors.

Question 26. Which of the following are true about subsidies in the agricultural sector during 1950-1990 in India?

(A) Subsidies were needed to encourage farmers to test the new technology

(B) Subsidy largely benefits the farmers in the more prosperous regions

(C) Eliminating subsidies will increase inequality between rich and poor farmers and violate the goal of equity

(D) Most farmers are very poor and they will not be able to afford the required inputs without subsidies

Choose the correct answer from the options given below:

1) (A), (B) and (D) only

2) (A), (B) and (C) only

3) (A), (B), (C) and (D)

4) (B), (C) and (D) only

Correct Answer:

3) (A), (B), (C) and (D)

Solution:

All the statements are correct regarding subsidies in the agricultural sector during 1950-1990. Subsidies encouraged the adoption of new technologies, but they disproportionately benefited prosperous regions. Removing them would increase inequality as poor farmers rely heavily on subsidies to afford necessary inputs.

Quick Tip

Subsidies have historically been crucial for promoting technological adoption, but often benefit wealthier farmers.

Question 27. Arrange the following incidents in sequential order in the context of man-made global warming:

(A) The atmospheric concentrations of carbon dioxide and CH4 have increased

(B) Burning of fossil fuels and deforestation

(C) Gradual increase in the average temperature of the earth's lower atmosphere

(D) Melting of polar ice with a resulting rise in sea level and coastal flooding

Choose the correct answer from the options given below:

1) (C), (B), (A), (D)

2) (A), (C), (B), (D)

3) (B), (A), (C), (D)

4) (C), (B), (D), (A)

Correct Answer:

3) (B), (A), (C), (D)

Solution:

The correct sequence is:

1. (B) Burning of fossil fuels and deforestation,
2. (A) Increase in greenhouse gases like CO2 and CH4,
3. (C) Gradual rise in the earth's temperature,
4. (D) Melting of polar ice and the resulting rise in sea levels.

Quick Tip

Greenhouse gases like CO2 and CH4 are major contributors to global warming.

Question 28. Identify the factors responsible for land degradation in India:

(A) Loss of vegetation occurring due to deforestation

(B) Vehicular emissions

(C) Encroachment into forestlands

(D) Forest fires and overgrazing

Choose the correct answer from the options given below:

1) (A), (B), and (D) only

2) (A), (B), and (C) only

3) (B), (C), and (D) only

4) (A), (C), and (D) only

Correct Answer:

4) (A), (C), and (D) only

Solution:

Factors like deforestation, encroachment into forestlands, and overgrazing, as well as forest fires, contribute to land degradation in India. Vehicular emissions are more closely linked to air pollution than to land degradation.

Quick Tip

Land degradation is often caused by human activities like deforestation, overgrazing, and encroachment into forests.

Question 29. Match List-I with List-II:

List-I	**List-II**
(A) Rural banking	(I) Micro-credit programmes
(B) Self-Help Groups	(II) Golden revolution
(C) Agricultural marketing	(III) Land development banks
(D) Horticulture	(IV) Distribution of different agricultural commodities across the country

Choose the correct answer from the options given below:

1) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

2) (A)-(III), (B)-(I), (C)-(IV), (D)-(II)

3) (A)-(I), (B)-(II), (C)-(IV), (D)-(III)

4) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

Correct Answer:

2) (A)-(III), (B)-(I), (C)-(IV), (D)-(II)

Solution:

The correct matching is:

(A) Rural banking $\rightarrow$ (III) Land development banks

(B) Self-Help Groups $\rightarrow$ (I) Micro-credit programmes

(C) Agricultural marketing $\rightarrow$ (IV) Distribution of different agricultural commodities

(D) Horticulture $\rightarrow$ (II) Golden revolution.

Quick Tip

The Golden Revolution refers to the period of rapid development in horticulture.

Question 30. Which of the following activity contributes maximum to the generation of GDP?

1) Fishing

2) Poultry

3) Horticulture

4) Livestock

Correct Answer:

4) Livestock

Solution:

Livestock, which includes cattle, poultry, dairy farming, and other forms of animal husbandry, contributes significantly to GDP in India's agricultural sector. It is one of the largest contributors within the agricultural and allied activities, surpassing fishing, poultry, and horticulture in overall GDP contribution.

Quick Tip

Livestock is a crucial part of India's agriculture sector and contributes significantly to the GDP.

Question 31. Put the following processes under agricultural marketing in the correct order:

(A) Assembling

(B) Transportation

(C) Processing

(D) Storage

Choose the correct answer from the options given below:

1) (A), (D), (C), (B)

2) (A), (C), (B), (D)

3) (B), (A), (D), (C)

4) (C), (B), (D), (A)

Correct Answer:

1) (A), (D), (C), (B)

Solution:

The correct sequence of agricultural marketing processes is:

(A) Assembling (collecting goods from various sources),

(D) Storage (storing goods to prevent spoilage),

(C) Processing (transforming raw agricultural products into more consumable forms),

(B) Transportation (delivering products to markets).

Quick Tip

Agricultural marketing involves multiple steps, starting with assembling and ending with transportation for sale.

Question 32. Put the following events in the order in which they occurred:

(A) India adopted social banking

(B) National Bank for Agriculture and Rural Development (NABARD) was set up

(C) Tamil Nadu Women in Agriculture (TANWA) was initiated

(D) Indian Parliament passed three laws to reform the agriculture marketing system

Choose the correct answer from the options given below:

1) (A), (B), (D), (C)

2) (A), (C), (B), (D)

3) (B), (A), (D), (C)

4) (C), (B), (D), (A)

Correct Answer:

1) (A), (B), (D), (C)

Solution:

The chronological order is:

(A) India adopted social banking (1969),

(B) NABARD was set up (1982),

(D) Parliament passed three laws to reform agriculture marketing,

(C) TANWA was initiated (implemented in the 1980s).

Quick Tip

NABARD and social banking played a crucial role in rural and agricultural development in India.

Question 33. Which of the following is NOT a source of data on unemployment in India?

1) Indian Statistical Institute

2) Reports of Census of India

3) Annual Reports of Periodic Labour Force Survey

4) Directorate General of Employment and Training data of Registration with Employment Exchanges

Correct Answer:

1) Indian Statistical Institute

Solution:

The Indian Statistical Institute is primarily a research and training institute and does not collect data on unemployment. The Census of India, Periodic Labour Force Survey, and the Directorate General of Employment and Training provide key unemployment data in India.

> Quick Tip
>
> Unemployment data is usually gathered through government surveys like the Periodic Labour Force Survey (PLFS).

Question 34. The distribution of workforce in different sectors indicates that over the last five decades (1972-2018), people have moved from self-employment and regular salaried employment to casual wage work. What is this process called?

1) Informalisation of workforce

2) Regularisation of workforce

3) Formalisation of workforce

4) Casualisation of workforce

Correct Answer:

4) Casualisation of workforce

Solution:

"Casualisation of workforce" refers to the increasing trend of workers moving from regular, salaried employment to casual or temporary jobs. Over the past five decades, there has been a noticeable shift in India where more people are engaged in informal or casual labor.

> Quick Tip
>
> Casualisation refers to the growing reliance on temporary and irregular jobs, leading to workforce instability.

Question 35. Which of the following statements is correct about the informal sector?

1) Those who are working in the informal sector enjoy social security benefits

2) Informal sector includes self-employed who do not have any hired workers

3) Employs 10 hired workers or more

4) It includes all the public sector establishments

Correct Answer:

2) Informal sector includes self-employed who do not have any hired workers

Solution:

The informal sector includes individuals who are self-employed or run small unregistered businesses, typically with no hired workers. These workers generally lack formal contracts, social security benefits, or job security. Public sector establishments are part of the formal sector.

> Quick Tip
>
> The informal sector is characterized by lack of formal contracts, social security, and job security.

Question 36. An economy has a trade surplus of 25 billion dollars and an overall current account deficit of 47 billion dollars. What will be the balance of invisibles for this economy?

1) A surplus of 72 billion dollars

2) A surplus of 22 billion dollars

3) A deficit of 22 billion dollars

4) A deficit of 72 billion dollars

Correct Answer:

3) A deficit of 22 billion dollars

Solution:

The balance of invisibles is calculated as the difference between the current account deficit and the trade surplus. In this case:

$$\text{Balance of invisibles} = \text{Current account deficit} - \text{Trade surplus} = 47 - 25 = 22 \text{ billion dollars (deficit)}$$

Quick Tip

In the balance of payments, invisibles include services, remittances, and income from investments abroad.

Question 37. If the domestic income of an economy is 2500 crores, the factor income from abroad is 300 crores, the consumption of fixed capital is 150 crores and Net National Product at factor cost is 2400 crores, then the Factor income paid to abroad will be:

1) 100 crores

2) (-) 100 crores

3) 400 crores

4) 250 crores

Correct Answer:

2) (-) 100 crores

Solution:

We know that Net National Product at factor cost (NNPfc) is calculated as:

$$NNPfc = \text{Domestic Income} + \text{Factor income from abroad} - \text{Factor income paid to abroad}$$

Substituting the given values:

$$2400 = 2500 + 300 - \text{Factor income paid to abroad}$$

$$\text{Factor income paid to abroad} = 2500 + 300 - 2400 = 400 - 2400 = -100 \text{ crores}$$

Quick Tip

Factor income paid abroad refers to payments made to foreign factors of production, such as profits or wages.

Question 38. The consumption function in an imaginary economy is known to be $C = 100 + 0.75Y$. The level of equilibrium income in this economy is 800 crores. What will be the value of investment in this economy?

1) 200 crores

2) 100 crores

3) 400 crores

4) 300 crores

Correct Answer:

2) 100 crores

Solution:

The consumption function is given as $C = 100 + 0.75Y$, and the level of equilibrium income is $Y = 800$. The equilibrium condition is:

$$Y = C + I$$

Substitute the value of C and solve for investment I:

$$800 = (100 + 0.75 \times 800) + I$$

$$800 = 100 + 600 + I \Rightarrow I = 800 - 700 = 100 \text{ crores}$$

Quick Tip

In equilibrium, total income equals total consumption plus investment.

Question 39. The Government of India reduced its defence budget expenditure to increase its health budget expenditure during the COVID pandemic. Which objective of the budget was the government trying to achieve through this step?

1) Reallocation of Resources

2) Redistribution of Income

3) Economic Growth

4) Balanced regional development

Correct Answer:

1) Reallocation of Resources

Solution:

Reallocation of resources refers to the shifting of government spending from one sector to another based on current priorities. During the COVID pandemic, the government increased health expenditure by reducing defence expenditure, aiming to focus on healthcare needs.

Quick Tip

Reallocation of resources in a budget helps direct funds to priority areas like healthcare during emergencies.

Question 40. How will the purchase of Rafael planes by India from France be recorded in the balance of payments account?

1) Credited to the current account

2) Debited to the current account

3) Credited to the capital account

4) Debited to the capital account

Correct Answer:

2) Debited to the current account

Solution:

Purchases of goods and services, such as military aircraft, are recorded in the current account of the balance of payments as part of imports. Since it represents an outflow of money from India to France, it is debited to the current account.

Quick Tip

Large purchases like military equipment are recorded as debits in the current account as they involve outflow of funds.

Question 41. Read the following passage carefully and answer the questions given below: Money is the commonly accepted medium of exchange. The first and foremost role of money is that it acts as a medium of exchange. Economic exchanges without the mediation of money are referred to as barter exchanges. The central bank has several important functions. It issues the currency of the country. India got its central bank in 1935. Its name is the 'Reserve Bank of India.' It controls money supply of the country through various methods, like bank rate, open market operations, and variations in reserve ratios. It acts as a banker to the government. It is the custodian of the foreign exchange reserves of the economy. It also acts as a bank to the banking system. Currency issued by the

Central Bank can be held by the public or by the commercial banks and is called the 'high-powered money' or 'reserve money' or 'monetary base' as it acts as a basis for credit creation.

The Reserve Bank of India was established in which year?

1) 1935

2) 1934

3) 1951

4) 1949

Correct Answer:

1) 1935

Solution:

The Reserve Bank of India (RBI) was established on April 1, 1935, under the Reserve Bank of India Act of 1934. It is the central bank of India and plays a key role in regulating the country's financial system.

Quick Tip

The RBI plays a crucial role in controlling inflation, issuing currency, and acting as the banker to the government.

Question 42. Money is the commonly accepted medium of exchange. The first and foremost role of money is that it acts as a medium of exchange. Economic exchanges without the mediation of money are referred to as barter exchanges. The central bank has several important functions. It issues the currency of the country. India got its central bank in 1935. Its name is the 'Reserve Bank of India.' It controls money supply of the country through various methods, like bank rate, open market operations, and variations in reserve ratios. It acts as a banker to the government. It is the custodian of the foreign exchange reserves of the economy. It also acts as a bank to the banking system. Currency issued by the Central Bank can be held by the public or by the commercial banks and is called the 'high-powered money' or 'reserve money' or 'monetary base' as it acts as a basis for credit creation.

RBI controls money supply through the following measures except:

1) Open market operations

2) Fiscal spending

3) Variations in reserve ratios

4) Bank rate

Correct Answer:

2) Fiscal spending

Solution:

RBI controls the money supply through monetary policy tools like open market operations, reserve ratios, and changes in the bank rate. Fiscal spending, however, is a tool of fiscal policy, which is controlled by the government, not the RBI.

> Quick Tip
>
> Monetary policy tools, like reserve ratios and open market operations, are used by central banks to control money supply, while fiscal policy involves government spending.

Question 43. Money is the commonly accepted medium of exchange. The first and foremost role of money is that it acts as a medium of exchange. Economic exchanges without the mediation of money are referred to as barter exchanges. The central bank has several important functions. It issues the currency of the country. India got its central bank in 1935. Its name is the 'Reserve Bank of India.' It controls money supply of the country through various methods, like bank rate, open market operations, and variations in reserve ratios. It acts as a banker to the government. It is the custodian of the foreign exchange reserves of the economy. It also acts as a bank to the banking system. Currency issued by the Central Bank can be held by the public or by the commercial banks and is called the 'high-powered money' or 'reserve money' or 'monetary base' as it acts as a basis for credit creation.

Choose the incorrect statement concerning the RBI:

1) It is the custodian of the foreign exchange reserves of the economy

2) It also acts as a bank to the banking system

3) It directly deals with the public

4) It controls money supply of the country through various methods like bank rate, open market

operations and variations in reserve ratios

Correct Answer:

3) It directly deals with the public

Solution:

The RBI does not directly deal with the public. It regulates the banking system, controls the money supply, and acts as a banker to the government and other banks. Commercial banks, on the other hand, deal directly with the public.

Quick Tip

RBI operates at a higher regulatory level, and commercial banks manage direct interactions with the public.

Question 44. Money is the commonly accepted medium of exchange. The first and foremost role of money is that it acts as a medium of exchange. Economic exchanges without the mediation of money are referred to as barter exchanges. The central bank has several important functions. It issues the currency of the country. India got its central bank in 1935. Its name is the 'Reserve Bank of India.' It controls money supply of the country through various methods, like bank rate, open market operations, and variations in reserve ratios. It acts as a banker to the government. It is the custodian of the foreign exchange reserves of the economy. It also acts as a bank to the banking system. Currency issued by the Central Bank can be held by the public or by the commercial banks and is called the 'high-powered money' or 'reserve money' or 'monetary base' as it acts as a basis for credit creation.

Currency issued by the central bank can be held by the public or by the commercial banks, and is known by various terms except:

1) High-powered money

2) Monetary base

3) Special Drawing Rights

4) Reserve money

Correct Answer:

3) Special Drawing Rights

Solution:

High-powered money, monetary base, and reserve money are terms used to describe currency issued by the central bank that can be held by the public or commercial banks. Special Drawing Rights (SDRs), however, are an international reserve asset created by the IMF and are not central bank-issued currency.

Quick Tip

SDRs are an international reserve asset managed by the IMF, not issued by individual central banks.

Question 45. Money is the commonly accepted medium of exchange. The first and foremost role of money is that it acts as a medium of exchange. Economic exchanges without the mediation of money are referred to as barter exchanges. The central bank has several important functions. It issues the currency of the country. India got its central bank in 1935. Its name is the 'Reserve Bank of India.' It controls money supply of the country through various methods, like bank rate, open market operations, and variations in reserve ratios. It acts as a banker to the government. It is the custodian of the foreign exchange reserves of the economy. It also acts as a bank to the banking system. Currency issued by the Central Bank can be held by the public or by the commercial banks and is called the 'high-powered money' or 'reserve money' or 'monetary base' as it acts as a basis for credit creation.

The primary function (first and foremost role) of money is that it acts as:

1) Convenient unit of account

2) Store of value

3) A medium of exchange

4) Reserve money

Correct Answer:

3) A medium of exchange

Solution:

The primary function of money is to serve as a medium of exchange, enabling the buying and selling of goods and services. Money also acts as a store of value and a unit of account, but its main function is as a medium of exchange.

Quick Tip

Money's most fundamental role in an economy is to act as a medium of exchange, making trade easier.

Question 46. Money is the commonly accepted medium of exchange. The first and foremost role of money is that it acts as a medium of exchange. Economic exchanges without the mediation of money are referred to as barter exchanges. The central bank has several important functions. It issues the currency of the country. India got its central bank in 1935. Its name is the 'Reserve Bank of India.' It controls money supply of the country through various methods, like bank rate, open market operations, and variations in reserve ratios. It acts as a banker to the government. It is the custodian of the foreign exchange reserves of the economy. It also acts as a bank to the banking system. Currency issued by the Central Bank can be held by the public or by the commercial banks and is called the 'high-powered money' or 'reserve money' or 'monetary base' as it acts as a basis for credit creation.

Which of the following is NOT a reason for the slowdown of growth in Pakistan?

1) Political instability

2) Over-dependence on remittances and foreign aid

3) Volatile performance of agriculture sector

4) Mixed economic system

Correct Answer:

4) Mixed economic system

Solution:

Pakistan's economic slowdown has been attributed to factors such as political instability, reliance on remittances and foreign aid, and the poor performance of its agriculture sector. A mixed economic system is not the cause of the slowdown; it is a characteristic shared by many economies, including India.

Quick Tip

Economic instability can result from political factors and over-reliance on external aid, but not necessarily from the type of economic system.

Question 47. Read the following passage carefully and answer the questions given below:
COMPARATIVE ANALYSIS ON INDIA, CHINA, AND PAKISTAN
India, China, and Pakistan have traveled more than seven decades of developmental path with varied results. Till the late 1970s, all of them were maintaining the same level of low development. The last three decades have taken these countries to different levels. India, with democratic institutions, performed moderately, but the majority of its people still depend on agriculture. India has taken many initiatives to develop the infrastructure and improve the standard of living. Scholars are of the opinion that political instability, over-dependence on remittances and foreign aid along with volatile performance of the agriculture sector are the reasons for the slowdown of the Pakistan economy. Yet, in the last five years, many macroeconomic indicators began showing positive and moderate growth rates reflecting the economic recovery. In China, the lack of political freedom and its implications for human rights are major concerns; yet, in the last four decades, it used the 'market system without losing political commitment' and succeeded in raising the level of growth along with alleviation of poverty.
Which of the following is not true about the Chinese Economy in the last few decades?
1) Lack of political freedom
2) Rise in the level of growth
3) Use of market system without compromising with political commitment
4) Granting the people right to make social, political, and economic decisions

Correct Answer:
4) Granting the people right to make social, political, and economic decisions
Solution:
In recent decades, China has experienced rapid economic growth through the use of market systems while maintaining strict political control. However, it has not granted its citizens full rights to make social, political, and economic decisions, as the state retains significant control

over these areas.

Quick Tip

China's growth is driven by market reforms, but the state still maintains strict political control.

Question 48. Read the following passage carefully and answer the questions given below:
COMPARATIVE ANALYSIS ON INDIA, CHINA, AND PAKISTAN
India, China, and Pakistan have traveled more than seven decades of developmental path with varied results. Till the late 1970s, all of them were maintaining the same level of low development. The last three decades have taken these countries to different levels. India, with democratic institutions, performed moderately, but the majority of its people still depend on agriculture. India has taken many initiatives to develop the infrastructure and improve the standard of living. Scholars are of the opinion that political instability, over-dependence on remittances and foreign aid along with volatile performance of the agriculture sector are the reasons for the slowdown of the Pakistan economy. Yet, in the last five years, many macroeconomic indicators began showing positive and moderate growth rates reflecting the economic recovery. In China, the lack of political freedom and its implications for human rights are major concerns; yet, in the last four decades, it used the 'market system without losing political commitment' and succeeded in raising the level of growth along with alleviation of poverty.
Which of the following is similar in India, China, and Pakistan?
1) Political system (all the three are democracies)
2) Economic system (all the three are mixed economies)
3) All the three adopted a five-year planning system
4) All the three have similar population growth rate

Correct Answer:
3) All the three adopted a five-year planning system
Solution:
India, China, and Pakistan have all used a five-year planning system as part of their economic strategies. However, their political systems differ, with only India being a full democracy, and

their population growth rates also vary.

Quick Tip

Five-year planning systems are common in economies seeking structured growth, although political systems can differ.

Question 49. Read the following passage carefully and answer the questions given below:
COMPARATIVE ANALYSIS ON INDIA, CHINA, AND PAKISTAN
India, China, and Pakistan have traveled more than seven decades of developmental path with varied results. Till the late 1970s, all of them were maintaining the same level of low development. The last three decades have taken these countries to different levels. India, with democratic institutions, performed moderately, but the majority of its people still depend on agriculture. India has taken many initiatives to develop the infrastructure and improve the standard of living. Scholars are of the opinion that political instability, over-dependence on remittances and foreign aid along with volatile performance of the agriculture sector are the reasons for the slowdown of the Pakistan economy. Yet, in the last five years, many macroeconomic indicators began showing positive and moderate growth rates reflecting the economic recovery. In China, the lack of political freedom and its implications for human rights are major concerns; yet, in the last four decades, it used the 'market system without losing political commitment' and succeeded in raising the level of growth along with alleviation of poverty.
Till the 1970s, all the three economies were maintaining similar growth rates. What led to accelerated development in China after that?

1) Great Proletarian Cultural Revolution
2) Economic reforms in China
3) One-child policy
4) Great Leap Forward

Correct Answer:

2) Economic reforms in China

Solution:

China's rapid economic growth after the 1970s is largely attributed to the economic reforms initiated under Deng Xiaoping. These reforms opened up China's economy to market principles, foreign investment, and industrial modernization, which accelerated its growth.

Quick Tip

China's economic reforms in the 1970s led to rapid modernization

---

Question 50. Read the following passage carefully and answer the questions given below:

COMPARATIVE ANALYSIS ON INDIA, CHINA, AND PAKISTAN

India, China, and Pakistan have traveled more than seven decades of developmental path with varied results. Till the late 1970s, all of them were maintaining the same level of low development. The last three decades have taken these countries to different levels. India, with democratic institutions, performed moderately, but the majority of its people still depend on agriculture. India has taken many initiatives to develop the infrastructure and improve the standard of living. Scholars are of the opinion that political instability, over-dependence on remittances and foreign aid along with volatile performance of the agriculture sector are the reasons for the slowdown of the Pakistan economy. Yet, in the last five years, many macroeconomic indicators began showing positive and moderate growth rates reflecting the economic recovery. In China, the lack of political freedom and its implications for human rights are major concerns; yet, in the last four decades, it used the 'market system without losing political commitment' and succeeded in raising the level of growth along with alleviation of poverty.

In which of the following economies does the right to private property exist?

1) India and China

2) China and Pakistan

3) In India, China, and Pakistan

4) India and Pakistan

Correct Answer:

4) India and Pakistan

Solution:

The right to private property is recognized and protected by law in India and Pakistan. In China, private property rights are limited by the state's control, as it operates within a socialist framework where most resources and assets are controlled by the state.

Quick Tip

In India and Pakistan, laws protect private property rights, while in China, the state retains significant control over property and resources.
