

CUET 2024 Economics Question Paper

Set B With Solution

1. _____ is a market where economic agents can freely exchange their endowments with each other.

- (1) Market economy
- (2) Centrally planned economy
- (3) Aggregate demand-based economy
- (4) Aggregate supply-based economy

Correct Answer: (1) Market economy.

Solution: A market economy allows economic agents, such as individuals and businesses, to freely trade goods, services, and resources. Prices and resource allocation are primarily determined by the forces of supply and demand, without central planning.

Quick Tip

A market economy emphasizes voluntary exchange and minimal government intervention. Remember this as a key feature distinguishing it from centrally planned systems.

2. Which of the following are correct statements?

- (A) Marginal Utility is the change in Total Utility due to consumption of one additional unit of commodity.
- (B) Two Indifference Curves intersect each other.
- (C) Marginal Utility becomes Zero at a level when Total Utility remains constant.
- (D) Diminishing Marginal Rate of Substitution does not affect Indifference Curve.
- (E) Indifference Curve slopes downwards from left to right.

Choose the correct answer from the options given below:

- (1) (A), (B) and (E) only
- (2) (A), (C) and (E) only

(3) (A), (D) and (E) only

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

Correct Answer: (2) (A), (C) and (E) only.

Solution: - Statement (A): Correct. Marginal Utility measures the additional satisfaction derived from consuming one more unit of a good. - Statement (B): Incorrect. Indifference Curves cannot intersect because it would violate the consistency and transitivity of preferences. - Statement (C): Correct. Marginal Utility becomes zero when Total Utility reaches its maximum and becomes constant. - Statement (D): Incorrect. The principle of Diminishing Marginal Rate of Substitution influences the convex shape of the Indifference Curve. - Statement (E): Correct. Indifference Curves slope downward because consuming more of one good requires giving up some of another to maintain the same satisfaction level.

Quick Tip

Indifference Curves never intersect, always slope downwards, and reflect diminishing Marginal Rate of Substitution, ensuring a convex shape.

3. Match List-I with List-II:

List-I (Characteristic)	List-II (Implication)
(A) Equilibrium	(I) Plans of all the consumers and firms in the market match
(B) Excess supply	(II) Demand decreases with an increase in income
(C) Inferior good	(III) Supply is greater than market demand
(D) Price ceiling	(IV) Imposition of upper limit by government

Choose the correct answer from the options given below:

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

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

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

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

Correct Answer: (2) (A) - (I), (B) - (III), (C) - (II), (D) - (IV).

Solution: - (A) Equilibrium - (I): At equilibrium, the plans of all consumers and firms in the market match. - (B) Excess supply - (III): Excess supply occurs when supply exceeds market demand. - (C) Inferior good - (II): An inferior good is characterized by demand decreasing as income increases. - (D) Price ceiling - (IV): A price ceiling is imposed by the government to set an upper price limit.

Quick Tip

Use definitions to match: Equilibrium (plans match), Excess supply (greater supply than demand), Inferior good (negative income effect), Price ceiling (government intervention).

4. When Elasticity of Demand Curve is 1 at every point on the Demand Curve, this curve is known as:

- (1) Perfectly inelastic demand curve
- (2) Perfectly elastic demand curve
- (3) Rectangular Hyperbola
- (4) Greater than unitary demand curve

Correct Answer: (3) Rectangular Hyperbola.

Solution: - When the elasticity of demand is 1 at all points, it indicates that the percentage change in quantity demanded is exactly equal to the percentage change in price. This constant unitary elasticity corresponds to a demand curve in the shape of a rectangular hyperbola. - Perfectly inelastic demand curve (Option 1): Has an elasticity of 0, meaning demand does not change with price. - Perfectly elastic demand curve (Option 2): Has an infinite elasticity, meaning demand changes infinitely with a tiny price change. - Greater than unitary demand curve (Option 4): Refers to elastic demand where elasticity is greater than 1.

Quick Tip

Remember that a Rectangular Hyperbola represents a demand curve with constant unitary elasticity ($E_d = 1$) because the total revenue remains constant along the curve.

5. According to the Theory of Consumer Behaviour, inequality $p_1x_1 + p_2x_2 \leq M$ is called the Consumer's:

- (1) Budget
- (2) Budget Set
- (3) Budget Constraint
- (4) Budget Behaviour

Correct Answer: (3) Budget Constraint.

Solution: The inequality represents the total expenditure on goods x_1 and x_2 limited by the consumer's income M . This is called the budget constraint.

Quick Tip

The Budget Constraint shows the maximum combinations of goods a consumer can afford given their income and prices of goods.

6. Choose the correct statements from the following:

- (A) Adam Smith is termed as Father of Modern Economics.
- (B) J.M. Keynes gave the Theory of Income, Output and Employment.
- (C) Four Sector Model = $C + I + G + (X - M)$.
- (D) Store of value is primary function of money.

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

Solution: - (A): Correct. Adam Smith is universally recognized as the "Father of Modern Economics." - (B): Correct. J.M. Keynes developed the Theory of Income, Output, and Employment. - (C): Correct. The four-sector model represents $C + I + G + (X-M)$, where C is consumption, I is investment, G is government spending, and $(X-M)$ is net exports. - (D): Incorrect. The primary function of money is as a medium of exchange, while "store of value" is a secondary function.

Quick Tip

Remember: Medium of exchange is the primary function of money, while "store of value" is a secondary function.

7. Rearrange the given statements in proper chronological sequence in an ascending order (earliest to latest):

- (A) General theory of Employment, Interest and Money by Keynes.
- (B) Mahalanobis was made a fellow of Britain's Royal Society.
- (C) An Inquiry into the Nature and Cause of the Wealth of Nations by Adam Smith.
- (D) The Economic Consequences of the Peace by Keynes.

Choose the correct answer from the options given below:

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

Correct Answer: (1) (C), (D), (A), (B).

Solution: - (C): Adam Smith's *Wealth of Nations* was published in 1776. - (D): Keynes's *Economic Consequences of the Peace* was published in 1919. - (A): Keynes's *General Theory of Employment, Interest and Money* was published in 1936. - (B): Mahalanobis became a fellow of Britain's Royal Society in 1945.

Quick Tip

Chronology: Adam Smith (1776) → Keynes (1919) → Keynes (1936) → Mahalanobis (1945).

8. If there is no government and no foreign trade, then:

- (1) $G = T = M = X > 1$
- (2) $G = T = M = X = 1$
- (3) $G = T = M = X = 0$
- (4) $G = T = M = X < 1$

Correct Answer: (3) $G = T = M = X = 0$.

Solution: - When there is no government ($G = 0$) and no foreign trade ($X = 0$), total taxation ($T = 0$) and monetary transactions related to trade ($M = 0$) are also zero.

Quick Tip

If both government and foreign trade are absent, assume all related values like G, T, M, X to be zero.

9. The value of Nominal GDP is \$1100 and the value of Real GDP is \$1000. Find the value of GDP deflator:

- (1) 0.9
- (2) 1.1
- (3) 1
- (4) 0.8

Correct Answer: (2) 1.1.

Solution: The GDP deflator is calculated as:

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}}$$

Substituting the values:

$$\text{GDP Deflator} = \frac{1100}{1000} = 1.1$$

Quick Tip

The GDP deflator measures the price level changes by dividing Nominal GDP by Real GDP. It indicates inflation or deflation.

10. Identify the correct statements:

- (A) Stocks are defined over a period of time.
- (B) Flows are defined over a period of time.
- (C) Flows are defined at a particular point of time.
- (D) Stocks are defined at a particular point of time.
- (E) $GVA \text{ at factor costs} + \text{Indirect Taxes} - \text{Subsidies} = GVA \text{ at market prices}$.

Choose the correct answer from the options given below:

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

Correct Answer: (3) (B), (D) and (E) only.

Solution: - (B): Correct. Flows, such as income and expenditure, are defined over a period of time. - (D): Correct. Stocks, such as wealth and capital, are measured at a specific point in time. - (E): Correct. The formula $GVA \text{ at factor costs} + \text{Indirect Taxes} - \text{Subsidies} = GVA \text{ at market prices}$ is accurate. - (A) and (C): Incorrect. The definitions provided are mixed up.

Quick Tip

Remember: Stocks are "snapshot values" at a point in time (e.g., wealth), while flows occur over a period (e.g., income).

11. If the supply of final goods is assumed to be infinitely elastic at constant price over a short period of time, Aggregate output is determined solely by the value of Aggregate

demand. This is called _____.

- (1) Aggregate supply
- (2) Aggregate demand
- (3) Effective demand
- (4) Perfectly inelastic demand

Correct Answer: (3) Effective demand.

Solution: In Keynesian economics, when the supply curve is infinitely elastic (horizontal), the aggregate output is determined solely by aggregate demand. This concept is referred to as the Principle of Effective Demand.

Quick Tip

Effective demand occurs when supply is perfectly elastic, making demand the sole determinant of aggregate output in the short run.

12. Nominal Interest Rate = _____

- (1) Real Interest Rate \times Inflation Rate
- (2) Real Interest Rate $-$ Inflation Rate
- (3) Real Interest Rate / Inflation Rate
- (4) Real Interest Rate $+$ Inflation Rate

Correct Answer: (4) Real Interest Rate + Inflation Rate.

Solution: The nominal interest rate is calculated as:

$$\text{Nominal Interest Rate} = \text{Real Interest Rate} + \text{Inflation Rate.}$$

This formula accounts for the purchasing power erosion caused by inflation.

Quick Tip

The Fisher Equation explains this relationship: $\text{Nominal Interest Rate} = \text{Real Interest Rate} + \text{Inflation Rate.}$

13. Value of MPS (Marginal Propensity to Save) is increased from 0.4 to 0.5. What would be the impact on Multiplier?

- (1) The size of the multiplier would be increased.
- (2) The size of the multiplier would remain the same.
- (3) Value of multiplier is undetermined with the given information.
- (4) The size of the multiplier would be decreased

Correct Answer: (4) The size of the multiplier would be decreased.

Solution: The Multiplier (k) is calculated as the reciprocal of the Marginal Propensity to Save (MPS):

$$k = \frac{1}{MPS}$$

If the MPS increases from 0.4 to 0.5, the value of the multiplier decreases, as the denominator becomes larger. Initially:

$$k_1 = \frac{1}{0.4} = 2.5$$

After the change:

$$k_2 = \frac{1}{0.5} = 2$$

Thus, the size of the multiplier decreases from 2.5 to 2.

Quick Tip

Remember: The multiplier k is inversely related to MPS. As MPS increases, the multiplier decreases.

14. Paradox of Thrift means:

- (1) If all the people of the economy increase the proportion of income they save, the total value of investment in the economy will not increase, it will either decline or remain unchanged.
- (2) If all the people of the economy increase the proportion of income they spend, the total value of savings in the economy will not increase, it will either decline or remain unchanged.
- (3) If all the people of the economy decrease the proportion of income they save, the total value of savings in the economy will not increase, it will either decline or remain unchanged.
- (4) If all the people of the economy increase the proportion of income they save, the total

value of savings in the economy will not increase, it will either decline or remain unchanged.

Correct Answer: (4).

Solution: The Paradox of Thrift occurs when individuals in an economy collectively decide to save more, leading to a decrease in aggregate demand and total income, which reduces total savings in the economy. This happens because the increased savings reduce consumption and thus reduce economic activity.

Quick Tip

Higher savings by everyone in the economy can paradoxically lower total savings due to reduced aggregate demand and income.

15. _____ depicts what has actually happened:

- (1) Ex-Ante
- (2) Ex-Post
- (3) Constant
- (4) Variable

Correct Answer: (2) Ex-Post.

Solution: - Ex-Post refers to the actual values or outcomes that have occurred in the past, as opposed to Ex-Ante, which refers to planned or anticipated values.

Quick Tip

Remember: Ex-Post is about historical outcomes, while Ex-Ante is about forecasts or intentions.

16. If the value of Investment Multiplier is 5 and the increased income is 800 crore in an economy, then find the value of change in the investment in the economy:

- (1) 4000 crore
- (2) 120 crore
- (3) 400 crore

(4) 160 crore

Correct Answer: (4) 160 crore.

Solution: The formula for the Investment Multiplier (k) is:

$$k = \frac{\Delta Y}{\Delta I}$$

Where: - $k = 5$ (Investment Multiplier) - $\Delta Y = 800$ crore (Increased income) - $\Delta I =$ Change in investment (to be found)

Rearranging the formula:

$$\Delta I = \frac{\Delta Y}{k} = \frac{800}{5} = 160 \text{ crore.}$$

Thus, the change in investment is 160 crore.

Quick Tip

To calculate investment change (ΔI), divide the increased income (ΔY) by the multiplier (k): $\Delta I = \frac{\Delta Y}{k}$.

17. Which of the following statements are true?

- (A) Quantitative tools control the extent of money supply by changing the CRR.
- (B) There are two types of open market operations – outright and upright.
- (C) A fall in the bank rate can decrease the money supply.
- (D) Selling of a bond by RBI leads to reduction in quantity of reserves.
- (E) The RBI can influence money supply by changing the rate at which it gives loan to the commercial banks.

Choose the correct answer from the options given below:

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

Correct Answer: (4) (A), (D) and (E) only.

Solution: - (A): Correct. Quantitative tools, such as CRR (Cash Reserve Ratio), are used to regulate the extent of money supply in the economy. - (B): Incorrect. Open market operations are divided into outright and repo/reverse repo, not "upright." - (C): Incorrect. A fall in the bank rate increases the money supply, as borrowing becomes cheaper. - (D): Correct. When the RBI sells bonds, it absorbs liquidity from the market, reducing the quantity of reserves in the banking system. - (E): Correct. The RBI can influence the money supply by changing the repo rate, which is the rate at which it lends to commercial banks.

Quick Tip

Remember: Selling bonds by the RBI reduces money supply, while lowering the bank rate or repo rate increases money supply.

18. Match List-I with List-II:

List-I	List-II
(A) Bank Rate	(I) Securities are pledged in order to repurchase
(B) Marginal Standing Facility	(II) Minimum rate at which funds are provided for long term
(C) Repo Rate	(III) Also known as Penal Interest Rate
(D) Reverse Repo Rate	(IV) Central Bank borrows funds from commercial banks

Choose the correct answer from the options given below:

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

Correct Answer: (2) (A) - (II), (B) - (III), (C) - (I), (D) - (IV).

Solution: - (A) Bank Rate: Minimum rate at which funds are provided for the long term (II).
- (B) Marginal Standing Facility: Penal interest rate for short-term borrowing by banks (III).

- (C) Repo Rate: Rate at which securities are pledged for repurchase agreements (I). - (D) Reverse Repo Rate: Rate at which the central bank borrows from commercial banks (IV).

Quick Tip

To match, recall: Bank Rate (long term), Repo (securities), Reverse Repo (central bank borrowing), MSF (penal interest).

19. Which of the following is *not* a function of Central Bank?

- (1) It controls the money supply in the economy through different rates.
- (2) It acts as a banker to the government.
- (3) It accepts deposits and gives loans to people.
- (4) It issues the currency of the country.

Correct Answer: (3).

Solution: The central bank does not accept deposits or give loans to individuals, as this is the role of commercial banks. It controls money supply, acts as a banker to the government, and issues currency.

Quick Tip

The Central Bank deals with macroeconomic policies, not retail banking functions like deposits or personal loans.

20. Article 112 deals with:

- (1) Consolidated Fund of India
- (2) Public Account
- (3) Union Budget
- (4) Contingency Fund

Correct Answer: (3) Union Budget.

Solution: Article 112 of the Indian Constitution refers to the Union Budget, which is an annual financial statement of estimated receipts and expenditures of the government.

Quick Tip

Remember: Article 112 is about the Union Budget, while Consolidated Fund and Contingency Fund are covered in Articles 266 and 267.

21. All those elements which create liability and decrease the assets of government are known as:

- (1) Capital Receipts
- (2) Capital Payments
- (3) Revenue Receipts
- (4) Revenue Payments

Correct Answer: (1) Capital Receipts.

Solution: Capital Receipts include borrowings and liabilities that create obligations for the government and decrease its net worth (e.g., loans, sale of assets).

Quick Tip

Capital Receipts are those that increase liability (like loans) or reduce assets (like disinvestment proceeds).

22. Arrange the following elements in correct chronological sequence (earliest to latest):

- (A) Smithsonian Agreement
- (B) Bretton Woods Conference
- (C) Establishment of WTO
- (D) Gold Standard

Choose the correct answer from the options given below:

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

Correct Answer: (2) (D), (B), (A), (C).

Solution: The correct chronological sequence is: - (D) Gold Standard: The gold standard system was prevalent before World War II, up until the 1930s. - (B) Bretton Woods Conference: Held in 1944, it established the Bretton Woods system and institutions like the IMF and World Bank. - (A) Smithsonian Agreement: Signed in 1971, it was an attempt to revise the Bretton Woods system. - (C) Establishment of WTO: The World Trade Organization (WTO) was established in 1995, replacing GATT.

Quick Tip

To remember the sequence: Gold Standard (1930s) → Bretton Woods (1944) → Smithsonian Agreement (1971) → WTO (1995).

23. Under flexible exchange rate, when the price of domestic currency in terms of foreign currency increases, it is called _____.

- (1) Depreciation of domestic currency
- (2) Appreciation of domestic currency
- (3) Devaluation of domestic currency
- (4) Revaluation of domestic currency

Correct Answer: (2) Appreciation of domestic currency.

Solution: Under a flexible exchange rate system, when the value of the domestic currency increases relative to a foreign currency, it is referred to as appreciation. This means fewer units of the domestic currency are required to purchase the same amount of foreign currency.

- Depreciation (Option 1): Occurs when the domestic currency loses value relative to foreign currency. - Devaluation (Option 3): Refers to a deliberate lowering of a currency's value under a fixed exchange rate system. - Revaluation (Option 4): Refers to a deliberate increase in currency value under a fixed exchange rate system.

Quick Tip

Appreciation happens when the value of the domestic currency rises in a flexible exchange rate system, while depreciation occurs when it falls.

24. Match List-I with List-II:

List-I	List-II
(A) Pegged exchange rate system	(I) Setting up of IMF and World Bank
(B) Managed floating	(II) Fixed exchange rate system
(C) Bretton Woods Conference	(III) Dirty floating
(D) Third element in BOP	(IV) Error and Omission Account

Choose the correct answer from the options given below:

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

Correct Answer: (2) (A) - (II), (B) - (III), (C) - (I), (D) - (IV).

Solution: - (A) Pegged exchange rate system - (II): A fixed exchange rate system where currency is pegged to another currency. - (B) Managed floating - (III): Also called "dirty floating," where exchange rates are influenced by central bank intervention. - (C) Bretton Woods Conference - (I): Led to the establishment of IMF and World Bank. - (D) Third element in BOP - (IV): Error and omission account balances discrepancies in Balance of Payments.

Quick Tip

Match carefully: Pegged = Fixed (II), Managed = Dirty Floating (III), Bretton Woods = IMF/World Bank (I), Third element = Errors (IV).

25. Casualization of workforce would result in:

- (1) Decrease in the vulnerability of the workforce.

- (2) Increase in the vulnerability of the workforce.
- (3) Increase in the number of regular workers.
- (4) Income and employment stability.

Correct Answer: (2) Increase in the vulnerability of the workforce.

Solution: Casualization refers to the increase in temporary or casual employment, leading to reduced job security, fewer benefits, and increased vulnerability of the workforce.

Quick Tip

Casualization increases workforce insecurity, unlike regular employment which ensures income stability.

26. Choose the correct chronological sequence in ascending order (earliest to latest):

- (A) Establishment of NABARD
- (B) FRBMA (Fiscal Responsibility and Budget Management Act)
- (C) Third Five Year Plan
- (D) Nationalization of RBI

Choose the correct answer from the options given below:

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

Correct Answer: (4) (D), (C), (A), (B).

Solution: The correct chronological order is as follows: - (D) Nationalization of RBI: 1949 - (C) Third Five Year Plan: 1961-1966 - (A) Establishment of NABARD: 1982 - (B) FRBMA (Fiscal Responsibility and Budget Management Act): 2003

Quick Tip

To remember the sequence: RBI Nationalization (1949) → Third Plan (1961) → NABARD (1982) → FRBMA (2003).

27. _____ implies that resource extraction is not above the rate of regeneration of resources and the wastes generated are within the assimilating capacity of the environment.

- (1) Absorptive capacity
- (2) Carrying capacity
- (3) Subsistence capacity
- (4) Exhaustive capacity

Correct Answer: (2) Carrying capacity.

Solution: Carrying capacity refers to the maximum rate at which resources can be used without exceeding their rate of regeneration and without surpassing the environment's capacity to absorb wastes.

Quick Tip

Carrying capacity ensures sustainable use of resources and waste assimilation within environmental limits.

28. Government of India enacted the Right to Education Act in 2009 to make free education a Fundamental Right of all children in the age group of _____ years.

- (1) 4 – 10
- (2) 6 – 12
- (3) 6 – 14
- (4) 8 – 15

Correct Answer: (3) 6 – 14.

Solution: The Right to Education Act (2009) ensures free and compulsory education as a

Fundamental Right for children aged between 6 and 14 years in India.

Quick Tip

RTE Act focuses on ensuring education for children aged 6–14 years as a Fundamental Right under Article 21A.

29. Following are the sources of electricity generation in India. Arrange them in correct sequence on the basis of total power generation capacity (higher to lower):

- (A) Nuclear
- (B) Thermal
- (C) New and renewable energy
- (D) Hydro

Choose the correct answer from the options given below:

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

Correct Answer: (4) (B), (D), (C), (A).

Solution: The correct order of electricity generation capacity in India is: - (B) Thermal: Largest contributor. - (D) Hydro: Second-largest contributor. - (C) New and renewable energy: Third-largest contributor. - (A) Nuclear: Smallest contributor.

Quick Tip

Thermal power is the largest contributor to electricity in India, followed by hydro, renewable energy, and nuclear power.

30. Arrange the following items in correct sequence:

- (A) Competition Act
- (B) FEMA

(C) FERA

(D) MRTP

Choose the correct answer from the options given below:

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

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

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

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

Correct Answer: (3) (D), (C), (B), (A).

Solution: The chronological sequence is: - (D) MRTP (1969): Monopoly and Restrictive Trade Practices Act. - (C) FERA (1973): Foreign Exchange Regulation Act. - (B) FEMA (1999): Foreign Exchange Management Act. - (A) Competition Act (2002).

Quick Tip

Chronology: MRTP (1969) → FERA (1973) → FEMA (1999) → Competition Act (2002).

31. The Great Leap Forward (GLF) campaign was initiated in

(1) 1948

(2) 1938

(3) 1958

(4) 1942

Correct Answer: (3) 1958.

Solution: The Great Leap Forward was a social and economic campaign initiated in 1958 by the Communist Party of China under Mao Zedong to rapidly industrialize and collectivize agriculture.

Quick Tip

GLF (1958) aimed for rapid industrialization and collectivization in China under Mao Zedong.

32. Match List-I with List-II:

List-I	List-II
(A) Great Leap Forward	(I) Protecting the future generation
(B) Mao Zedong	(II) Aimed at industrialising the country on a massive scale
(C) Brundtland Commission	(III) Introduced the Great Proletarian Cultural Revolution
(D) Our Common Future	(IV) Seminal Report that explained sustainable development as meeting the basic needs of all for a better life

Choose the correct answer from the options given below:

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

Correct Answer: (2) (A) - (II), (B) - (III), (C) - (I), (D) - (IV).

Solution: - (A) Great Leap Forward - (II): The Great Leap Forward aimed at industrializing China on a massive scale. - (B) Mao Zedong - (III): Mao Zedong introduced the Great Proletarian Cultural Revolution. - (C) Brundtland Commission - (I): Focused on protecting future generations through sustainable development. - (D) Our Common Future - (IV): A seminal report explaining sustainable development.

Quick Tip

Key associations: GLF = Industrialization (II), Mao = Cultural Revolution (III), Brundtland = Future generations (I), Our Common Future = Sustainability (IV).

33. Second phase of Green Revolution is termed from:

- (1) mid 1960s to mid 1970s
- (2) mid 1970s to mid 1980s
- (3) mid 1950s to mid 1960s
- (4) mid 1980s to mid 1990s

Correct Answer: (2) mid 1970s to mid 1980s.

Solution: The second phase of the Green Revolution in India focused on technological advancements and diversification in agriculture, occurring between the mid-1970s to mid-1980s.

Quick Tip

The first phase of the Green Revolution focused on wheat (1960s), while the second phase focused on wider crop diversification (1970s–1980s).

34. During 1980s, the growth rate in Pakistan improved on account of which of the following reasons?

- (1) Institutionalised process of technical change
- (2) A good harvest
- (3) Sustainable export of manufactured goods
- (4) High amount of foreign direct investment inflow

Correct Answer: (2) A good harvest.

Solution: During the 1980s, Pakistan's economic growth was driven primarily by improved agricultural performance due to favorable weather conditions and a good harvest.

Quick Tip

Agriculture played a key role in Pakistan's growth in the 1980s, supported by favorable weather and increased harvests.

35. When there is unexpected rise in the sales -----.

- (1) Aggregate demand would decline.
- (2) There will be unplanned accumulation of inventories.
- (3) There will be unplanned decumulation of inventories.
- (4) Normal profit would be lower.

Correct Answer: (3) There will be unplanned decumulation of inventories.

Solution: When sales unexpectedly rise, inventories decrease faster than planned, leading to an unplanned decumulation of inventories.

Quick Tip

Unexpected sales increase leads to inventory decumulation; unexpected sales decline leads to inventory accumulation.

36. During festive season, the currency deposit ratio -----.

- (1) decreases
- (2) increases
- (3) has no impact on it
- (4) first decreases then increases

Correct Answer: (2) increases.

Solution: During festive seasons, people tend to withdraw more cash for spending, leading to an increase in the currency deposit ratio (the ratio of currency held by the public to deposits in banks).

Quick Tip

During festive seasons, increased cash withdrawals for spending result in a higher currency deposit ratio.

37. European Monetary Union was created in -----.

- (1) 1996
- (2) 1994
- (3) 1999
- (4) 2002

Correct Answer: (3) 1999.

Solution: The European Monetary Union (EMU), which introduced the euro as a common currency, was officially created in 1999. However, the physical euro notes and coins were introduced later in 2002.

Quick Tip

The EMU's establishment in 1999 marked the introduction of the euro for non-cash transactions, while physical euros were introduced in 2002.

38. Identify the correct statement in the context of Circular Flow of Income in a two-sector economy:

- (1) Household receives factor services from firms.
- (2) Household invests while firm saves.
- (3) Firms produce goods and services.
- (4) Household supplies factor services to Government.

Correct Answer: (3) Firms produce goods and services.

Solution: In a two-sector economy (households and firms): - Households provide factor services (labor, land, capital) to firms. - Firms produce goods and services using the factors of production. - Options (1) and (4) involve incorrect relationships, as households provide

services to firms, not receive them, and there is no government in a two-sector economy. - (2) is incorrect because households save, while firms invest.

Quick Tip

In a two-sector economy: Households provide factors of production, and firms produce goods and services.

39. Identify the correct set of statements:

- (A) Ex Ante Saving represents what is actually planned to save.
- (B) Ex Post Saving represents what is actually planned to save.
- (C) Ex Post Saving depicts what has actually happened.
- (D) Ex Ante Post Saving represents what is actually saved.

Choose the correct answer from the options given below:

- (1) (A) and (D) only
- (2) (A) and (C) only
- (3) (B) and (D) only
- (4) (C) and (D) only

Correct Answer: (2) (A) and (C) only.

Solution: - (A): Correct. Ex Ante Saving refers to the planned or intended savings by households or firms. - (B): Incorrect. Ex Post Saving does not involve planning; it reflects actual savings. - (C): Correct. Ex Post Saving represents the actual amount saved after economic activities have occurred. - (D): Incorrect. The term "Ex Ante Post Saving" is not valid.

Quick Tip

Ex Ante refers to planned behavior, while Ex Post reflects actual outcomes.

40. Match List-I with List-II:

List-I (Elements)	List-II (Features)
(A) Annual Financial Statement	(I) Create liabilities or reduce financial assets
(B) Capital Receipts	(II) Trade surplus
(C) Capital Payment	(III) Main budget document
(D) Export > Import	(IV) Create financial assets or reduce liabilities

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

Correct Answer: (2) (A) - (III), (B) - (I), (C) - (IV), (D) - (II).

Solution: - (A) Annual Financial Statement - (III): It is the main budget document that provides details of the government's financial plan for the year. - (B) Capital Receipts - (I): These create liabilities (e.g., borrowings) or reduce financial assets (e.g., sale of public assets). - (C) Capital Payment - (IV): These involve creating financial assets (e.g., infrastructure investment) or reducing liabilities (e.g., repayment of loans). - (D) Export > Import - (II): This indicates a trade surplus when the value of exports exceeds imports.

Quick Tip

To match: - Annual Financial Statement = Main budget document, - Capital Receipts = Liabilities or reduced assets, - Capital Payments = Assets or reduced liabilities, - Export > Import = Trade surplus.

Read the following passage and answer the next five questions :

In our quest to increase agricultural production during the last five decades or so, we almost totally neglected the use of compost and completely switched over to chemical fertilizers. The result is that large tracts of productive land have been adversely affected, water bodies including ground water system have suffered due to chemical contamination and demand for

irrigation has been going up year after year. Farmers, in large numbers all over the country, have again started using compost made from organic wastes of different types. In certain parts of the country, cattle are maintained only because they produce dung which is an important fertilizer and soil conditioner.

Earthworms can convert organic matter into compost faster than the normal composting process. This process is now being widely used. Indirectly, the civic authorities are benefitted too as they have to dispose reduced quantity of waste.

41. How is civic authority getting benefitted due to biocomposting?

- (1) They have to dispose increased quantity of waste.
- (2) They don't have to dispose any waste.
- (3) Because civic authority has no role in waste management.
- (4) They have to dispose reduced quantity of waste.

Correct Answer: (4) They have to dispose reduced quantity of waste.

Solution: The passage mentions that biocomposting reduces the quantity of waste that needs to be disposed of. This indirectly benefits civic authorities by lowering their waste management burden.

Quick Tip

Biocomposting reduces waste, which helps civic authorities in managing lower quantities of waste effectively.

42. Choose the correct statement concerned with the passage:

- (1) Earthworm takes equal time to convert organic matter into compost with respect to normal composting process.
- (2) Earthworm takes more time to convert organic matter into compost with respect to normal composting process.
- (3) Earthworm takes less time to convert organic matter into compost with respect to normal composting process.
- (4) Comparison between earthworm-based composting and normal composting cannot be made.

Correct Answer: (3) Earthworm takes less time to convert organic matter into compost with respect to normal composting process.

Solution: The passage clearly states that earthworms can convert organic matter into compost faster than the normal composting process.

Quick Tip

Earthworm-based composting is quicker than normal composting and helps produce compost faster.

43. Water bodies including ground water system have suffered due to:

- (1) Biocomposting
- (2) Chemical contamination and increased demand for irrigation
- (3) Organic farming
- (4) Increased fertility of land

Correct Answer: (2) Chemical contamination and increased demand for irrigation.

Solution: The passage states that due to the extensive use of chemical fertilizers, water bodies, including groundwater, have suffered from chemical contamination. Additionally, the demand for irrigation has increased over the years, exacerbating the issue.

Quick Tip

Excessive use of chemical fertilizers negatively impacts water bodies through contamination and increased irrigation demand.

44. In certain parts of the country, cattle are maintained only because they -----.

- (1) Produce milk to increase income of farmers
- (2) Produce dung which is an important fertilizer and soil conditioner
- (3) Work as insect repellants
- (4) Are a symbol of traditional ethics and values

Correct Answer: (2) Produce dung which is an important fertilizer and soil conditioner.

Solution: The passage explicitly mentions that in certain parts of the country, cattle are maintained primarily for the production of dung, which serves as a valuable fertilizer and soil conditioner.

Quick Tip

Dung from cattle is used as a natural fertilizer, helping improve soil quality and fertility.

45. What should be the suitable title for the above passage?

- (1) Biocomposting
- (2) Biopest Control
- (3) Traditional Knowledge and Practice
- (4) Uses of Chemical Fertilizers

Correct Answer: (1) Biocomposting.

Solution: The passage primarily discusses biocomposting, focusing on the use of organic waste, the role of earthworms, and the benefits of compost as a natural fertilizer over chemical fertilizers.

Quick Tip

The key theme of the passage is biocomposting, emphasizing its environmental and agricultural benefits.

Read the following passage and answer the next five questions.

India had an independent economy before the advent of the British rule. Though agriculture was the main source of livelihood for most people, yet, the country's economy was characterised by various kinds of manufacturing activities. India was particularly well known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works etc. These products enjoyed a worldwide market based on the reputation of the fine quality of material used and the high standards of craftsmanship seen in all imports from India. The economic policies pursued by the colonial government in India were concerned more

with the protection and promotion of the economic interests of their home country than with the development of the Indian economy. Such policies brought about a fundamental change in the structure of the Indian economy — transforming the country into a supplier of raw materials and consumer of finished industrial products from Britain. Obviously, the colonial government never made any sincere attempt to estimate India's national and per capita income. Some individual attempts which were made to measure such incomes yielded conflicting and inconsistent results. Among the notable estimators — Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao and R.C. Desai — it was Rao, whose estimates during the colonial period were considered very significant. However, most studies did find that the country's growth of aggregate real output during the first half of the twentieth century was less than two per cent coupled with a meagre half per cent growth in per capita output per year.

46. Before the British rule, India was well known for which manufacturing industries' products?

- (1) Cotton and Silk or Khadi textiles
- (2) Cotton and Engineering products
- (3) Cotton and Silk textiles, metal and precious stones, etc.
- (4) Engineering goods and precious metals

Correct Answer: (3) Cotton and Silk textiles, metal and precious stones, etc.

Solution: The passage highlights that before British rule, India was well known for its handicraft industries, especially in cotton and silk textiles, as well as metal and precious stone works. These industries were renowned worldwide for their quality and craftsmanship.

Quick Tip

India's pre-colonial economy was characterized by its world-famous handicrafts, particularly in textiles and precious materials.

47. What kind of interests was the colonial government concerned with in the economic policy for Indian industries?

- (1) To promote the handicraft industries of India

- (2) Promote and protect small scale industries of India
- (3) Protect and promote the economic interests of Indian industry along with their home country
- (4) Provide protection and promotion of the economic interests of their home country

Correct Answer: (4) Provide protection and promotion of the economic interests of their home country.

Solution: The passage mentions that the colonial government prioritized the protection and promotion of the economic interests of their home country (Britain) rather than fostering the development of Indian industries.

Quick Tip

Colonial policies transformed India into a supplier of raw materials and a market for British finished goods.

48. Choose the economists who estimated India's National Income and Per Capita Income.

- (1) Dadabhai Naoroji, William Digby, Bernier, V.K.R.V. Rao, and R.C. Desai
- (2) Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai
- (3) Dadabhai Naoroji, Jagdish Bhagwati, V.K.R.V. Rao, and R.C. Desai
- (4) Dadabhai Naoroji, Findlay Shirras, and V.K.R.V. Rao

Correct Answer: (2) Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai.

Solution: The passage lists Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai as notable economists who attempted to estimate India's national and per capita income during the colonial period.

Quick Tip

Remember the significant contributors: Dadabhai Naoroji, Digby, Shirras, Rao, and Desai.

49. What was the country's growth of aggregate real output during the first half of the 20th century?

- (1) The country's growth of aggregate real output was less than two percent coupled with a meagre one percent growth in per capita output per year.
- (2) The country's growth of aggregate real output was less than two percent coupled with a meagre one and a half percent growth in per capita output per year.
- (3) The country's growth of aggregate real output was less than two and a half percent coupled with a meagre half percent growth in per capita output per year.
- (4) The country's growth of aggregate real output was less than two percent coupled with a meagre half percent growth in per capita output per year.

Correct Answer: (4) The country's growth of aggregate real output was less than two percent coupled with a meagre half percent growth in per capita output per year.

Solution: The passage states that during the first half of the 20th century, India's aggregate real output grew by less than two percent, while per capita output grew by a meagre half percent per year.

Quick Tip

The colonial economy had stagnant growth: less than 2

50. According to the passage, which of the following statement was true about Indian industries' products?

- (1) Indian products were of inferior quality and cheap in the worldwide market.
- (2) Indian products were promoted by the colonial government and competed with other countries' markets also.
- (3) Indian products enjoyed a worldwide market based on quality of material used and the high standard of craftsmanship.
- (4) Indian products' raw material for primary goods was imported from the other countries and it helped to increase export.

Correct Answer: (3) Indian products enjoyed a worldwide market based on quality of material used and the high standard of craftsmanship.

Solution: The passage emphasizes that Indian products were renowned for their fine quality of materials and high standards of craftsmanship, which made them popular in worldwide markets before British colonization.

Quick Tip

Pre-colonial India's handicraft industries were globally recognized for their superior craftsmanship and material quality.
